SOUTH AFRICAN POLICE SERVICE MEDICAL SCHEME (POLMED)
(Registration number: 374)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

South African Police Service Medical Scheme (POLMED)
(Registration number: 374)
Annual Financial Statements for the year ended 31 December 2023

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation and fair presentation of the Annual Financial Statements of South African Police Service Medical Scheme ("the Scheme"), comprising the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with IFRS® Accounting Standards ("IFRS"), and in the manner required by the Medical Schemes Act, No. 131 of 1998, as amended.

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

The administration of the Scheme has been outsourced to an accredited medical scheme administrator, Medscheme Holdings (Pty) Ltd ("the Administrator").

The Trustees are satisfied that the information contained in the Annual Financial Statements fairly presents the results of the operations for the year and the financial position of the Scheme at year-end.

The Trustees are responsible for ensuring that proper accounting records are kept and maintained by the Scheme and the Administrator. The accounting records disclose with reasonable accuracy the financial position of the Scheme, which enables the Trustees to ensure that the Annual Financial Statements comply with the relevant legislation.

The Trustees of the Scheme are responsible for the controls over, and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to members and to Council for Medical Schemes.

The Scheme operates in an adequate 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 controlled.

The Scheme's external auditor, PricewaterhouseCoopers Inc., is responsible for auditing the Annual Financial Statements in terms of International Standards on Auditing, and reporting on the fair presentation of the Annual Financial Statements. Their report is presented on pages 20 - 23.

The going concern basis has been adopted in preparing the Annual Financial Statements. The Trustees have no reason to believe that the Scheme will not be a going concern, based on forecasts, the solvency ratio and available cash resources. These Annual Financial Statements support the viability of the Scheme.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements of the Scheme were approved by the Board of Trustees on 7 June 2024 and were signed on its behalf by:

ST NKOSI **CHAIRPERSON**	**PA MABOTJA** **DEPUTY CHAIRPERSON**	**N KHAUOE** **PRINCIPAL OFFICER**
7 June 2024	7 June 2024	7 June 2024

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

The Scheme is committed to the principles and practices of responsibility, accountability, fairness and transparency in all dealings with its stakeholders. Fifty percent of the Trustees are elected by members of the Scheme, whilst another fifty percent are designated by the employer.

BOARD OF TRUSTEES

The Board of Trustees meet quarterly or when required to discuss matters of policy, strategy, risk and performance.

The Board of Trustees has access to the advice and services of the Principal Officer and the Executives and may seek independent professional advice at the expense of the Scheme to assist them in their duties.

The Board of Trustees has adhered to all relevant provisions of the Medical Schemes Act.

BOARD EVALUATION

In 2023, an independent service provider conducted an evaluation of the Board. While the evaluation outcome identified areas of improvement, it ranked the Board's skills, expertise, fitness and effectiveness above the industry norm.

INTERNAL CONTROL

The Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the Annual Financial Statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties. A formal internal audit function exists at the Scheme and the Administrator, with regular reporting to the Audit and Risk Committee.

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

The Scheme received three enquiries in terms of Section 43 of the Medical Schemes Act, No. 131 of 1998, as amended, in the 2021 financial year-end, with regards to the following matters:

- the proceedings of the 2021 annual general meeting;
- the property purchased in the name of the former subsidiary, Polmed Property Investment (Pty) Ltd, which was subsequently purchased by the Scheme; and
- the purchase of multivitamins for members.

The above investigations are ongoing and no rulings were made during the 2023 financial year-end nor as at the date of this report.

RISK MANAGEMENT

The Board is ultimately accountable for the complete process of risk management within the Scheme. The Board may elect to fulfil some of its functions through delegation to committees and the Principal Officer. The Combined assurance universe of the Scheme includes the Audit and Risk Committee, the Risk Steering Committee, the Principal Officer, Scheme Management, third party service providers and Independent Assurance Providers.

Risks are reviewed and identified annually and appropriate strategies are implemented. These strategic actions are monitored on a monthly basis.

The Scheme adopted a risk framework and maintains a risk register for all identified strategic and operational risks. These are monitored on an ongoing basis by Management, Risk Steering Committee, Combined Assurance Committee, Audit and Risk Committee and the Board of Trustees.

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES (continued)

RISK MANAGEMENT (continued)

The internal audit function was outsourced to PKF (VGA) Advisory Services (Pty) Ltd and AfroCentric Internal Audit during the period under review. The internal auditors report to the Audit and Risk Committee.

APPROVAL OF THE STATEMENT OF CORPORATE GOVERNANCE

The statement of corporate governance was approved by the Board of Trustees on 7 June 2024 and was signed on its behalf by:

ST NKOSI **CHAIRPERSON**	**PA MABOTJA** **DEPUTY CHAIRPERSON**	**N KHAUOE** **PRINCIPAL OFFICER**
7 June 2024	7 June 2024	7 June 2024

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2023

1 ORGANISATIONAL OVERVIEW

1.1 Terms of registration

South African Police Service Medical Scheme (POLMED) ("the Scheme") is a "not for profit restricted medical scheme", registered in terms of the Medical Schemes Act of South Africa, No 131 of 1998, as amended (the "Act") under registration number 374.

1.2 Benefit options within the Scheme

The Scheme offers two benefit options to the employees of the South African Police Service ("SAPS"), both without a savings component. These are:

- Marine Plan; and
- Aquarium Plan.

1.3 Risk transfer arrangement

During the year under review, the Scheme had a risk transfer arrangement with Scriptpharm Risk Management (Pty) Ltd ("Scriptpharm"). Afrocentric Health (Pty) Ltd holds a majority shareholding in Scriptpharm Risk Management (Pty) Ltd.

Scriptpharm Risk Management (Pty) Ltd (Scriptpharm)

Scriptpharm provides chronic medication to both plans.

The nature, terms and conditions of the Scheme's risk transfer arrangement with Scriptpharm, including the results of the agreement thereof, is set out in note 13 of the Annual Financial Statements.

2 MANAGEMENT

2.1 Board of Trustees in office during the year under review

Employer-designated	**Appointment date**	**Termination date**	**Resides**
ST Nkosi (Chairperson)	01 August 2021	26 July 2026	Gauteng
Z Skade	18 January 2021	17 January 2024	Eastern Cape
SJ Kwena	01 August 2021	31 July 2026	North West
HK Senthumule	01 August 2021	10 January 2023	Gauteng
PP Dimpane	01 June 2022	31 May 2027	Gauteng
BP Temba	08 July 2022	7 July 2027	Gauteng
SW Chamane	11 January 2023	10 January 2028	Gauteng
RP Ntsime	22 October 2023	21 October 2028	Gauteng
Member-elected			
AJ Gerber	16 September 2021	AGM 2026	Western Cape
MV Kwetepane	16 September 2021	AGM 2026	Limpopo
JT Lusenga	13 July 2023	AGM 2028	Gauteng
PA Mabotja	13 July 2023	AGM 2028	Limpopo
IN Molefe	13 July 2023	AGM 2028	KwaZulu-Natal
LN Ngembe	13 July 2023	AGM 2028	KwaZulu-Natal
R Steyn	13 July 2023	AGM 2028	Western Cape
KL Moeng	03 December 2020	13 July 2023	Northern Cape
BSJ Muller	03 December 2020	13 July 2023	Mpumalanga
TNL Ngwenya	03 December 2020	13 July 2023	Mpumalanga
MV Phiyega	03 December 2020	13 July 2023	Gauteng

The Employer-designated member, RP Ntsime, was re-appointed on 22 October 2023.

Subsequent to year-end, the term of the Employer-designated member, Z Skade, ended on 17 January 2024.
Z Skade was re-designated as at of 14 March 2024 for a period of 5 years.

2 MANAGEMENT (continued)

2.2 Principal Officer

N Khauoe

Crestway Office Park
Block A
20 Hotel Street
Persequor Park
Lynnwood
0081

PO Box 14812
Hatfield
Pretoria
0028

2.3 Registered office address and postal address of the Scheme

Crestway Office Park
Block A
20 Hotel Street
Persequor Park
Lynnwood
0081

PO Box 14812
Hatfield
Pretoria
0028

3 KEY SERVICE PROVIDERS

3.1 Medical scheme administrator during the year

Medscheme Holdings (Pty) Ltd

37 Conrad Street
Florida North
Johannesburg
1709

PO Box 1101
Florida Glen
1708

Accreditation number: 21

3.2 Managed care provider during the year

3.2.1 Medscheme Holdings (Pty) Ltd

The Boulevard
Buildings F & G
Searle Street
Woodstock
7925

PO Box 38632
Pinelands
7430

Accreditation number: MCO53

3 KEY SERVICE PROVIDERS (continued)

3.3 Investment managers during the year

3.3.1 ALUWANI Capital Partners (Pty) Ltd

EPPF Office Park	Postnet Suite 8
24 Georgian Crescent East	Private Bag X75
Bryanston East	Bryanston
Johannesburg	2021
2152	

Financial Service Provider Number: 46196

3.3.2 Ashburton Fund Managers (Pty) Ltd

3 Merchant Place	PO Box 782027
1 Fredman Drive	Sandton
Sandown	2146
Sandton	
2196	

Financial Service Provider Number: 40169

3.3.3 Mergence Investment Managers (Pty) Ltd

2nd Floor	PO Box 8275
Cape Town Cruise Terminal	Rogebaai
Duncan Road	Cape Town
V&A Waterfront	8012
Cape Town	
8001	

Financial Service Provider Number: 16134

3.3.4 Mianzo Asset Management (Pty) Ltd

The Forum	PO Box 1210
EG01 Vesta House	Milnerton
Northbank Lane	7435
Century City	
7441	

Financial Service Provider Number: 43114

3.3.5 Perpetua Investment Managers (Pty) Ltd

5th Floor	PO Box 44367
The Citadel	Claremont
15 Cavendish Street	Cape Town
Claremont	7735
Cape Town	
7708	

Financial Service Provider Number: 29977

3 KEY SERVICE PROVIDERS (continued)

3.3 Investment managers during the year (continued)

3.3.6 Sanlam Investment Managers (Pty) Ltd

55 Willie van Schoor Avenue	Private Bag X8
Bellville	Tyger Valley
Cape Town	Cape Town
7530	7536

Financial Service Provider Number: 579

3.3.7 STANLIB Asset Management Ltd

17 Melrose Arch Boulevard	PO Box 203
Melrose Arch	Melrose Arch
Johannesburg	Johannesburg
2196	2076

Financial Service Provider Number: 719

3.3.8 Taquanta Asset Managers (Pty) Ltd

5th Floor	PO Box 23540
Draper on Main	Claremont
47 Main Road	Cape Town
Claremont	7735
Cape Town	
7708	

Financial Service Provider Number: 618

3.3.9 Umthombo Wealth (Pty) Ltd

Suite 14	Postnet Suite 111
2nd Floor Katherine and West Building	Private Bag 9976
114 West Street	Sandton City
Sandton	2146
2196	

Financial Service Provider Number: 44802

3.3.10 RH Managers (Pty) Ltd

Unit 12, 1st floor	Unit 12, 1st floor
1 Melrose Boulevard	1 Melrose Boulevard
Melrose Arch	Melrose Arch
Johannesburg	Johannesburg
2191	2191

Financial Service Provider Number: 44811

3.3.11 Aeon Investment Management (Pty) Ltd

4th Floor, The Citadel	PO Box 24020
15 Cavendish Street	Claremont
Claremont	7735
Cape Town	
7708	

Financial Service Provider Number: 27126

3 KEY SERVICE PROVIDERS (continued)

3.4 Investment consultant during the year

Independent Actuaries & Consultants (Pty) Ltd	
6th Floor	P.O. Box 1172
Wale Street Chambers	Cape Town
38 Wale Street	8000
Cape Town	
8001	

Financial Service Provider Number: 6832

3.5 Actuarial services during the year

Insight Actuaries & Consultants (Pty) Ltd	
2nd Floor	Private Bag X17
Gateway West	Halfway House
22 Magwa Crescent	1685
Waterval City	
Midrand	
2066	

3.6 Independent Internal Auditor

3.6.1

PKF (VGA) Advisory Services (Pty) Ltd	
PFK Building	PO Box 2690
89 Nelson Mandela Avenue	Alberton
Corner Sangiro Close	1450
Randhart	
Alberton	
1449	

3.6.2

Afrocentric Health (RF) (Pty) Ltd	
37 Conrad Street	PO Box 1101
Florida North	Florida Glen
Johannesburg	1708
1709	

3.7 Independent External Auditor

PricewaterhouseCoopers Inc.	
4 Lisbon Lane	Private Bag X36
Waterfall City	Sunninghill
Jukskei View	2157
2090	

4 INVESTMENT POLICY OF THE SCHEME

The Scheme’s investments are subject to Regulation 30 of the Medical Schemes Act, read with Annexure B. The Scheme’s investment strategy complies with these regulations. The investment strategy and Investment Policy Statement were reviewed and approved by the Board of Trustees during the financial year.

4 INVESTMENT POLICY OF THE SCHEME (continued)

The Board of Trustees ensures that:
- the Scheme remains liquid;
- capital is preserved as far as possible; and
- the best possible rate of return is achieved for the determined tolerance to risk and that investments made are in compliance with the regulations of the Act.

The Scheme invested in money-market, listed equities, private equity, bonds, unit trusts and cash and cash equivalents during the year under review. The investment consultant's primary mandate was to ensure value retention and growth within the prevailing legislative constraints. The investment portfolio is managed through an Investment Policy Statement and Asset Manager mandates with oversight by the Investment Committee and the Board of Trustees.

5 MANAGEMENT OF INSURANCE RISK

The primary insurance risk carried by the Scheme is the risk of loss related to the health of the Scheme's members and their dependants. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and investment activities.

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for the transactions which involve pricing guidelines, pre-authorising and case management, service provider profiling, centralised management of the risk transfer arrangement as well as the monitoring of emerging issues. Certain risks are mitigated by entering into risk transfer arrangements. The Scheme ensures that these risks are managed in a manner consistent with the governance universe of medical schemes.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analysis, scenario analysis and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The prioritisation of risk is based on the frequency and severity of impact on claims where the claims are greater than contributions or erode on reserves.

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.

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

The strategy is set out in the annual business plan, which specifies the benefits to be provided by each option, the preferred target market and demographic split thereof. Benefits and associated contributions are calculated taking into account the Scheme's risk concentrations, changes in utilisation based on historical data and inflationary increases.

6 REVIEW OF THE SCHEME'S OPERATIONS DURING THE YEAR

6.1 Results of operations

The results of the Scheme are set out on pages 24 to 81 of the Annual Financial Statements. The Board of Trustees believe that the Annual Financial Statements fairly present the financial affairs of the Scheme for the year ended 31 December 2023.

6 REVIEW OF THE SCHEME'S OPERATIONS DURING THE YEAR (continued)

6.2 Insurance service result

For the year ended 31 December 2023, at a Scheme level, the insurance service result was reported at a deficit of R900,794,192 (2022 : R1,150,811,539), after taking into account the amounts attributable to future members. In respect of the Marine plan, the insurance service result was reported at a deficit of R482,860,115 (2022 : R669,324,873) whilst the Aquarium plan reported an insurance service result deficit of R417,934,077 (2022 : R481,486,666).

The Scheme realised negative insurance service results at a consolidated and at an option level, after taking into account the amounts attributable to future members. The current year's overall insurance service results deficit decreased by 21.73% as compared to the prior year. The insurance service results are 1420.88% unfavorable compared to budget. The solvency ratio has increased from 70.73% in the prior year to 80.54% in the current year. The solvency ratio, in respect of the period under review, of 80.54% is substantially above the prescribed minimum solvency level of 25%.

In terms of Section 37(2) to the Medical Schemes Act 131, No. of 1998, as amended, the Scheme has disclosed the benefits option results in note 31 of the Annual Financial Statements without the inclusion of the amounts attributable to future members in the insurance service expense, to allow members to gain an understanding of the annum's results. For the year ended 31 December 2023, at a Scheme level, the insurance service result was reported at a surplus of R690,220,881 (2022 : R1,252,445,302).

6.3 Liability to future members

The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the Statement of Changes in Reserves. The classification of the Scheme as a mutual entity resulted in the Scheme not having a Statement of Changes in Reserves beyond the opening statement in its financial statements, as any remaining net assets (representing the most residual interest) would be due to the members of the Scheme and would be distributed to the members in the event of the Scheme's liquidation.

6.4 Liability for incurred claims

The basis for the calculation of the liability for incurred claims is detailed in note 9 of the Annual Financial Statements. In calculating an appropriate liability for incurred claims, the actuaries considered the provision suggested by the traditional Chain Ladder (CL) method; the Bornhuetter-Ferguson (BF) method and the Health Monitor model (Insight in-house stochastic risk management model), and compared the results to arrive at an appropriate provision. The BF method was used to estimate the liability for incurred claims at year-end.

In accordance with IFRS17, estimates of the liability for incurred claims were not based on claims data processed after the year-end reporting date. Rather, the liability for incurred claims is based on cash flows within the coverage period, and is presented along with an adjustment for non-financial risk. The non-financial risk adjustment compensates the entity for uncertainty in the timing and amount of outstanding claims. The risk adjustment is based on a Bootstrapping model developed by the Scheme's actuaries and is set with a 75% confidence level.

Movements in the liability for incurred claims as well as changes in assumptions and sensitivity to changes in key variables are also set out in note 9 of the Annual Financial Statements. There are no unusual movements to be brought to the attention of the members of the Scheme.

6.5 Actuarial services

The Scheme's actuaries calculated the liability for incurred claims (LIC) and the non-financial risk adjustment and have been consulted in the determination of contribution and benefit levels.

6.6 Administration services

Medscheme Holdings (Pty) Ltd was appointed as the administrator effective 01 January 2022 until 31 December 2026. The administration fee is calculated monthly based on principal member count and therefore fluctuations can be expected.

6.7 Related party transactions

Refer to related party disclosures in note 23 of the Annual Financial Statements.

6 REVIEW OF THE SCHEME'S OPERATIONS DURING THE YEAR (continued)

6.8 Solvency ratio

In terms of Regulation 29(2) of the Act, a solvency ratio, which is calculated as accumulated funds (excluding unrealised gains) divided by total contributions, has to be maintained at 25%. In order to achieve this level, the Scheme follows a scientifically sound and actuarially supported benefit design and contribution setting process on an annual basis.

The solvency ratio is 80.54%. The calculation is set out in note 29 of the Annual Financial Statements.

The Board of Trustees is confident that with its solvency level being well above the regulated requirement, the Scheme's reserves are adequate to cover its members' healthcare needs.

6.9 Benefit design

The Board of Trustees utilise refined benefit design techniques to provide access to quality healthcare while managing the cost and ensuring the sustainability of the Scheme.

The Clinical Governance Committee provides input on actuarial calculations supplied by the actuaries and assists the Board of Trustees in carrying out its duties relating to the benefit design of the Scheme.

6.10 Investments in and loans to employer and members of the Scheme and to other related parties

The Scheme holds no direct investments in, nor has it made loans to the employer of members nor the members of the Scheme nor to other related parties.

6.11 Operational statistics per benefit option

The operational statistics per benefit option has been calculated taking into account the changes in the presentation of the Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income as a result of the implementation of IFRS 17.

2023	Marine Plan	Aquarium Plan	Total Scheme
Average number of members for the year	107 096	76 764	183 860
Number of members at 31 December	105 933	79 594	185 527
Average number of beneficiaries for the year	273 420	221 029	494 449
Number of beneficiaries at 31 December	269 846	225 627	495 473
Dependant ratio at 31 December	1.55	1.83	1.67
Average insurance revenue per member per month	R 7 414	R 3 309	R 5 700
Average insurance revenue per beneficiary per month	R 2 904	R 1 149	R 2 120
Average insurance service expense per beneficiary per month	(R3 051)	(R1 307)	(R2 271)
Average non-healthcare expenditure per beneficiary per month	(R 45)	(R 15)	(R 31)
Insurance service expense as a percentage of insurance revenue	105.07%	113.71%	107.16%
Non-healthcare expenses as a percentage of insurance revenue	1.54%	1.26%	1.47%
Average age of beneficiaries	34.04	23.42	28.73
Number of beneficiaries older than 65 years at 31 December	17 329	1 409	18 738
Beneficiaries older than 65 years ratio	6.42%	0.62%	3.78%
Average insurance liability to future members per member at 31 December	R 95 995	R 133 927	R 55 916
Return on investments as a percentage of investments	6.65%	2.71%	9.36%

2022	Marine Plan	Aquarium Plan	Total Scheme
Average number of members for the year	110 467	66 699	177 166
Number of members at 31 December	109 192	69 617	178 809
Average number of beneficiaries for the year	288 926	202 582	491 508
Number of beneficiaries at 31 December	284 060	206 724	490 784
Dependant ratio at 31 December	1.60	1.97	1.74
Average insurance revenue per member per month	R 7 212	R 3 252	R 5 721
Average insurance revenue per beneficiary per month	R 2 757	R 1 071	R 2 062
Average insurance service expense per beneficiary per month	(R2 950)	(R1 269)	(R2 257)
Average non-healthcare expenditure per beneficiary per month	(R 34)	(R 12)	(R 25)
Insurance service expense as a percentage of insurance revenue	107.00%	118.50%	109.46%
Non-healthcare expenses as a percentage of insurance revenue	1.23%	1.09%	1.20%
Average age of beneficiaries	33.06	23.31	28.95
Number of beneficiaries older than 65 years at 31 December	16 493	1 374	17 867
Beneficiaries older than 65 years ratio	5.81%	0.67%	3.64%
Average insurance liability to future members per member at 31 December	R 78 663	R 130 283	R 49 048
Return on investments as a percentage of investments	4.82%	1.78%	6.59%

7 BOARD COMMITTEES

Specific functions and responsibilities as stipulated in the Board Charter have been delegated to Board Committees with defined terms of reference set out in their respective instructions.

7.1 Audit and Risk Committee (ARC)

Roles and responsibilities of the Audit and Risk Committee

The Audit and Risk Committee was established in accordance with Section 36(10) of the Act. The Committee has adopted appropriate formal terms of reference as provided for in its Audit and Risk Committee Charter, and has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

During the period under review, the Committee had five meetings and appropriate feedback was provided to the Board of Trustees on matters that fell within the mandate of the Committee. The Committee consists of the following members:

Member	Capacity	Appointment/Term ended date
Z Samsam (Independent)	Chairperson	Appointed 01 January 2022
JK Sikosana (Independent)	Member	Appointed 14 February 2022
FM Mathibela (Independent)	Member	Appointed 07 April 2022
PP Dimpane	Member	Appointed 19 July 2023
IN Molefe	Member	Appointed 19 July 2023
MV Phiyega	Member	Term ended 13 July 2023
SJ Kwena	Member	Term ended 19 July 2023

7.2 Human Resources and Remuneration Committee

The function of the Committee is to recommend, to the Board of Trustees, a broad human resources and remuneration framework for the Scheme and to ensure that personnel are adequately remunerated for their contribution to the Scheme's operating performance. In fulfilling its duties, consideration is given to industry and local benchmarks. The Committee consists of the following members:

Member	Capacity	Appointment/Term ended date
Z Skade	Chairperson	Appointed 12 May 2022
RP Ntsime	Member	Appointed 12 May 2022
PA Mabotja	Member	Appointed 19 July 2023
TNL Ngwenya	Member	Term ended 13 July 2023

7.3 Clinical Governance Committee

The primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the benefit design of the Scheme. The Committee consists of the following members:

Member	Capacity	Appointment/Term ended date
SJ Kwena	Chairperson	Appointed 27 July 2023
TNL Ngwenya	Chairperson	Term ended 13 July 2023
MV Kwetepane	Member	Appointed 13 October 2021
IN Molefe	Member	Appointed 19 July 2023
LN Ngembe	Member	Appointed 19 July 2023
HK Senthumule	Member	Term ended 10 January 2023

7.4 Investment Committee

The primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the investment policy of Scheme. The Committee consists of the following members:

Member	Capacity	Appointment/Term ended date
RP Ntsime	Chairperson	Appointed 12 May 2022
PA Mabotja	Member	Appointed 12 May 2022
PP Dimpane	Member	Appointed 22 June 2022
BP Temba	Member	Appointed 11 October 2022
BSJ Muller	Member	Term ended 13 July 2023

7 BOARD COMMITTEES (continued)

7.5 Complaints and Dispute Resolution Committee (CDRC)

The Board has taken a decision to establish a complaints and dispute resolution committee which is responsible for legal, ethics, policy and for resolving both members' and service provider complaints and disputes. The Committee consists of the following members:

Member	Capacity	Appointment/Term ended date
AJ Gerber	Chairperson	Appointed 22 August 2023
ST Nkosi	Chairperson	Term ended 27 October 2023
SW Chamane	Member	Appointed 11 January 2023
JT Lusenga	Member	Appointed 19 July 2023
R Steyn	Member	Appointed 19 July 2023
MV Phiyega*	Member	Term ended 13 July 2023
KL Moeng	Member	Term ended 13 July 2023
Z Skade	Member	Term ended 15 June 2023
PA Mabotja	Member	Term ended 15 June 2023

*MV Phiyega was the Chairperson for the meeting held on 9 March 2023.

7.6 Annual General Meeting Committee (AGMC)

The main responsibility of the Committee is to monitor the implementation of the AGM resolutions to ensure the smooth running of the AGM and enhance the relationship between members of the Scheme and the Trustees. The Committee consists of the following members:

Member	Capacity	Appointment/Term ended date
V Simelane (Independent)	Chairperson	Appointed 15 November 2023
TNL Ngwenya	Chairperson	Term ended 13 July 2023
Z Skade	Member	Appointed 12 May 2022
MV Kwetepane	Member	Appointed 11 October 2022
AJ Gerber	Member	Appointed 19 July 2023
BP Temba	Member	Appointed 19 July 2023
BSJ Muller	Member	Term ended 13 July 2023
IN Molefe (Independent)	Member	Term ended 13 July 2023
RP Ntsime	Member	Term ended 19 July 2023
ML Letebele (Independent)	Member	Appointed 7 April 2021
BJ Ximba (Independent)	Member	Appointed 7 April 2021
C Johnson (Independent)	Member	Appointed 10 October 2023

8 FRAUD RISK AND FORENSIC MANAGEMENT

Effective fraud risk management is about mitigation and deterrence of actual and potential losses that may be suffered as a result of false and irregular claims submitted by the insured or on their behalf. By combining preventative, detective and corrective controls, savings are realised, thus attaining the value of an integrated fraud risk management programme. The Scheme continues to make important strides in reducing the losses incurred by abusive and fraudulent billing. The drop in claims continued to set a new benchmark of medical necessity and clinical appropriateness.

From a forensic perspective, Medscheme Forensics uncovered new ways that practitioners and facilities tried to circumvent payment controls and took the relevant actions.

Despite the challenges, excellent forensic outcomes were realised in the 2023 financial year-end. A return on investment of 1,644% was achieved.

Direct savings of R77.7 million (R64.0 million through recoveries and R13.7 million through claim intervention) was recorded in 2023. Since the Scheme contracted Medscheme to perform their healthcare forensic services in 2017, forensic initiatives saved the Scheme R2.3 billion through direct savings and a drop in billing behaviour. R1.2 billion worth of fraudulent and abusive billing has been identified and R482.8 million (R440.7 million through recoveries and R42.1 million through claim intervention) has been recovered. This money has helped keep contributions lower and benefits richer in line with the Scheme's ultimate objective.

9 LEGISLATIVE ENVIRONMENT

9.1 Governance

The Board of Trustees has the fiduciary responsibility to look after the Scheme and to ensure that the actions of the service providers and management are in the best interest of the members.

The Board of Trustees meets regularly and monitors the performance of the Scheme. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

9 LEGISLATIVE ENVIRONMENT (continued)

9.2 Prescribed minimum benefits (PMBs)

The management of PMBs is an industry-wide challenge given that there is a broad view that medical schemes are compelled to reimburse providers at cost for the treatment of PMB conditions. If this view was to be upheld, it would cast into doubt the sustainability of a number of medical schemes in the industry.

To mitigate PMB risk, the Scheme introduced a PMB management process that requires the billing behaviour of the claiming provider to be ascertained in order to determine the reimbursement level. The Scheme has also introduced a Specialist Network which is continuously expanding and has had the effect of capping the Scheme's exposure to PMBs by setting the reimbursement tariffs upfront.

9.3 Protection of Personal Information Act (POPIA) Regulations

The Scheme continues to implement POPIA and has updated its internal and external documents to comply with POPIA provisions. This includes staff awareness training, incorporation of POPIA related clauses in its contracts, including non-disclosure agreements and policies.

9.4 Medical Schemes Amendment Bill and National Health Insurance Bill

National Health Insurance (NHI) Bill will have implications for medical schemes when it becomes law. The NHI Bill became law on 15 May 2024. POLMED supports and continues to monitor progressive realisation of the right to healthcare services and align its governance structure in compliance with the developments.

10 GOING CONCERN

The going concern basis has been adopted in preparing the Annual Financial Statements. The Trustees have reviewed the Scheme's financial position as at 31 December 2023, as well as the budget for the year ended 31 December 2024. The insurance liability to future members exceeded R10 billion (2022 : R8 billion) with a solvency level of 80.54% (2022 : 70.73%) as at 31 December 2023. On the basis of this review, the Trustees considers that:

- The Scheme's total assets of R11 billion (2022 : R10 billion) exceed its current liabilities of R948 million (2022 : R918 million)
- The Scheme reports a current ratio of 2.77 (2022 : 2.80)
- The Scheme will be able to settle its liabilities as they arise for the foreseeable future.

The commitment of the Employer to provide the Scheme with an employer contribution each year is a key contributor to the Scheme's going concern assumption.

The Scheme assets are weighted to short-dated money market instruments. The Scheme expects the duration and credit risks exposure to be low.

The Scheme does not foresee any impact of NHI on the operations of the Scheme for the coming year.

Based on the assessment conducted, the Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future.

11 EVENTS AFTER THE REPORTING DATE

Material events have occurred subsequent to the financial year-end that required disclosure in but no adjustment to the Annual Financial Statements for the year ended 31 December 2023.

On 15 May 2024, the President of the Republic of South Africa signed the National Health Insurance Act, 2023 (Act No 20 of 2023) ("the NHI Act"). The coming into effect of different provisions of the NHI Act may be fixed, subject to the transitional arrangements.

The transitional arrangements prescribe that the implementation of the NHI Act must take place over two phases. Phase One commenced in 2023 and ends in 2026, and Phase Two shall commence in 2026 and end in 2028.

One of the intended changes to take place during Phase Two includes the amendment of the Medical Schemes Act, No. 131 of 1998. Schedule to the NHI Act identifies the sections that are anticipated to be amended:
- Section 1(a) definition of a business of a medical scheme
- Section 1(b) definition of a relevant healthcare service
- Section 2 conflict between the MS Act and other legislation
- Section 24 medical scheme registration requirements
- Section 33 benefit option changes

In the circumstances, the NHI Act is not expected to impact the Scheme in the next year (2025).

12 BOARD OF TRUSTEES MEETINGS

12.1 Attendance at Trustee and Sub-Committee meetings

The schedule below sets out Trustee attendance at Trustee and key Committee meetings.

Trustee members	Board of Trustees Meetings		Audit and Risk Committee Meetings		Human Resources and Remuneration Committee Meetings		Clinical Governance Committee Meetings		Investment Committee Meetings		CDRC Committee Meetings		AGM		AGM Committee Meetings		Other Adhoc Meetings	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
MV Kwetepane	14	12	-	-	-	-	4	4	-	-	-	-	1	-	2	2	-	-
KL Moeng	6	6	-	-	-	-	2	1	-	-	2	2	1	1	-	-	-	-
PA Mabotja	14	14	-	-	2	2	-	-	5	4	-	-	1	-	-	-	-	-
TNL Ngwenya	6	5	-	-	2	2	2	2	-	-	-	-	1	1	5	5	3	3
ST Nkosi	14	11	-	-	-	-	-	-	-	-	-	-	1	1	-	-	3	3
AJ Gerber	14	14	-	-	-	-	-	-	-	-	5	5	1	1	5	1	-	-
MV Phiyega	6	6	2	2	-	-	-	-	-	-	2	1	1	1	-	-	-	-
RP Ntsime	14	13	-	-	5	5	-	-	5	5	-	-	1	1	4	4	-	-
Z Skade	14	8	-	-	4	4	-	-	-	-	-	-	1	1	5	5	1	1
SJ Kwena	14	14	3	3	-	-	4	4	-	-	-	-	1	1	-	-	-	-
PP Dimpane	14	14	2	2	-	-	-	-	5	5	-	-	1	1	-	-	-	-
BP Temba	14	14	-	-	-	-	-	-	5	5	-	-	1	1	1	1	-	-
S Chamane	13	12	-	-	-	-	-	-	-	-	2	2	1	1	-	-	-	-
LN Ngembe	8	8	-	-	-	-	2	2	-	-	-	-	-	-	-	-	-	-
JT Lusenga	8	8	-	-	-	-	-	-	-	-	2	2	-	-	-	-	-	-
R Steyn	8	8	-	-	-	-	-	-	-	-	2	2	-	-	-	-	-	-
IN Molefe	8	8	2	2	-	-	2	2	-	-	-	-	-	-	-	-	-	-

The schedule below sets out the attendance by the Independent Audit and Risk Committee members at Committee meetings.

Members	Audit and Risk Committee Meetings	
	A	B
Z Samsam	5	5
JK Sikosana	5	5
FM Mathibela	5	5

The schedule below sets out the attendance by the Independent Annual General Meeting Committee members at Committee meetings.

Members	Annual General Meeting Committee Meetings	
	A	B
IN Molefe	3	3
ML Letebele	4	4
V Simelane	4	4
BJ Ximba	3	3
C Johnson	1	1

A - total possible number of meeting days that could have been attended
B - actual number of meetings days attended
**** - Certain Board meetings and the Board Strategy session were held over multiple days**

South African Police Service Medical Scheme (POLMED)
(Registration number: 374)
ANNUAL FINANCIAL STATEMENTS

REPORT OF THE BOARD OF TRUSTEES
For the year ended 31 December 2023

12 BOARD OF TRUSTEES MEETINGS (continued)

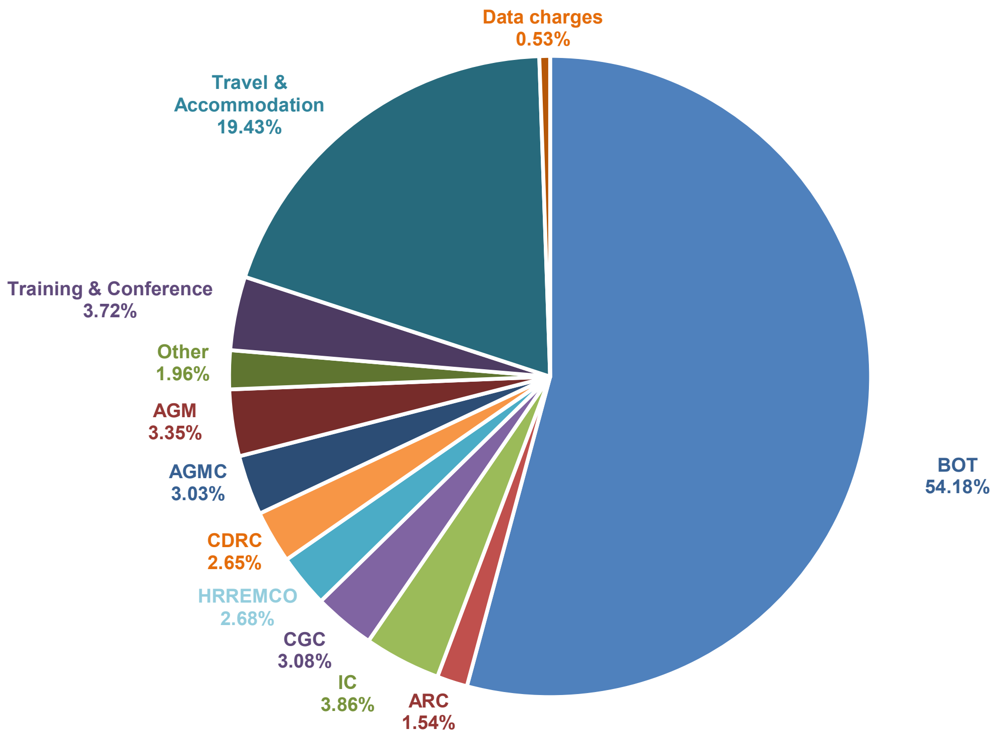
12.2 Trustee honoraria and considerations

Policy guidelines for Trustee honoraria

Members of the Board shall be entitled to such honoraria and other fees in respect of services rendered in their capacity as members of the Board and to such reimbursement in respect of travelling, accommodation and other expenses, which they may incur in attending meetings of the Board, as the Board may from time to time determine.

The rate of reimbursement for travelling is reviewed by the Board on an annual basis and is calculated by taking into account the South African Revenue Service rates.

Trustee honoraria and considerations



Other - The Chairperson and Deputy Chairperson of the Board were required to attend additional meetings during the year.

Travel and accommodation - Reimbursement to Trustees residing outside Gauteng who travel to POLMED House (Pretoria) for Trustee meetings, the AGM, pertinent Trustee training sessions and conferences.

REPORT OF THE BOARD OF TRUSTEES
For the year ended 31 December 2023

13 NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT, No. 131 OF 1998, AS AMENDED

The followings areas of non-compliance with the Act were identified during the course of the financial year:

13.1 Contravention of Section 26(7):

Nature and cause of the non-compliance	*Corrective course of action*
In terms of Section 26(7) of the Medical Schemes Act 131 of 1998, as amended, all subscriptions or contributions shall be paid directly to a medical scheme no later than three days after payments thereof becoming due.	Contributions are receivable from the employer, South African Police Services, and continuation members. Continuation members' contributions are collected via debit orders and cash payments. In accordance with the Scheme's Debt Policy, the late paying members are contacted and informed of the requirement of the Medical Scheme Act and Polmed Rule 13.3. Failure of the member to settle outstanding contributions will result in suspension and termination of Scheme membership.
Possible impact of the non-compliance	
Late payments may result in a loss of interest to the Scheme for the number of days that payments are late. The amount is, however, not considered significant as it relates to a small number of continuation members.	

13.2 Contravention of Section 35(8):

Nature and cause of the non-compliance	*Corrective course of action*
In terms of Section 35(8) of the Medical Schemes Act 131 of 1998, as amended, a Scheme should not have any shares in an employer who participates in the medical scheme or any administrator or any agreement associated with the medical scheme. As at 31 December 2023, the Scheme had indirect holdings in the following entities: Discovery Ltd - R 33,090,687 Momentum Metropolitan Holdings Ltd - R 7,202,673	The Council for Medical Schemes has granted the Scheme an exemption from Section 35(8)(a) and (c) of the Medical Schemes Act for a period of 3 years, effective 01 December 2022 to 30 November 2025. The exemption is granted subject to the following conditions: - the Scheme continues to take steps to avoid conflicts of interest; - the investments, which constitute the subject matter of this exemption application continue to be managed by an independent investment manager with no influence from the Scheme or its officers. The Scheme will be required on an annual basis to submit declarations from investment managers stating that no conflict of interest exists between themselves and the prohibited investment entities; and - the Scheme conducts a comprehensive quarterly analysis on total assets to ensure that the investments do not exceed the limitations set out in Annexure B.
Possible impact of the non-compliance	
To remedy the non-compliance, the Scheme obtained an exemption from Section 35(8)(a) and (c) of the Act.	

13.3 Contravention of Section 59(2):

Nature and cause of the non-compliance	*Corrective course of action*
In terms of Section 59(2) of the Medical Schemes Act 131 of 1998, as amended, a Scheme shall settle all claims due within thirty (30) days of receipt. As part of the claims processing function a claim may be placed in PDI (Personal Discrepancy Intervention) status where the assessor or the system validation rules identifies the claim as incomplete. The claim is captured in full but remains unpaid until the claim error is resolved either through interaction with the provider or through system validation review.	The Administrator has implemented eligibility and validation rules to verify all claims before payment is issued to members or providers. Section 59(2) rules that a Scheme shall settle all claims due within thirty (30) days of receipt, where the claims are both valid and complete.
Possible impact of the non-compliance	
Valid claims could be rejected or amounts due on valid claims could be short-paid or could be paid beyond the prescribed 30-day period.	

13 NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT, No. 131 OF 1998, AS AMENDED (continued)

13.4 Contravention of Rule 16.5:

Nature and cause of the non-compliance	*Corrective course of action*
Rule 16.5 of the Scheme's rules states that the Scheme does not cover benefits for services rendered outside the Republic of South Africa (RSA), except for existing members of the Scheme residing in Namibia, where the Scheme's rate will be applicable. The non-compliance pertains to claims which were paid for services received from locations outside the borders of the RSA, specifically for members who do not reside in Namibia.	The Administrator's system has been set up in accordance with the Scheme rules, i.e., any claim received from outside the borders of RSA (except for existing Scheme members residing in Namibia) automatically rejects for payment. User access to process and settle foreign claims is restricted to claims relating to the Scheme's members residing in Namibia. Additional exception reports have been designed to aid management in monitoring foreign claims, scheme exclusions and user access related to the override functionality.
Possible impact of the non-compliance	
Financial loss to the Scheme as a result of the payment of foreign claims that should have been rejected.	

Independent Auditor's Report

To the Members of South African Police Service Medical Scheme ("POLMED")

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South African Police Service Medical Scheme (the Scheme), set out on pages 24 to 81, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in reserves and the statement of cash flows for the year then ended, and notes to the financial statements including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	**How our audit addressed the key audit matter**
Valuation of the liability for incurred claims in relation to insurance contract liabilities Refer to the following disclosure in the financial statement for details: ● Note 1.2 Critical accounting judgements and areas of key source of estimation uncertainty; ● Note 1.9 Insurance contracts; and ● Note 9 Insurance contract liabilities. As at 31 December 2023 the Scheme recognised insurance contract liabilities amounting to R911,267,692. The Scheme applied IFRS 17 - *Insurance Contract Liabilities* ("IFRS 17") retrospectively for the first time in the current	Our audit addressed this key audit matter as follows: We obtained an understanding from the Scheme's actuaries regarding the process followed in calculating the LIC from healthcare events that have occurred but have not yet been reported, which included the design and implementation of controls within the process. We obtained the actual claims data from the member administration system covering the year ended 31 December 2023 used in calculating the LIC from healthcare events that have occurred but are not yet reported.

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Key audit matter	How our audit addressed the key audit matter
financial year ended in accounting for its insurance contract liabilities. . The Scheme's insurance contract liabilities comprise the liability for remaining coverage (LFRC) and the liability for incurred claims (LIC). In determining the LIC, the Scheme applies significant judgement and estimation uncertainties, due to the Scheme having to determine claims from healthcare events that have occurred but have not yet been reported. The value of the LIC from healthcare events that have occurred but have not yet been reported is the sum of the probability-weighted estimate of the expected future cash flows and the risk adjustment. The LIC reported is calculated by the Scheme's actuaries which is reviewed by management and the Audit and Risk Committee and recommended to the Board of Trustees for approval. The LIC from healthcare events that have occurred but are not yet reported amounts to 571,637,666. The most significant assumptions made in the determination of the LIC are: ● the future cash flow projections; and ● the risk adjustment for non-financial risk. *Future cash flow projections* The future cash flow projections comprise estimates of all future claim payments, receivables from third parties as well as the directly attributable expenses arising from the healthcare events within the boundary of the insurance contracts. The Scheme's actuaries use an actuarial model, based on the Scheme's actual claim development patterns throughout the year, to determine the probability-weighted estimate of expected future cash flows. This model applies the Bootstrapping method. *Risk adjustments for non-financial risk* In determining the Scheme's risk adjustment for non-financial risk, the Scheme uses a confidence level technique (value at risk) under IFRS 17. The Scheme's calibrated risk adjustment (using value at risk) is such that the insurance contract liabilities are held to be sufficient at the 75th percentile of the ultimate loss distribution. We considered the valuation of the LIC from healthcare events that have occurred but have not yet been reported to be a matter of most significance to the current year audit due to the significant judgement and estimation uncertainties in determining the future cash flow projections and the risk adjustments for non-financial risk.	We assessed the completeness of the claims data on the member administration system by understanding management's controls. We selected a sample of claim transactions from the claim source and agreed these to the member administration system. No material inconsistencies were noted. We substantively tested a sample of claims received by the Scheme in the 31 December 2023 financial year, selected from the member administration system, and evaluated the accuracy of the service and process dates and the validity of the claim against the relevant Scheme rules. No material inconsistencies were noted. We assessed the completeness of the claims data in the Scheme's actuarial model by obtaining an understanding of management's controls and testing the reconciliation between the claims data per the member administration system and the claims data per the actuarial model. No material inconsistencies were noted. To assess the reasonableness of the Scheme actuaries' estimation process, we compared the actual claim results in the current year to the prior year LIC from healthcare events that have occurred but are not yet reported. We noted no matters for further consideration with respect to the estimation process. With the assistance of our internal actuarial experts we independently calculated the Scheme's probability-weighted estimate of future cash flow projections of the LIC from healthcare events that have occurred but are not yet reported, taking into account the claims data tested above. We compared our results with that of the Scheme and did not note any material exceptions. With the assistance of our internal actuarial experts we tested the risk adjustment component of the LIC from healthcare events that have occurred but are not yet reported by performing the following procedures: ● We evaluated the Scheme's methodology relative to the principles of IFRS 17 to assess whether this approach is consistent with the principles of the risk adjustment under IFRS 17. The risk adjustment covers non-financial risk relating to insurance contracts and the compensation required by the Scheme in lieu of this risk, with reference to Scheme's risk appetite. We did not identify any matters requiring further consideration;

Key audit matter	How our audit addressed the key audit matter
	• We tested the risk adjustment by performing independent calculations using the Scheme's data and taking into consideration the Scheme's risk adjustment methodology. Based on the work we performed, we did not identify any matters requiring further consideration; and • Based on the output of our independent stochastic models, we assessed whether our independently calculated liabilities are sufficient at the 75th percentile. We noted no matters requiring further consideration.

Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the information included in the document titled "South African Police Service Medical Scheme (POLMED) Annual Financial Statements for the year ended 31 December 2023". 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 and the requirements of the Medical Schemes Act of South Africa, and for such internal control as the Scheme's trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.
- Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report 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 PricewaterhouseCoopers Inc. has been the auditor of South African Police Service Medical Scheme for 8 years.

The engagement partner, Johannes Grove, has been responsible for South African Police Service Medical Scheme's audit for 1 year.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Johannes Grove
Registered Auditor
Johannesburg, South-Africa
10 June 2024

South African Police Service Medical Scheme (POLMED)
(Registration number: 374)
ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023

	Note	2023 R	Restated 2022 R	Restated 01 January 2022 R
ASSETS				
Non-current assets		**8 603 216 847**	**7 036 779 211**	**4 747 189 532**
Property and equipment	3.1	44 673 675	46 718 160	39 523 092
Intangible asset	3.2	8 867 222	7 737 933	-
Investments				
Financial assets at fair value through profit or loss	4	3 591 248 316	3 040 525 284	1 559 652 730
Financial assets at fair value through other comprehensive income ("OCI")	5	4 958 427 634	3 941 797 834	3 148 013 710
Current assets		**2 625 701 524**	**2 570 630 231**	**2 409 920 823**
Investments				
Financial assets at fair value through profit or loss	4	498 650 890	735 540 956	596 486 372
Financial assets at fair value through other comprehensive income ("OCI")	5	1 519 259 953	1 320 942 480	1 291 885 250
Trade and other receivables	6	169 947 698	87 047 684	120 538 643
Cash and cash equivalents	7	404 748 552	365 161 717	343 251 474
Reinsurance contract assets	8	33 094 431	61 937 394	57 759 084
Total assets		**11 228 918 371**	**9 607 409 442**	**7 157 110 355**
LIABILITIES				
Non-current liabilities		**10 280 704 537**	**8 689 689 464**	**6 286 432 623**
Insurance liability to future members	9.2	10 280 704 537	8 689 689 464	6 286 432 623
Current liabilities		**948 213 834**	**917 719 978**	**870 677 732**
Insurance contract liabilities	9.1	911 267 692	897 863 274	854 829 798
Reinsurance contract liabilities	8	981 302	841 274	7 200 817
Trade and other payables	10	35 964 840	19 015 430	8 647 117
Total liabilities		**11 228 918 371**	**9 607 409 442**	**7 157 110 355**

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

	Note	2023 R	Restated 2022 R
Insurance revenue	11	**12 576 876 762**	**12 162 728 576**
Insurance service expenses	12	**(13 439 021 819)**	**(13 266 162 267)**
Net (expense)/income from risk transfer arrangement	13	**(38 649 135)**	**(47 377 848)**
Risk transfer arrangement premiums paid		(713 492 138)	(732 148 277)
Recoveries from risk transfer arrangements		645 672 748	628 190 037
Profit share arising from risk transfer arrangements		29 170 255	56 580 392
Insurance service result		**(900 794 192)**	**(1 150 811 539)**
Other income		**1 102 897 828**	**1 353 690 615**
Investment income	16	897 663 141	620 296 321
Sundry income	17	205 234 687	733 394 294
Other expenditure		**(293 274 701)**	**(178 496 476)**
Administration fees and other operating expenses	14	(185 111 346)	(145 934 415)
Asset management fees	19	(108 163 355)	(32 562 061)
Profit/(loss) for the year		**(91 171 065)**	**24 382 600**
Other comprehensive income			
Items that will not be reclassified to profit or loss	16	**91 171 065**	**(24 382 600)**
Debt instruments at fair value through OCI – net change in fair value		100 735 389	(57 658 860)
Debt instruments at fair value through OCI – reclassified to profit or loss		(9 564 324)	33 276 260
Total comprehensive income for the year		-	-

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

	Accumulated funds	Investments at fair value through other comprehensive income reserve	Total reserves
	R	R	R
Balance as at 1 January 2022 (as previously reported)	**6 482 737 154**	**(21 019 218)**	**6 461 717 936**
Transition restatement - adjustment on initial application of IFRS 17	(6 482 737 154)	21 019 218	(6 461 717 936)
Balance as at 1 January 2022 (restated)	-	-	-

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 R	2022 R
Cash flows from operating activities			
Cash receipts from members and providers		12 526 914 986	12 214 808 540
Cash receipts from members – contributions		12 585 493 990	12 178 661 120
Cash receipts from members and provider – other		(58 579 004)	36 147 420
Cash paid to providers, employees and members		(11 800 679 747)	(10 207 081 328)
Cash paid to providers and members – claims		(11 838 416 578)	(10 925 931 644)
Cash paid to providers and employees – non healthcare expenditure		37 736 831	718 850 316
Net cash from operating activities	20	**726 235 239**	**2 007 727 212**
Cash flows from investing activities			
Purchase of property and equipment	3	(3 362 918)	(9 682 306)
Proceeds on disposal of property and equipment	3 & 16	39 935	329 737
Purchase of investments		(19 302 490 004)	(18 104 040 343)
Proceeds on maturity of investments	4 & 5	18 082 130 869	15 738 056 524
Investment income	18	537 033 714	389 519 419
Net cash used in investing activities		**(686 648 403)**	**(1 985 816 969)**
Net increase/(decrease) in cash and cash equivalents		39 586 835	21 910 243
Cash and cash equivalents at the beginning of the year		365 161 717	343 251 474
Cash and cash equivalents at the end of the year	7	**404 748 552**	**365 161 717**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2023

1. SIGNIFICANT ACCOUNTING POLICIES

POLMED

The Scheme is a non-profit, restricted medical scheme registered and domiciled in the Republic of South Africa in terms of the Medical Schemes Act, No. 131 of 1998, as amended ("the Act"). The Scheme is administered by Medscheme Holdings (Pty) Ltd.

1.1 Basis of preparation

Statement of compliance

These Annual Financial Statements have been prepared in accordance with IFRS® Accounting Standards ("IFRS") and in the manner required by the Medical Schemes Act, No. 131 of 1998, as amended and the regulations thereto.

The accounting policies are consistent in all material aspects with those applied in the previous year, except for changes required by the voluntary and mandatory adoption of new and revised IFRS.

Basis of measurement

The Annual Financial Statements are prepared on a going concern basis and have been prepared on the historical cost basis, except for financial instruments at fair value through profit or loss, financial instruments at fair value through other comprehensive income, insurance and reinsurance assets and liabilities measured in terms of IFRS 17 estimates and buildings carried at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Functional and presentation currency

The Annual Financial Statements are presented in South African Rand, which also represents the Scheme's presentation and functional currency. All values are rounded to the nearest Rand.

1.2 Critical accounting judgements and areas of key sources of estimation uncertainty

The Scheme makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.2.1 Significant judgement

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 defines a mutual 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. As medical schemes are not investor owned and provide medical benefits to members, they meet the definition of mutual entities. As "mutual entities" are within the scope of IFRS 3, medical schemes must apply the requirements of IFRS 3.

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.

Generally, the rules of medical schemes 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Critical accounting judgements and areas of key sources of estimation uncertainty (continued)

1.2.1 Significant judgement (continued)

Assessment as to whether the Scheme is a mutual entity (continued)

As the Scheme 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 generally 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 the Scheme 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, the Scheme is a mutual entity.

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). 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.

Level of aggregation

Judgement was applied by the Scheme in the determination of the level of aggregation measurement of its insurance contracts. Management identified the Scheme as a whole as a portfolio due to the holistic pricing methodologies and risk management strategy that manages the risk on a scheme level.

As the Act specifically constrains the entity's practical ability to set a different price or level of benefits for members with different characteristics, the Scheme as whole was also identified as the group. The Scheme assessed the group as a whole in terms of being onerous or profitable. If the group is onerous, no further liability is recognised as a liability to future members is recognised (as the Scheme is regarded as a mutual entity for accounting purposes) in the statement of financial position.

Initial recognition

The Scheme's contracts have a coverage period of one year, therefore the Scheme is eligible to apply the premium allocation approach (PAA). The Scheme coverage period aligns to the financial reporting year as both begin on 1 January each year and conclude on 31 December of the same year.

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 that the Scheme requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Scheme fulfils insurance contracts.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Critical accounting judgements and areas of key sources of estimation uncertainty (continued)

1.2.1 Significant judgement (continued)

Risk adjustment – liability for incurred claims (LIC) (continued)

IFRS 17 does not specify the estimation techniques used to determine the risk adjustment for non-financial risk, therefore a Bootstrapping Model was developed to determine risk adjustment for non-financial risk. The model estimates prediction errors (residuals) using the method of bootstrapping. Bootstrapping is a statistical technique that samples a single dataset with replacement in order to create many simulated samples. An undiversified risk margin (URM) is calculated as the 75th percentile less the mean LIC (ranges between the 50th and 60th percentiles). This represents what should be held over and above the mean LIC to sufficiently cover the risk of adverse experience from the mean. The bootstrap process used to calculate the URM risk adjustment is based on claims development patterns derived from a period of 12 months prior to the valuation date.

The risk adjustment was calculated at the portfolio level and combined to determine the risk adjustment at a scheme level. The confidence level method was used to derive the overall risk adjustment for non-financial risk. The confidence level has been set at 75% to reflect the risk tolerance of the liability for incurred claims. Sensitivities to this level of confidence is reflected in note 28 to the notes of the Annual Financial Statements.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2022 and 2023.

Risk adjustment – risk transfer arrangements

In respect of reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Scheme to the reinsurer. A confidence interval level of between 75% and 90% was applied with regards to the determination of the risk adjustment for the risk transfer arrangement.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2022 and 2023.

1.2.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Receivables' impairments

The process of identifying potential impairment in receivables' balances is the result of a process of estimating what receivables, based on actual evidence at year end, will not be able to meet their obligations to the Scheme in the future.

The Scheme considers evidence of impairment at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Assets with similar risk characteristics are collectively assessed for impairment.

Expected credit losses

Credit risk is accounted for on all debt securities measured at amortised cost and fair value through other comprehensive income (FVOCI). ECL estimates the value of potential credit losses on these debt securities. Financial instruments included in the ECL calculation are:
- call accounts and term deposits measured at amortised cost
- bonds and money market instruments measured at FVOCI.

The Scheme considers any debt security, where credit ratings have fallen two notches or more since recognition, as an indicator of significant increase in credit risk (SICR). The Scheme further recognises that any instrument where the 12-month default probability is higher than 20% should be marked as SICR. All SICR marked instruments attract a life-time ECL computation.

Liability for incurred claims

The critical estimates and judgements relating to the liability for incurred claims, including a sensitivity analysis of key assumptions, are set out under note 9.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Critical accounting judgements and areas of key sources of estimation uncertainty (continued)

1.2.2 Estimation uncertainty (continued)

Sundry income

The Scheme treats once-off employer contributions as sundry income.

Fair value of securities not quoted in an active market

The fair value of such securities not quoted in an active market may be determined by the use of reputable pricing sources such as independent valuation experts. Where no market data is available, positions may be valued based on valuation methods and techniques generally recognised as standard within the industry. The input into such a pricing model is primarily discounted cash flows. The model used to determine fair value is validated and periodically reviewed by experienced independent valuation experts.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of what constitutes 'observable' requires significant judgement. Observable data can be considered to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of the portfolio are all the future cash flows within the boundary of each 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 scenario representing the probability weighted mean of a 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.

1.3 Changes in significant accounting policies

The Scheme has initially applied IFRS 17 from 1 January 2023. The standard has brought about significant changes to the accounting for insurance and reinsurance contracts. As a result, the Scheme has restated certain comparative amounts and presented a third Statement of Financial Position as at 1 January 2022.

Except for the changes below, the Scheme has consistently applied the accounting policies to all periods presented in these financial statements.

The nature and effects of the key changes in the Scheme's accounting policies resulting from its adoption of IFRS 17 are summarised below.

1.4 Transition to IFRS 17 and mutual entity considerations

The Scheme has determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued within three years prior to the transition, and has applied the full retrospective approach to the extent practicable.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4 Transition to IFRS 17 and mutual entity considerations (continued)

Accordingly, the Scheme has recognised and measured the group of insurance contracts as if IFRS 17 had always applied; derecognised any existing balances that would not exist had IFRS 17 always applied; and recognised any liability in respect of future members. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the Statement of Changes in Reserves.

The classification of the Scheme as a mutual entity resulted in the Scheme not having a Statement of Changes in Reserves beyond the opening statement in its financial statements, as it is expected that the remaining assets of the Scheme will be used to benefit 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. This liability is in essence incurred because the Scheme is obliged to:

- provide coverage to that member;
- pay incurred claims of that member; or
- provide coverage to future members.

On measurement of the liability to future members, the fulfilment cash flows of this liability are measured incorporating information about the fair value of the other assets and liabilities of the Scheme.

As a result of the recognition of the liability to future members, an additional onerous contract liability was not recognised.

The impact on opening equity of the Scheme as a result of IFRS 17 was R6.5 billion on 1 January 2022. The impact on insurance liabilities was R175.1 million on 1 January 2022.

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

1.5.1 Property and equipment

Property and equipment is initially carried at cost.

Property and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Building	Straight line	20 years
Computer equipment	Straight line	2 to 5 years
Furniture and fixtures	Straight line	10 to 15 years
Motor vehicles	Straight line	5 to 10 years
Office equipment	Straight line	10 to 15 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the disposal proceeds, if any, and the carrying amount of the item.

Directly attributable costs associated with the acquisition of assets are capitalised.

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Scheme and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Where components of an item of property and equipment have different useful lives they are accounted for as separate items.

Property (building) is subsequently carried at the revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5.1 Property and equipment (continued)

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year.

When an item of property is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

To date, no revaluation surplus has been accumulated in equity.

1.5.2 Intangible asset

Intangible asset is measured at cost. Cost of intangible asset includes purchase price and all other cost incurred in bringing the asset to its working condition and intended use. Analysis and research related expenditure is recognised in profit or loss when incurred.

After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Intangible asset will be amortised on a straight-line basis over the useful life to the residual value.

The useful lfe of the intangible asset and the amortisation method has been assessed as follows:

Item	**Amortisation method**	**Average useful life**
Computer Software	Straight line	0-5 years

The residual value, useful life and amortisation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The gain or loss arising from the derecognition of an item of intangible asset is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of intangible asset is determined as the difference between the disposal proceeds, if any, and the carrying amount of the item.

1.6 Financial instruments

Non-derivative financial instruments

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

All purchases and sales of investments are recognised or derecognised on the trade date, which is the date that the Scheme commits to purchase or sell the asset.

The Scheme classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through other comprehensive income
- Financial assets at fair value through profit or loss - designated
- Financial assets at amortised cost (Trade and other receivables)
- Financial liabilities (Trade and other payables)
- Cash and cash equivalents.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are initially measured at fair value plus, in the case of financial instruments not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset. Upon initial recognition transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss. Subsequent to initial recognition, these instruments are measured as set out below:

Financial assets

Fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Scheme manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Scheme's documented risk management or investment strategy. Financial instruments designated at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Investments in unlisted shares (private equity) is classified at fair value through profit or loss. The unlisted shares are measured at fair value, and changes therein are recognised in profit or loss.

Fair value through other comprehensive income

An instrument is classified at fair value through other comprehensive income (OCI) if it is held to collect contractual cash flows and with the intention to sell the debt securities before maturity. The Scheme has debt securities whose objective is achieved by holding these securities. The contractual terms of the debt securities give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial instruments classified at fair value through OCI are measured at fair value. Interest income is recognised in profit or loss when earned. The movement in unrealised gains and losses is recognised in OCI and accumulated to equity. On sale, the accumulated gains and losses in OCI are derecognised by releasing them to profit or loss.

Insurance and trade and other receivables

Insurance receivables are insurance contracts and trade and other receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Insurance and other receivables are measured on initial recognition at fair value plus directly attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest method. An appropriate allowance for estimated irrecoverable amounts is recognised in profit or loss when there is objective evidence that the asset is impaired. Evidence of impairment may include indications that members and or providers are experiencing significant financial difficulty, defaulted or delinquent payment. This allowance is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest computed at initial recognition. Impairment losses are written off against allowance for impairment losses in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently measured at amortised cost, which approximates fair value.

Money market instruments with an initial maturity term of 0 - 3 months have been reclassified as cash and cash equivalents.

Financial liabilities

Financial liabilities comprise of other payables, which are initially measured at fair value plus directly attributable costs, and are subsequently measured at amortised cost, using the effective interest method. Financial liabilities measured at amortised cost comprise of trade and other payables.

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities as payment is due within one year or less.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Financial instruments (continued)

Offset

Where a current legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset in the statement of financial position and in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or the Scheme transferred the asset.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired.

Derivative financial instruments

The Scheme enters into a variety of derivative financial instruments for risk management purposes. Derivative financial instruments used by the Scheme include options.

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Scheme uses a combination of these instruments in order to provide protection against falling equity prices.

Changes in the fair value of the derivative financial instruments are recognised immediately in profit or loss.

1.7 Provisions

Provisions are recognised when:
- the Scheme has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

1.8 Liability for incurred claims

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

The Scheme measures the liability for incurred claims for 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.

The estimate of the future cash flows in terms of the liability for incurred claims is adjusted to reflect the compensation that the medical scheme requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk. Refer to note 1.2.1 of the Annual Financial Statements for the significant judgement applied to the risk adjustment in respect of LIC.

1.9 Insurance contracts

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 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 (i.e., 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Insurance contracts (continued)

Level of aggregation

The Scheme as a whole was identified as a portfolio. All contracts issued by the Scheme are subject to similar risks and managed together, which is demonstrated by:

- hospital claims are managed on a scheme level.
- 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
- 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 is managed holistically.

The Scheme has applied the exemption not to perform profitability groupings as allowed by IFRS 17.20 and included all contracts in the same group. The Scheme has assessed that there are no facts and circumstances to indicate that the group was onerous at inception date.

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 non-insurance services.

The Scheme applies IFRS 17 to all remaining components of the contract.

Premium allocation approach (PAA)

The Scheme 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.

The contract boundary for contracts issued does not exceed 12 months and consequently the Scheme elected to apply the PAA. The classification of the Schemes as mutual entities does not impact the extent of insurance cover/insurance contract services to be provided by the Scheme in terms of the member contracts and therefore the PAA is still applicable.

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

Recognition and derecognition

The group 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 a member becomes due or actually received; and
- for onerous contracts, when the contracts become onerous.

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 in terms are modified due to an agreement between the Scheme and its members or by regulation and the modification term meet the requirements in IFRS 17.72. If the modification does not meet the requirements of IFRS 17.72 the Scheme shall treat the changes in cashflow as changes in estimates of fulfilment cashflows (FCF).

Initial and subsequent measurement

For insurance contracts issued, on initial recognition, the Scheme measures the liability for remaining coverage (LFRC) at the amount of contributions received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

The carrying amount of the group of insurance contracts issued at each reporting period is the sum of:
- the LFRC; and
- the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Insurance contracts (continued)

Initial and subsequent measurement (continued)

For insurance contracts issued, at each of the subsequent reporting dates, the LFRC is:
- increased for contributions received in the period inclusive of contributions received in advance;
- decreased for insurance acquisition cash flows paid in the period; and
- decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

The insurance contract liabilities consist of two components:
- the insurance liability attributable to current members; and
- the insurance liability attributable to future members.

For insurance contracts issued, at each of the subsequent reporting dates, the insurance liability attributable to current members (the LIC) is:
- the probability-weighted estimate of fulfilment cash flows; and
- the risk adjustment.

The Scheme has made the choice not to discount the group of contracts as the settlement of the claims is expected within 12 months.

The insurance liability attributable to future members consists of accumulated profits or losses of the Scheme and it is increased by net profits for the period; and decreased by the net losses for the period.

The Scheme discloses the net position of the insurance contract assets and liabilities on the Statement of Financial Position.

1.10 Insurance revenue

As the Scheme provides services under the group of insurance contracts, it reduces the LFRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Scheme expects to be entitled to in exchange for those services.

Insurance revenue for the period is the amount of expected premium receipts allocated to the period. For the group of insurance contracts measured under the PAA, the Scheme allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

1.11 Insurance service expenses

Insurance service expense comprise:
- incurred claims and benefits excluding investment components;
- 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 group of contracts from changes in the loss
- amounts attributable to future members.

Cash flows that are not directly attributable to a group of insurance contracts, are recognised in other operating expenses as incurred.

1.12 Insurance interest income and expenses

The time value of money does not need to be accounted for thus no insurance finance income or expenses is required to be recognised in profit or loss. No discounting measures are applied.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 Claims incurred

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

Net claims incurred comprise:
- claims submitted and accrued for services rendered during the year, net of recoveries from members for co-payments and after taking into account recoveries from third parties;
- movement in claims incurred but not yet reported;
- claims settled in terms of risk transfer arrangements; and
- accredited managed care services.

Claims are recognised, at gross value, as an expense in profit or loss when incurred.

Anticipated recoveries under risk transfer arrangements are disclosed separately as assets and are assessed in a manner similar to the assessment of the related claims and the outstanding claims provision. The amounts recoverable are recognised in profit or loss in the same year as the related claim.

1.14 Risk transfer reinsurance

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 Scheme's primary obligations to its members and their dependents.

Level of aggregation

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, if any; (ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the group, if any.

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 gain position.

The Scheme has one risk transfer arrangement with Scriptpharm, therefore the group of reinsurance contracts consists of only one contract.

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 their reinsurance contract held until it has recognised at least one of the underlying insurance contracts.

Initial and subsequent measurement

The Scheme's risk transfer contract has a coverage period of one year or less and is therefore eligible to apply the PAA model.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Risk transfer reinsurance (continued)

Initial and subsequent measurement (continued)

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:
- the remaining coverage;
- the incurred claims, comprising the fulfilment cash flows related to past service allocated to the group at the reporting date; and
- the risk adjustment.

Subsequent measurement of the remaining coverage for reinsurance contracts held is:
- increased for ceding contributions paid in the period; and
- 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 the coverage period which are one year or less.

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). Capitation fees paid by the Scheme, in excess of claims incurred by the reinsurer, per benefit year, are recognised as profit share. Profit share is recognised in profit or loss and presented in the statement of profit or loss and other comprehensive income.

Reinsurance expenses consist of:
- reinsurance expenses;
- other incurred directly attributable insurance service expenses; and
- 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.

Impairment

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

1.15 Accredited managed care: management services expenses

These expenses represent amounts paid or payable to third party administrators, related parties and other third parties for managing the utilisation, costs and quality of healthcare services to the Scheme. Managed care programmes are implemented to maximise each member's total benefit and are aimed at educating members about chronic diseases and medications, as well as to improve their quality of life with lifestyle management. These are recognised as an expense when incurred and are included in the insurance service expenses.

1.16 Accredited and other administration expenses

Administration expenses are recognised as an expense when incurred.

The Scheme has applied the requirements of IFRS 17 concerning the evaluation of the directly attributable expenses as outlined in CMS Circular 29 of 2023. Administration expenses which relate directly to the fulfilment of the insurance contract, were recognised as being directly attributable expenses and have been included in the insurance service expenses. Those expenses that were not directly related to the fulfilment of the insurance contract were recognised as other operating expenses. Refer to notes 12 and 14 of the Annual Financial Statements for the applicable disclosures.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.17 Employee benefits obligations

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. They include an accrual for annual leave entitlements when they accrue to employees with reference to services rendered up to the reporting date. A liability is recognised for the amount expected to be paid.

1.18 Impairment of financial assets

The Scheme assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Scheme estimates the recoverable amount of the asset.

Assets carried at amortised cost

The Scheme considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. If there is objective evidence that an impairment loss on other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed on initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. Insurance receivables impairment is still applied using the incurred loss model.

Debt securities at fair value through other comprehensive income

The Scheme recognises the loss allowances for ECLs on debt securities at fair value through OCI. The Scheme measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

– debt securities that are determined to have low credit risk at the reporting date; and
– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Estimated future credit losses of unimpaired debt are discounted at the debt's effective rate at initial recognition of the debt. The effective rate is the expected return and therefore reflects the riskiness of the debt.

Reversals of impairment

An impairment loss in respect of insurance and other receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. The recognition in profit or loss is to the extent that the carrying value of the asset does not exceed the amortised cost that would have been recognised had no impairment loss been recognised at the date of reversal.

An expected credit loss in respect of debt securities is reversed in the subsequent period, if the amount of the expected credit loss decreases and the decrease can be related objectively to an event occurring after the expected credit loss was recognised (such as improved credit rating). The previously recognised expected credit loss is reversed directly to profit or loss in the statement of profit or loss and other comprehensive income.

1.19 Impairment of non-financial assets

The Scheme assesses at each reporting date whether there is an indication that non-financial assets may be impaired. Where such indications exist or when an annual impairment for property and equipment is required, the Scheme makes an estimate of the recoverable amount. Property and equipment's recoverable amount is the higher of the item's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Carrying amounts of all items of property and equipment are reduced to their recoverable amount, where this is lower than the carrying amount. Impairment losses are recognised in profit or loss.

Reversals of impairment

An assessment is made at reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or have decreased.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.19 Impairment of non-financial assets (continued)

Reversals of impairment (continued)

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

1.20 Investment income

Interest is recognised using the effective interest method, when it is determined that such income will accrue to the Scheme. Interest received includes interest received on investments at fair value through profit or loss as well as cash and cash equivalents.

Dividend income is recognised in profit or loss on the date that the Scheme's right to receive payment is established.

Income from collective investment schemes is recognised when entitlement to the investment income is established.

Realised and unrealised gains and losses

Fair value changes on financial assets at fair value through profit or loss are recognised in profit or loss and fair value changes on financial assets at fair value through other comprehensive income are recognised in OCI.

1.21 Prescribed income

Unallocated deposits as well as member and provider credits that have legally prescribed, i.e. older than three years, are written back and disclosed as sundry income in the statement of profit or loss and other comprehensive income.

1.22 Road Accident Fund recoveries

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 Road Accident Fund (RAF), administered in terms of the Road Accident Fund Act No. 56 of 1996. If the members are reimbursed by the RAF, they are contractually obliged to cede that payment to the Scheme to the extent that they have 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. 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 change occurs. Amounts received in respect of reimbursements from the RAF are recognised as part of insurance service expenses in profit or loss.

1.23 Income/(expense) from operations per benefit option

Income and expenses are allocated to benefit options on a direct basis where this is determinable. Where income and expenses are not directly attributable to a specific benefit option, the income and expenses are allocated per option based on average claims expenditure and calculated monthly.

Investment income and investment expenses are allocated to each option based in the same ratio the respective option contributed to reserves since inception of the Scheme.

1.24 Investments in unconsolidated structured entities

The Scheme has concluded that investment funds in which it invests, meet the definition of structured entities. These are not consolidated because the voting rights are not dominant rights in deciding who controls these entities, as they relate to administrative tasks only. Each fund's activities are restricted by a prospectus and the funds have narrow and well-defined objectives to provide investment opportunities.

1.25 Comparative figures

To conform with the current period presentation guidelines in terms of the South African Institute of Chartered Accountants Medical Schemes accounting guide, additional disclosure in respect of the prior year comparatives were reflected where necessary to achieve a fair presentation of the financial statements. The additional disclosure had no impact on the previously reported Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards, Amendments and Interpretations effective and adopted

In the current year, the Scheme has adopted the following standards and interpretations that are effective for the current financial year:
- IFRS 17 - Insurance Contracts.

2.2 Standards and Interpretations issued but not yet effective

The Scheme has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Scheme's accounting periods beginning on or after 01 January 2024 or later periods:

IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Disclosure of Accounting Policies

Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. The IASB further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

The effective date of the standard is for years beginning on or after 01 January 2024.

The impact of this standard is currently being assessed.

IAS 1 - Presentation of Financial Statements

Amendment to IAS 1 - Classification of Liabilities as Current or Non-current

The amendment clarifies that liabilities that are classified as current do not require an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period but instead 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 effective date of the standard is for years beginning on or after 01 January 2024.

The impact of this standard is currently being assessed.

IFRS 16 - Leases

Amendment to IFRS 16 - Lease liability in a sale and leaseback

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.

The effective date of the standard is for years beginning on or after 01 January 2024.

The impact of this standard is currently being assessed.

IAS 1 - Presentation of Financial Statements

Amendment to IAS 1 - Non current liabilities with covenants

The amendment clarifies conditions with which an entity must comply, within twelve months after the reporting period, that affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions

The effective date of the standard is for years beginning on or after 01 January 2024.

The impact of this standard is currently being assessed.

3 TANGIBLE AND INTANGIBLE ASSETS

3.1 PROPERTY AND EQUIPMENT

	2023			2022		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
	R	R	R	R	R	R
Building	42 350 000	(3 080 790)	39 269 210	42 350 000	(441 146)	41 908 854
Furniture and fixtures	3 031 692	(1 718 665)	1 313 027	2 867 466	(1 520 842)	1 346 624
Motor vehicles	1 716 377	(1 121 623)	594 754	1 134 994	(937 688)	197 306
Office equipment	3 338 847	(1 409 571)	1 929 276	2 644 263	(1 126 112)	1 518 151
Computer equipment	5 323 354	(3 755 946)	1 567 408	4 687 420	(2 940 195)	1 747 225
Total	**55 760 270**	**(11 086 595)**	**44 673 675**	**53 684 143**	**(6 965 983)**	**46 718 160**

Reconciliation of property and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Closing balance
	R	R	R	R	R
Building	41 908 854	-	-	(2 639 644)	39 269 210
Furniture and fixtures	1 346 624	164 226	-	(197 823)	1 313 027
Motor vehicles	197 306	581 383	-	(183 935)	594 754
Office equipment	1 518 151	694 584	-	(283 459)	1 929 276
Computer equipment	1 747 225	793 436	(54 464)	(918 789)	1 567 408
	46 718 160	**2 233 629**	**(54 464)**	**(4 223 650)**	**44 673 675**

Reconciliation of property and equipment - 2022

	Opening balance	Additions	Disposals	Revaluation gain	Depreciation	Closing balance
	R	R	R	R	R	R
Building	35 184 529	-	-	9 183 957	(2 459 632)	41 908 854
Furniture and fixtures	1 311 286	223 946	(3 341)	-	(185 267)	1 346 624
Motor vehicles	315 481	-	-	-	(118 175)	197 306
Office equipment	1 700 504	268 471	(156 949)	-	(293 875)	1 518 151
Computer equipment	1 011 292	1 451 956	(20 590)	-	(695 433)	1 747 225
	39 523 092	**1 944 373**	**(180 880)**	**9 183 957**	**(3 752 382)**	**46 718 160**

Changes to useful lives

No changes were made to the useful lives of asset classes.

Details of property

A building situated in Crestway Office Park ERF 20, Persequor Extension 5, City of Tshwane, comprises of Sections 21-32. The value of the building is independently revalued every two years.

The revaluation of the building was performed at an effective date of 31 October 2022 by ValueTec Property Valuations by R Gouveia [BCom (Hons) | NDPV | Wine Diploma (CWA) | MIVSA], an independent valuer, accredited with South African Council for the Property Valuers Profession, registration number 6378/8.

The building was revalued using the direct comparable sales method. The comparable sales method assumes that the market value of the subject property can be derived through a comparative approach which considers the sales of similar or substitute properties and market related data and establishes a value estimate by a process involving comparison. Comparable sales are recent property transactions of properties that were sold in accordance with the definition of market value.

The building was revalued at R42,350,000 resulting in a revaluation gain of R9,183,957.

The carrying amount of the building had it been recognised under the cost model is R18,541,572 (2022 : R21,291,572).

None of the property and equipment items are subject to a lien or bond. A register of property and equipment is available for inspection at the registered office of the Scheme.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

3 TANGIBLE AND INTANGIBLE ASSETS (continued)

3.2 INTANGIBLE ASSET

	2023			2022		
	Cost	Acquisitions - separately acquired	Carrying value	Cost	Acquisitions - separately acquired	Carrying value
	R	R	R	R	R	R
Computer software	7 737 933	1 129 289	8 867 222	-	7 737 933	7 737 933
Total	**7 737 933**	**1 129 289**	**8 867 222**	**-**	**7 737 933**	**7 737 933**

Reconciliation of intangible asset - 2023

	Opening balance	Acquisitions - separately acquired	Disposals	Amortisation	Closing balance
	R	R	R	R	R
Computer software	7 737 933	1 129 289	-	-	8 867 222
	7 737 933	**1 129 289**	**-**	**-**	**8 867 222**

Reconciliation of intangible asset - 2022

	Opening balance	Acquisitions - separately acquired	Disposals	Amortisation	Closing balance
	R	R	R	R	R
Computer software	-	7 737 933	-	-	7 737 933
	-	**7 737 933**	**-**	**-**	**7 737 933**

The Scheme appointed a service provider in quarter 1 of 2022 to develop “to-be” business processes; implement an Enterprise Resource Solution and maintain and service the solution after the initial implementation. Microsoft Dynamics 365 (D365) is being implemented “out-of-the-box” and where the standard solution cannot cater for the Scheme's specific “to-be” business processes and standard operating procedures, the service provider is developing additional functionality to cater for these requirements.

During the December 2022 financial year-end, expenses totalling R4,391,339 were allocated to the analysis of the business processes and infrastructure requirements. Additionally, at the preceding financial year-end, R7,737,933 was dedicated to "out-of-the-box" system acquisitions and “to be” business process customed developments.

In the 2023 financial year-end, deployment costs amounting to R1,129,289 were incurred.

The system is currently not ready for use as management has intended, hence amortisation has not commenced. Once the system is available for use, it will be measured at cost and be amortised over a period of 5 years, with no residual value.

	Note	2023	2022
		R	R

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments held by the Scheme which are measured at fair value, excluding debt instruments measured at fair value through other comprehensive income are as follows:

	Note	2023 R	2022 R
Fair value at the beginning of the year		3 776 066 240	2 156 139 102
Additions		9 932 627 736	9 483 087 797
Disposals at fair value		(9 683 657 640)	(7 854 619 918)
Unrealised gains/(losses) on revaluation of investments at fair value through profit or loss	16	64 862 870	(8 540 741)
Fair value at the end of the year		**4 089 899 206**	**3 776 066 240**

Designated at fair value through profit or loss:

	2023 R	2022 R
Unit trusts	1 388 033 365	1 647 425 216
SA listed shares	2 547 656 291	2 128 641 024
Unlisted shares	154 209 550	-
	4 089 899 206	**3 776 066 240**

Split between non-current and current portions

	2023 R	2022 R
Non-current assets	3 591 248 316	3 040 525 284
Current assets	498 650 890	735 540 956
	4 089 899 206	**3 776 066 240**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Unlisted shares

The Razorite Fund II is a private equity fund whose mandate is to invest in healthcare infrastructure and ancillary healthcare services with the aim of enhancing accessibility and affordability of healthcare services to a wider population in South Africa. The investments made by the Fund consist of a mix of greenfield projects, brownfield projects, and expandable operating healthcare entities.

On 27th July 2023, the Scheme became a limited partner in the Razorite Fund II private equity fund. The investment vehicle takes the form of an en commandite partnership. The Scheme holds an 8% interest in the partnership at the fair value of R154,209,550. Of the Scheme's R150 million commitments to the fund, R12 million is undrawn. The amount is payable to the fund on request.

	Note	2023 R	2022 R
5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
Fair value at the beginning of the year		5 262 740 314	4 439 898 960
Additions		9 521 627 545	8 729 553 289
Disposals at fair value		(8 398 473 229)	(7 883 436 606)
Net impairment changes on investments	16	621 892	1 107 271
Unrealised gains/(losses) on revaluation of investment through other comprehensive income	16	91 171 065	(24 382 600)
Fair value at the end of the year		**6 477 687 587**	**5 262 740 314**
Designated at fair value through other comprehensive income:			
SA listed bonds		4 990 866 581	3 944 076 644
Money market instruments		1 486 821 006	1 318 663 670
		6 477 687 587	**5 262 740 314**
Split between non-current and current portions			
Non-current assets		4 958 427 634	3 941 797 834
Current assets		1 519 259 953	1 320 942 480
		6 477 687 587	**5 262 740 314**
6. TRADE AND OTHER RECEIVABLES			
Financial assets			
Accrued interest on financial instruments	18	160 348 675	78 364 184
Prepayments		9 579 786	8 574 342
Other receivables		19 237	109 158
Total trade and other receivables		**169 947 698**	**87 047 684**
7. CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of:			
Cash on hand		3 338 352	16 103
Call accounts		4 042 507	16 504 118
Current accounts		365 668 376	346 343 034
Money market		31 699 317	2 298 462
Total cash and cash equivalents		**404 748 552**	**365 161 717**

Call accounts have no maturity and as such cash invested is immediately available. Money market investments had an average maturity of 48 days at year-end.

Call accounts earn interest at floating rates based on daily deposit rates. Money market investments are made for varying periods and earn interest at respective short-term deposit rates. As at 31 December the average weighted rates were:

	2023	2022
Money market	9.08%	6.40%
Call accounts	7.84%	5.15%

At 31 December 2023, the carrying amount of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

The total interest earned on the bank accounts was R22,652,199 (2022: R20,893,272) which is included in investment income in the profit or loss. Refer to note 16 of the Annual Financial Statements.

8. REINSURANCE CONTRACT ASSETS AND REINSURANCE CONTRACT LIABILITIES

	Reconciliation of the remaining coverage component and the incurred claims under the PAA			
	Remaining coverage component	Incurred claims for contracts under the PAA		Total
Healthcare Risk – Reinsurance contracts held	Excluding loss recovery component	Liability	Risk adjustment for non-financial risk	
2023	**R**	**R**	**R**	**R**
Opening reinsurance contract assets	61 937 394	-	-	61 937 394
Opening reinsurance contract liabilities	-	(724 214)	(117 060)	(841 274)
Net opening balance as at 1 January 2023	**61 937 394**	**(724 214)**	**(117 060)**	**61 096 120**
Net (expenses)/income from reinsurance contracts held				
Reinsurance expenses	(684 321 883)	-	-	(684 321 883)
Recoveries for incurred claims and other insurance service expenses	-	644 802 719	-	644 802 719
Changes that relate to past event service - adjustment to incurred claims	-	752 971	111 271	864 242
Net (expenses)/income from reinsurance transfer arrangement	**(684 321 883)**	**645 555 690**	**111 271**	**(38 654 922)**
Total changes in the Statement of profit or loss and other comprehensive income	**(684 321 883)**	**645 555 690**	**111 271**	**(38 654 922)**
Cash flows				
Premiums paid	655 478 920	-	-	655 478 920
Recoveries from reinsurance	-	(645 701 507)	(105 482)	(645 806 989)
Total cash flows	**655 478 920**	**(645 701 507)**	**(105 482)**	**9 671 931**
Net closing balance as at 31 December 2023	**33 094 431**	**(870 031)**	**(111 271)**	**32 113 129**
Closing reinsurance contract assets	33 094 431	-	-	33 094 431
Closing reinsurance contract liabilities	-	(870 031)	(111 271)	(981 302)
Net closing balance as at 31 December 2023	**33 094 431**	**(870 031)**	**(111 271)**	**32 113 129**
2022				
Opening reinsurance contract assets	57 759 084	-	-	57 759 084
Opening reinsurance contract liabilities	-	(7 081 214)	(119 603)	(7 200 817)
Net opening balance as at 1 January 2022	**57 759 084**	**(7 081 214)**	**(119 603)**	**50 558 267**
Net (expenses)/income from reinsurance contracts held				
Reinsurance expenses	(675 567 885)	-	-	(675 567 885)
Recoveries for incurred claims and other insurance service expenses	-	633 603 470	-	633 603 470
Changes that relate to past event service - adjustment to incurred claims	-	(5 533 025)	117 060	(5 415 965)
Net (expenses)/income from reinsurance transfer arrangement	**(675 567 885)**	**628 070 445**	**117 060**	**(47 380 380)**
Total changes in the Statement of profit or loss and other comprehensive income	**(675 567 885)**	**628 070 445**	**117 060**	**(47 380 380)**
Cash flows				
Premiums paid	679 746 195	-	-	679 746 195
Recoveries from reinsurance	-	(621 713 445)	(114 517)	(621 827 962)
Total cash flows	**679 746 195**	**(621 713 445)**	**(114 517)**	**57 918 233**
Net closing balance as at 31 December 2022	**61 937 394**	**(724 214)**	**(117 060)**	**61 096 120**
Closing reinsurance contract assets	61 937 394	-	-	61 937 394
Closing reinsurance contract liabilities	-	(724 214)	(117 060)	(841 274)
Net closing balance as at 31 December 2022	**61 937 394**	**(724 214)**	**(117 060)**	**61 096 120**

9. INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities comprises of the following two components:
- liability attributable to current members; and
- liability attributable to future members.

	Note	2023 R	2022 R
Insurance contract liabilities - liability attributable to current members			
- Current	9.1 & 25	911 267 692	897 863 274
Insurance contract liabilities - liability attributable to future members			
- Non-current	9.2 & 25	10 280 704 537	8 689 689 464
		11 191 972 229	**9 587 552 738**

9.1 LIABILITY ATTRIBUTABLE TO CURRENT MEMBERS

	Reconciliation of the liability for remaining coverage and the liability for incurred claims			
	LFRC	LIC		Total
Insurance contracts issued	**Excluding loss recovery component**	**Liability**	**Risk adjustment for non-financial risk**	
2023	**R**	**R**	**R**	**R**
Opening insurance contract assets	(12 189 563)	(6 001 109)	-	(18 190 672)
Opening insurance contract liabilities	246 124 600	659 121 902	10 807 444	916 053 946
Net opening balance as at 1 January 2023	**233 935 037**	**653 120 793**	**10 807 444**	**897 863 274**
Insurance revenue				
New contracts issued in the year	(12 576 876 762)	-	-	(12 576 876 762)
Total insurance revenue	**(12 576 876 762)**	**-**	**-**	**(12 576 876 762)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	-	11 191 901 388	-	11 191 901 388
Changes that relate to past service – adjustments to the LIC	-	39 707 038	23 184	39 730 222
Adjustments to liabilities for incurred claims	-	(29 291 825)	-	(29 291 825)
Total insurance service expenses	**-**	**11 202 316 601**	**23 184**	**11 202 339 785**
Insurance service result (excluding net expense reinsurance)	**(12 576 876 762)**	**11 202 316 601**	**23 184**	**(1 374 536 977)**
Finance expense from insurance contracts issued	-	-	-	-
Total amounts recognised in Statement of profit or loss and other comprehensive income	**(12 576 876 762)**	**11 202 316 601**	**23 184**	**(1 374 536 977)**
Cash flows				
Contributions received	12 581 773 940	-	-	12 581 773 940
Claims and other directly attributable expenses paid	-	(11 193 832 545)	-	(11 193 832 545)
Total cash flows	**12 581 773 940**	**(11 193 832 545)**	**-**	**1 387 941 395**
Net closing balance as at 31 December 2023	**238 832 215**	**661 604 849**	**10 830 628**	**911 267 692**
Closing insurance contract assets	(7 150 305)	(9 775 193)	-	(16 925 498)
Closing insurance contract liabilities	245 982 520	671 380 042	10 830 628	928 193 190
Net closing balance as at 31 December 2023	**238 832 215**	**661 604 849**	**10 830 628**	**911 267 692**

9. INSURANCE CONTRACT LIABILITIES (continued)

9.1 LIABILITY ATTRIBUTABLE TO CURRENT MEMBERS (continued)

	Reconciliation of the liability for remaining coverage and the liability for incurred claims			
	LFRC	LIC		Total
Insurance contracts issued	Excluding loss recovery component	Liability	Risk adjustment for non-financial risk	
2022	R	R	R	R
Opening insurance contract assets	(24 183 049)	(11 660 553)	-	(35 843 602)
Opening insurance contract liabilities	247 814 087	632 039 284	10 820 029	890 673 400
Net opening balance as at 1 January 2022	**223 631 038**	**620 378 731**	**10 820 029**	**854 829 798**
Insurance revenue				
New contracts issued in the year	(12 162 728 576)	-	-	(12 162 728 576)
Total insurance revenue	**(12 162 728 576)**	**-**	**-**	**(12 162 728 576)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	-	10 266 962 602		10 266 962 602
Changes that relate to past service – adjustments to the LIC	-	102 821 760	(12 585)	102 809 175
Adjustments to liabilities for incurred claims	-	(135 053 856)		(135 053 856)
Total insurance service expenses	**-**	**10 234 730 506**	**(12 585)**	**10 234 717 921**
Insurance service result (excluding net expense reinsurance)	**(12 162 728 576)**	**10 234 730 506**	**(12 585)**	**(1 928 010 655)**
Finance expense from insurance contracts issued	-	-	-	-
Total amounts recognised in Statement of profit or loss and other comprehensive income	**(12 162 728 576)**	**10 234 730 506**	**(12 585)**	**(1 928 010 655)**
Cash flows				
Contributions received	12 173 032 575	-	-	12 173 032 575
Claims and other directly attributable expenses paid	-	(10 201 988 444)	-	(10 201 988 444)
Total cash flows	**12 173 032 575**	**(10 201 988 444)**	**-**	**1 971 044 131**
Net closing balance as at 31 December 2022	**233 935 037**	**653 120 793**	**10 807 444**	**897 863 274**
Closing insurance contract assets	(12 189 563)	(6 001 109)	-	(18 190 672)
Closing insurance contract liabilities	246 124 600	659 121 902	10 807 444	916 053 946
Net closing balance as at 31 December 2022	**233 935 037**	**653 120 793**	**10 807 444**	**897 863 274**

	Note	2023 R	2022 R
Insurance contract assets		**(16 925 498)**	**(18 190 672)**
Risk contributions receivable		(14 144 472)	(18 050 963)
Impairment losses on healthcare receivables - contributions		6 994 167	5 861 400
Recoveries from members and suppliers receivable		(7 611 560)	(4 167 840)
Impairment losses on healthcare receivables - members and suppliers		2 008 367	2 252 102
Other receivables		(4 172 000)	(4 085 371)
Insurance contract liabilities		**928 193 190**	**916 053 946**
Contributions received in advance		245 763 165	245 629 675
Unidentified deposits		219 355	494 925
Reported claims not yet paid		71 637 112	69 700 664
Liability for incurred claims - best estimate	9.3	560 807 038	550 391 825
Liability for incurred claims : non-financial risk adjustment	9.3	10 830 628	10 807 444
Other payables		38 935 892	39 029 413

9. INSURANCE CONTRACT LIABILITIES (continued)

9.1 LIABILITY ATTRIBUTABLE TO CURRENT MEMBERS (continued)

	Note	2023 R	2022 R
Contributions received		**12 581 773 940**	**12 173 032 575**
Risk contributions		12 336 010 775	11 927 402 900
Risk contribution received in advance		245 763 165	245 629 675
Claims and other directly attributable expenses paid		**(11 193 832 545)**	**(10 201 988 444)**
Risk claims		(10 641 516 175)	(9 769 512 546)
Expenses		(552 316 370)	(432 475 898)

9.2 LIABILITY ATTRIBUTABLE TO FUTURE MEMBERS

In the application of the mutual entities principle to the Scheme, the accumulated funds and investments at fair value through other comprehensive income reserve, are classified as liability attributable to future members.

	Note	2023	2022
Opening balance		**8 689 689 464**	**6 286 432 623**
Movement in insurance liability attributable to future members	12 & 31	1 591 015 073	2 403 256 841
Closing balance	29	**10 280 704 537**	**8 689 689 464**

9.3 LIABILITY FOR INCURRED CLAIMS

	Note	Covered by risk transfer arrangements R	Not covered by risk transfer arrangements R	Total R
2023				
Liability for incurred claims - incurred but not yet reported	8 & 9.1	981 302	571 637 666	572 618 968
Analysis of movements in outstanding risk claims				
Balance at beginning of year		841 274	561 199 269	562 040 543
Payments in respect of prior year		(724 214)	(500 814 236)	(501 538 450)
Over provision in prior year		117 060	60 385 033	60 502 093
Adjustment for current year		864 242	511 252 633	512 116 875
Balance at end of the year		**981 302**	**571 637 666**	**572 618 968**
Analysis of outstanding risk claims provision				
Estimated gross claims		-	571 637 666	571 637 666
Liability for incurred claims relating to risk transfer arrangements		981 302	-	981 302
Balance at end of the year		**981 302**	**571 637 666**	**572 618 968**
Net exposure in respect of outstanding risk claims provision				
Gross outstanding claims		981 302	571 637 666	572 618 968
Less: estimated recoveries from risk transfer arrangements		(981 302)	-	(981 302)
Net outstanding claims		**-**	**571 637 666**	**571 637 666**
2022				
Liability for incurred claims - incurred but not yet reported	8 & 9.1	841 274	561 199 269	562 040 543
Analysis of movements in outstanding risk claims				
Balance at beginning of year		7 200 817	593 443 950	600 644 767
Payments in respect of prior year		(943 567)	(390 782 519)	(391 726 086)
Over provision in prior year		6 257 250	202 661 431	208 918 681
Adjustment for current year		(5 415 976)	358 537 838	353 121 862
Balance at end of the year		**841 274**	**561 199 269**	**562 040 543**
Analysis of outstanding risk claims provision				
Estimated gross claims		-	561 199 269	561 199 269
Liability for incurred claims relating to risk transfer arrangements		841 274	-	841 274
Balance at end of the year		**841 274**	**561 199 269**	**562 040 543**
Net exposure in respect of outstanding risk claims provision				
Gross outstanding claims		841 274	561 199 269	562 040 543
Less: estimated recoveries from risk transfer arrangements		(841 274)	-	(841 274)
Net outstanding claims		**-**	**561 199 269**	**561 199 269**

9.3 LIABILITY FOR INCURRED CLAIMS (continued)

Process used to determine the assumptions

Data in respect of claims paid is used for a period of two years prior to the date of the calculated provision. This is done such that for each of the previous twelve service months, there is at least twelve months of prior claims run-off experience. The below assumptions materially affect the measurement of the outstanding claims, and are therefore used in the calculation of the provision:

- The current claims run-off experience (i.e. the speed at which claims are settled once incurred) is in line with run-off experience over the past 12 - 24 months.
- The average risk claims paid in the run-off period each year based on historical trends.

Any deviation to the above assumptions is considered and allowed for through adjusting the provision.

Per the IFRS17 practice, the estimate of outstanding claims is not based on claims data that arises after the reporting date. Instead, the outstanding claims provision is calculated using only cash flows within the coverage period, and is termed the Liability for Incurred Claims (LIC).

In calculating an appropriate provision for outstanding claims, the actuaries considered the provision suggested by the traditional basic chain ladder (CL) method; Bornhuetter-Ferguson (BF) method and the Health Monitor model (Insight in-house stochastic risk management). The results were compared to arrive at an appropriate provision.

The CL method tends to be reliable when the claims administration processes are stable, whether or not this is the case for beneficiaries' claims propensities. Conversely, the methodology based on the Health Monitor's projections tends to be more reliable when beneficiaries' claims propensities are stable, whether or not this is the case for administrative processes. The Health Monitor model adjusts for demographic and benefit changes whereas these are not automatically reflected by traditional CL methods.

The BF method can be considered to be a hybrid method which incorporates the outstanding proportion of claims predicted by the CL method with the total claims for a month to be paid as estimated using the Health Monitor model to arrive at an estimate for total outstanding claims. The BF method allows for explicit consideration of current levels of healthcare utilisation and all other relevant factors. The BF method was applied as it allows for the benefits of stability as provided by the claims development pattern and additional information based on the expected utilisation of benefits during the year.

The LIC is presented along with an adjustment for non-financial risk which aims to compensate the Scheme for uncertainty in the amount and timing of outstanding claims. The risk adjustment methodology is based on the Bootstrapping model developed by the Scheme's actuaries at Insight Actuarial Solutions (Insight). The risk adjustment figure is set with a 75% confidence level implying it is sufficient in covering a worse than expected claims experience in 3 out of 4 years. The presentation of the outstanding claims provision and non-financial risk adjustment is consistent with the IFRS17 revisions, and in particular with the Premium Allocation Approach (PAA) which is the chosen measurement model for the Scheme.

Changes in assumptions and sensitivities to changes in key variables

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the expected claims settled within the four month period before a claim becomes stale. The sensitivity of the liability is limited as it comprises 98.16% (2022: 98.54%) of actual payments made up within 4 months of the service date. The 2023 percentage comprises of actual claims payments made up to 31 December 2023.

The impact of an improvement in risk claims processing patterns, as well as the impact of a change in the average claims amount (during the run-off period) has been calculated and the results are shown below. The results are shown as an impact on the actual LIC estimate, the solvency ratio of the Scheme, as well as the insurance liability to future members of the Scheme.

The impact of a change in risk claims processing patterns on the solvency ratio and insurance liability to future members are estimated when considering the change in LIC estimate in isolation and are just shown for illustrative purposes. In practice, an improvement in the risk claims processing pattern will reduce the LIC estimate, but will also increase the claims already processed and will therefore have an insignificant impact on the solvency ratio and insurance liability to future members.

9.3 LIABILITY FOR INCURRED CLAIMS (continued)

Changes in assumptions and sensitivities to changes in key variables (continued)

a) Risk claims processing pattern

The table below shows the movement in the LIC estimate as a result to changes in the risk claims processing pattern.

	LIC in the AFS	10% Improvement in Risk claims process pattern	10% Decline in Risk claims process pattern
2023			
LIC	571 637 666	535 431 106	607 844 226
Percentage Change	-	-6.33%	6.33%
2022			
LIC	561 199 269	525 128 898	597 225 036
Percentage Change	-	6.43%	-6.43%

The table below shows the movement in the solvency ratio of the Scheme due to changes in the risk claims processing pattern.

	Current Solvency Ratio	10% Improvement in Risk claims process pattern	10% Decline in Risk claims process pattern
2023			
Solvency ratio	80.54%	80.83%	80.25%
Percentage Change	-	0.36%	-0.36%
2022			
Solvency ratio	70.73%	70.77%	70.69%
Percentage Change	-	0.06%	-0.06%

	Insurance liability to future members	10% Improvement in Risk claims process pattern	10% Decline in Risk claims process pattern
2023			
Insurance liability to future members	10 280 704 537	10 316 873 431	10 244 460 311
Percentage Change	-	0.35%	-0.35%
2022			
Insurance liability to future members	8 689 689 464	8 694 889 361	8 684 574 900
Percentage Change	-	0.06%	-0.06%

b) Average claim amount in run-off period

The table below shows the movement in the LIC estimate due to changes in the average claim amount in the run-off period.

	LIC in the AFS	10% increase in Average Claim Amount	10% decrease in Average Claim Amount
2023			
LIC	571 637 666	627 718 370	515 556 962
Percentage Change	-	9.82%	-9.82%
2022			
LIC	561 199 269	526 214 565	616 238 452
Percentage Change	-	9.81%	-9.81%

9.3 LIABILITY FOR INCURRED CLAIMS (continued)

Changes in assumptions and sensitivities to changes in key variables (continued)

b) Average claim amount in run-off period (continued)

The table below shows the movement in the Scheme's solvency ratio due to changes in the average claim amount in the run-off period.

	Current Solvency Ratio	10% increase in Average Claim Amount	10% decrease in Average Claim Amount
2023			
Solvency ratio	80.54%	80.09%	80.98%
Percentage Change	-	-0.55%	0.55%
2022			
Solvency ratio	70.73%	70.67%	70.79%
Percentage Change	-	-0.08%	0.08%

The table below shows the movement in the insurance liability to future members due to changes in the average claim amount in the run-off period.

	Insurance liability to future members	10% increase in Average Claim Amount	10% decrease in Average Claim Amount
2023			
Insurance liability to future members	10 280 704 537	10 224 586 167	10 336 747 575
Percentage Change	-	-0.55%	0.55%
2022			
Insurance liability to future members	8 689 689 464	8 682 638 588	8 696 825 673
Percentage Change	-	-0.08%	0.08%

The Board of Trustees believes that the liability for incurred claims as reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based on certain variables and assumptions which could differ when claims arise.

	Note	2023 R	2022 R
10. TRADE AND OTHER PAYABLES			
Financial liabilities			
Audit fees		2 314 337	1 394 480
Accrued expense		29 357 443	14 582 219
Total arising from financial liabilities		**31 671 780**	**15 976 699**
Other non-financial liabilities			
Employee benefits obligations	10.1	4 293 060	3 038 731
Total arising from other non-financial liabilities		**4 293 060**	**3 038 731**
Total trade and other payables		**35 964 840**	**19 015 430**

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

10.1 EMPLOYEE BENEFITS OBLIGATIONS

	Note	2023 R	2022 R
Accrual for leave pay			
Opening balance		3 038 731	2 590 694
Raised during the year		5 363 306	1 485 381
Utilised during the year		(4 108 977)	(1 037 344)
Closing balance at the end of the year		**4 293 060**	**3 038 731**

Employee benefits, short-term, in the form of annual leave entitlements are accrued to employees with reference to services rendered up to the reporting date.

11. INSURANCE REVENUE

Upon the application of the PAA by the Scheme, insurance revenue is the amount of expected contribution receipts allocated to the period of the insurance contract services. The expected contribution receipts includes the risk of non-payment by the member.

	Note	2023 R	2022 R
Gross contributions - members		3 569 399 001	3 560 737 120
Gross contributions - employer (on behalf of members)		9 009 200 000	8 604 800 000
Insurance revenue		**12 578 599 001**	**12 165 537 120**
Net impairment losses			
Contributions that are not recoverable		**(1 722 239)**	**(2 807 107)**
Movement in impairment losses		(1 132 767)	(1 867 466)
Written off		(589 472)	(939 641)
Impairment losses on sundry receivables		-	(1 437)
Impairment losses on insurance and other receivables		**(1 722 239)**	**(2 808 544)**
Total insurance revenue from contracts measured under the PAA	9.1	**12 576 876 762**	**12 162 728 576**

The employer makes monthly contributions on behalf of members to the Scheme. There are no unfulfilled conditions or other contingencies attached to these employer contributions. The Scheme does not benefit directly from any forms of government assistance.

12. INSURANCE SERVICE EXPENSES

Under the PAA, the Scheme has reported incurred claims, amounts attributable to future members and other insurance service expenses arising from insurance contracts the Scheme issues, as insurance service expenses. The incurred claims includes the risk of non-payment by members and service providers. CMS Circular 29 of 2023 has been applied by the Scheme in the assessment of directly attributable expenses, which relate directly to the fulfilment of the insurance contract.

	Note	2023 R	2022 R
Risk claims incurred			
Claims incurred excluding claims in respect of risk transfer arrangements		**10 734 003 048**	**9 847 912 293**
Direct claims incurred including discounts received on claims	9.1	10 723 564 651	9 880 156 974
Changes that relate to past services - adjustments to incurred claims	9.1	10 438 397	(32 244 681)
Claims incurred in respect of risk transfer arrangements		**645 666 961**	**628 187 505**
Current year claims incurred	8	644 802 719	633 603 470
Changes that relate to past services - adjustments to incurred claims	8	864 242	(5 415 965)
Net impairment losses			
Members' and service providers' portions that are not recoverable	9.1	**(125 976)**	**2 282 596**
Movement in impairment losses		(243 734)	1 704 888
Written off		117 758	577 708
Third party claim recoveries	9.1 & 12.1	**(83 668 441)**	**(84 298 663)**
Net claims incurred		**11 295 875 592**	**10 394 083 731**

12. INSURANCE SERVICE EXPENSES (continued)

	Note	2023 R	2022 R
Directly attributable expenses	9.1	**552 131 154**	**468 821 695**
Accredited managed healthcare services (no risk transfer)	12.2	201 006 456	180 603 020
Administration expenditure: Benefit management services	12.3	34 237 098	44 370 973
Administration fees	12.4	279 510 080	238 281 183
Administration fees - road accident fund recoveries*		37 377 520	5 566 519
Amounts attributable to future members	9.2	1 591 015 073	2 403 256 841
Total insurance service expenses		**13 439 021 819**	**13 266 162 267**

* - A service provider disputed the termination of its service level agreement for MVA recoveries and initiated Arbitration proceedings
claiming R 36.58 million for repudiation of the contract and consequential damages. The Scheme provided for likely payment of

12.1 THIRD PARTY CLAIM RECOVERIES

	2023 R	2022 R
Road Accident Fund recoveries	5 946 333	7 809 811
Forensic recoveries	77 722 108	76 488 852
	83 668 441	**84 298 663**

12.2 ACCREDITED MANAGED HEALTHCARE SERVICES (NO RISK TRANSFER)

	2023 R	2022 R
Hospital benefit management services	72 262 286	64 927 796
Disease risk management support services	51 059 447	45 878 907
Managed care network management services and risk management	32 180 510	28 913 491
HIV management services	18 414 157	16 540 218
Pharmacy benefit management services	27 090 056	24 342 608
Total accredited managed healthcare	**201 006 456**	**180 603 020**

12.3 ADMINISTRATION EXPENDITURE: BENEFIT MANAGEMENT SERVICES

	Note	2023 R	2022 R
Ambulance services		1 898 683	1 984 337
Fraud management	14.1	23 728 863	22 189 712
Optical		7 967 018	7 334 672
Wellness	14.1	-	12 862 252
Provider network management services		642 534	-
		34 237 098	**44 370 973**

12.4 ADMINISTRATION FEES

12.4.1 Amounts paid to accredited Administrator

The following is a detailed breakdown of administration and benefit management services provided by the accredited administrator:

Accredited administration services

	2023 R	2022 R
Member record management	10 070 242	9 056 725
Contribution management	14 695 914	13 202 410
Claims management	40 369 498	36 269 424
Financial management	10 623 551	9 545 704
Information management and data control	74 121 408	66 607 330
Customer services	129 629 467	103 599 590
Total accredited administration services provided by accredited administrator	**279 510 080**	**238 281 183**

13. NET EXPENSE FROM RISK TRANSFER ARRANGEMENTS

	Note	2023 R	2022 R
Premiums paid		(713 492 138)	(732 148 277)
Scriptpharm Risk Management (Pty) Ltd	8	(713 492 138)	(732 148 277)
Claim recoveries from risk transfer arrangements		645 672 748	628 190 037
Preferred Provider Negotiators (Pty) Ltd		-	(6 137 646)
Scriptpharm Risk Management (Pty) Ltd		645 672 748	634 327 683
Profit share		29 170 255	56 580 392
Scriptpharm Risk Management (Pty) Ltd	8	29 170 255	56 580 392
Net expense		**(38 649 135)**	**(47 377 848)**

13. NET EXPENSE FROM RISK TRANSFER ARRANGEMENTS (continued)

Net expense

Preferred Provider Negotiators (Pty) Ltd (PPN) administered and provided optical benefits to the members of the Scheme, on both options, in accordance with the terms of the agreement until 31 December 2021.

Effective 01 January 2022 until 31 December 2025, the PPN agreement is a fee for service.

The optical benefit has a two-year cycle. Certain benefits can thus only be utilised once over a two-year period.

Scriptpharm Risk Management (Pty) Ltd (Scriptpharm) administers and provides chronic, acute and over the counter medicine management services to the members of the Scheme, on both options, in accordance with the terms of the agreement.

Following a tender process, Scriptpharm were awarded a contract effective 01 January 2023 until 31 December 2026.

Claims recoveries are based on actual incidents and tariffs received from Scriptpharm.

14. ADMINISTRATION FEES AND OTHER OPERATING EXPENSES (NOT DIRECTLY ATTRIBUTABLE EXPENSES)

Administration fees and other operating expenses that were not directly attributed to the fulfilment of the insurance contracts were excluded from the fulfilment cash flows.

	Note	2023 R	2022 R
Actuarial fees		1 736 329	1 767 393
Administration fees	14.1	4 647 804	4 166 944
Annual general meeting		1 461 098	1 712 437
Audit and Risk committee remuneration (independent members)		555 317	575 060
Audit fees		2 887 898	2 658 698
Audit fees - disbursements		-	2 488
Backup storage		119 334	3 374 806
Bank charges		2 194 407	2 084 875
Board of Healthcare Funders subscription		2 625 058	2 510 718
Conference expenses		2 991 633	-
Consultation fees		10 981 196	21 875 201
Primary healthcare facility		2 018 250	1 440 000
Depreciation on property and equipment	3.1	4 223 650	3 752 382
Election costs		7 693 819	-
Internal audit fees		1 486 383	1 186 406
Legal expenses		24 524 467	6 525 850
Revaluation gain	3.1	-	(9 183 957)
Marketing fees		17 802 333	16 033 528
Principal Officer's fees		9 237 283	6 961 566
Principal Officer remuneration		3 189 736	2 442 320
Defined contribution benefits		3 716 470	3 146 766
Performance incentive		1 691 418	994 930
Other disbursements		639 659	377 550
Property expenses - levies and rates		2 377 785	2 706 283
Registrar levies		8 302 267	9 302 193
Salaries		53 545 993	45 867 852
Toll free lines		3 278 830	3 599 077
Trustees' honoraria and considerations	15	6 324 332	6 367 078
Travel		3 634 605	1 280 083
Utilities		787 023	816 158
Other expenses		9 674 252	8 551 296
		185 111 346	**145 934 415**

14.1 Amounts paid to accredited Administrator

The following is a detailed breakdown of administration and benefit management services provided by the accredited administrator:

Other administration services

	Note	2023 R	2022 R
Benefit management services	12.3	23 728 863	35 051 964
Governance and compliance services		2 368 167	2 040 952
Internal audit services		2 279 637	2 125 992
Third party claim recovery services		-	3 360 000
Marketing services		913 902	601 027
Communication costs, printing and toll-free lines		2 575 782	2 969 351
Total other administration services provided by accredited administrator		**31 866 351**	**46 149 286**

15. TRUSTEES' HONORARIA AND CONSIDERATIONS

2023

	Fees for meeting attendance	Training and conference	Travel and lodging	Data costs	Total
	R	R	R	R	R
MV Kwetepane	329 093	1 579	133 055	2 691	466 418
KL Moeng	178 395	1 579	108 431	1 542	289 947
PA Mabotja	369 295	1 579	106 266	2 691	479 831
TNL Ngwenya	292 719	1 579	58 212	1 542	354 052
ST Nkosi	326 081	28 474	20 440	3 554	378 549
AJ Gerber	386 651	1 579	204 924	3 421	596 575
MV Phiyega	165 831	1 579	17 556	1 542	186 508
RP Ntsime	474 127	19 050	23 565	2 691	519 433
Z Skade	314 373	1 579	28 316	2 344	346 612
SJ Kwena	407 844	1 579	54 681	2 356	466 460
PP Dimpane	402 749	8 561	13 476	3 532	428 318
BP Temba	369 294	5 658	11 210	2 070	388 232
SW Chamane	296 093	678	13 488	1 660	311 919
LN Ngembe	197 647	678	104 583	1 310	304 218
JT Lusenga	197 646	678	2 227	1 149	201 700
R Steyn	197 646	678	143 621	1 149	343 094
IN Molefe	224 355	-	37 315	796	262 466
Total	**5 129 839**	**77 087**	**1 081 366**	**36 040**	**6 324 332**

2022

	Fees for meeting attendance	Training and conference	Travel and lodging	Data costs	Total
	R	R	R	R	R
MV Kwetepane	300 200	22 346	131 475	2 047	456 068
KL Moeng	349 782	29 845	227 013	2 047	608 687
PA Mabotja	350 482	29 845	118 645	2 047	501 019
BSJ Muller	194 001	13 261	55 055	3 387	265 704
TNL Ngwenya	659 154	5 618	129 029	2 827	796 628
ST Nkosi	267 710	20 759	42 562	2 632	333 663
AJ Gerber	377 174	20 760	165 626	2 047	565 607
NP Lushaba	11 863	1 762	29 676	491	43 792
MV Phiyega	246 280	13 261	61 396	2 047	322 984
HK Senthumule	279 850	13 260	32 476	2 047	327 633
FN Vuma	284 708	24 099	68 039	894	377 740
RP Ntsime	444 034	13 260	64 277	2 047	523 618
Z Skade	325 386	5 617	61 597	1 837	394 437
SJ Kwena	374 908	20 760	73 866	1 842	471 376
BP Temba	113 067	-	7 186	1 394	121 647
PP Dimpane	163 592	16 583	21 337	1 242	202 754
SJ Nelson	52 790	-	-	931	53 721
Total	**4 794 981**	**251 036**	**1 289 255**	**31 806**	**6 367 078**

	Note	2023 R	2022 R
16. INVESTMENT INCOME			
Financial assets at fair value through profit or loss			
Dividend income		100 895 966	80 763 566
Financial assets at fair value through other comprehensive income			
Interest income		725 599 501	474 827 508
Cash and cash equivalents			
Interest income		22 652 199	20 893 272
	18	**849 147 666**	**576 484 346**
Net fair value gains on financial assets at fair value through profit/(loss)			
(Loss)/profit on sale of equipment	20	(14 529)	148 857
Realised (loss)/gain on disposal of investments		(16 954 758)	51 096 588
Net impairment changes on investments	5	621 892	1 107 271
Unrealised gain/(loss) on revaluation of investments	4	64 862 870	(8 540 741)
Collective investments		43 399	195 973
SA listed equities		38 851 244	(8 736 714)
Unlisted equities	26	25 968 227	-
		48 515 475	**43 811 975**
		897 663 141	**620 296 321**
Net fair value gains/(losses) on financial assets at fair value through OCI			
SA listed bonds		90 228 302	(23 153 905)
Money market instruments		942 763	(1 228 695)
	5	**91 171 065**	**(24 382 600)**
17. SUNDRY INCOME			
Prescribed income - unidentified deposits, member and provider credits		2 803 477	3 403 509
Other sundry income		1 551 210	7 532 050
Once-off employer contributions		200 880 000	722 458 735
		205 234 687	**733 394 294**
18. CASH FLOWS FROM INVESTING ACTIVITIES: INVESTMENT INCOME			
Investment income	16	849 147 666	576 484 346
Accrued interest on financial instruments	6	(160 348 675)	(78 364 184)
	20	**688 798 991**	**498 120 162**
Total per above		688 798 991	498 120 162
Less: Reinvested income		(151 765 277)	(108 600 743)
Cash flows from investing activities : investment income		**537 033 714**	**389 519 419**
19. ASSET MANAGEMENT FEES			
Custodial fees and other investment charges		53 496 808	760 395
Fund accounting fees		3 692 199	3 011 891
Investment consultants		1 230 415	1 190 544
Portfolio management charges		49 743 933	27 599 231
		108 163 355	**32 562 061**
20. NET CASH FROM OPERATING ACTIVITIES			
Total comprehensive income for the year		-	-
Adjustments for:			
Depreciation	3	4 223 650	3 752 382
Revaluation gain	3	-	(9 183 957)
Loss/(profit) on sale of equipment	16	14 529	(148 857)
Investment income	18	(688 798 991)	(498 120 162)
Fair value (gains)/losses	16	(156 033 935)	32 923 341
Impairment losses and reversals	11, 12 & 16	(974 371)	(3 983 869)
Movement in employee benefits obligations	10	1 254 329	448 037
Movements in liability for incurred claims	9.3	10 578 425	(38 604 224)
Movement in investment impairment provision	5	(621 892)	(1 107 271)
Changes in working capital:			
(Increase)/decrease in insurance, trade and other receivables		(51 817 506)	50 949 448
Increase/(decrease) in insurance, trade and other payables	8, 9 & 10	1 608 411 001	2 470 802 344
		726 235 239	**2 007 727 212**

21. CONTINGENCIES

21.1 CONTINGENT ASSET

There were 697 (2022: 432) open road accident cases totalling R186,226,628 (2022: R118,059,788) which were managed by Medscheme Holdings (Pty) Ltd effective 01 June 2021.

New Motor Vehicle Accident (MVA) matters from 01 June 2021 to 31 December 2023: The total number of possible third-party claims with the most likely prospects of future recovery was 795 claims as at the end of December 2023 with the paid value of R202,691,988 for past medical expenses.

Due to the uncertain outcome of claims lodged with the RAF, the Scheme has not yet accounted for the inflow of economic benefits.

MVA matters initiated up to 31 May 2021 (legacy files): As at the end of December 2023, the Scheme had 1,659 claims to the value of R305,585,876 in progress. Schedules in respect of these matters have been compiled and submitted to the members' personal attorney for inclusion in their third-party claim against the RAF.

Injury on duty (IOD) related payments: The National Commissioner is being engaged on IOD payments that the Scheme made between 2016 and 2018. The amount is +/- R94 million and the Scheme is waiting the National Commissioner's feedback on the matter. This item is tracked through the IOD Task Team monthly meetings.

21.2 CONTINGENT LIABILITY

A service provider referred the motor vehicle accident matter to arbitration for a contractual dispute arising from the service level agreement (SLA) between the parties whereby the latter service provider is claiming for payment in the amount of R15,248,992 against the Scheme. On 04 December 2023, the Arbitrator’s Award was in favour of the Scheme whereby the service provider was ordered to (a) render a full account, supported by a schedule, of all recoveries undertaken; (b) provide a debatement of the said account; and (c) take all reasonable steps to return all files belonging to the Scheme which are in their possession. However, on 05 December 2023, the Scheme received a Notice of Appeal from the service provider indicating its intention to appeal the Arbitrator’s Award. The appeal is proceeding in 2024.

A member lodged a R55,000,000 claim against the Scheme for failure by the Scheme's employee/(s) or medical staff to timeously grant authorisation for an emergency ambulance services to transport the member from a healthcare professional's consulting rooms to a hospital. The member’s Attorneys of record have withdrawn as such and the Scheme is awaiting information regarding the new Attorneys.

A Health Practitioner lodged a claim against the Scheme (and other medical schemes and the Administrator) as a result of the Practitioner’s grievance with the forensic findings determined by the Scheme’s Administrator’s forensic process. The Practitioner alleges that the Administrator and the Scheme have directly discriminated against the Practitioner and therefore seek the court to, inter alia, make the following order:

- Payment in the amount of R1,672,205 (for benefits allegedly retained by the Scheme)
- Payment in the amount of R228,600,000 for harassment, pain, suffering, emotional distress and racial profiling.

The case remains active.

During 2021, the Scheme issued a tender for the appointment of a Service Provider to render Administration and Managed Healthcare services. A review application was brought by one of the bidders against the Scheme and the successful bidder to review the decision of the Scheme appointing the former to render administrative services to the Scheme. The Scheme launched a counter claim seeking a declaratory order to the effect that the application by the applicant is misguided as the Scheme is not an organ of state for purposes of the Promotion of Administrative Justice Act 3 of 2000. Judgement was reserved. The contingent liability is unquantifiable at this point.

22. EVENTS AFTER THE REPORTING DATE

Material events have occurred subsequent to the financial year-end that required disclosure in but no adjustment to the Annual Financial Statements for the year ended 31 December 2023.

On 15 May 2024, the President of the Republic of South Africa signed the National Health Insurance Act, 2023 (Act No 20 of 2023) (“the NHI Act”). The coming into effect of different provisions of the NHI Act may be fixed, subject to the transitional arrangements.

The transitional arrangements prescribe that the implementation of the NHI Act must take place over two phases. Phase One commenced in 2023 and ends in 2026, and Phase Two shall commence in 2026 and end in 2028.

One of the intended changes to take place during Phase Two includes the amendment of the Medical Schemes Act, No. 131 of 1998. Schedule to the NHI Act identifies the sections that are anticipated to be amended:

• Section 1(a) definition of a business of a medical scheme
• Section 1(b) definition of a relevant healthcare service
• Section 2 conflict between the MS Act and other legislation
• Section 24 medical scheme registration requirements
• Section 33 benefit option changes

In the circumstances, the NHI Act is not expected to impact the Scheme in the next year (2025).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

23. RELATED PARTIES

Relationships

Administrator and its associates	Refer to note 12.2, 12.3 and 14
Principal Officer	Refer to note 14
Trustees of the Scheme	Refer to note 15

The Scheme enters into various service transactions, in the ordinary course of business, with related parties. The agreements relating to these services are drawn up under normal commercial terms and conditions.

Parties with significant influence over the Scheme

The agreement between Medscheme Holdings (Pty) Ltd is an agreement whereby Medscheme Holdings (Pty) Ltd administers POLMED in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees of the Scheme. This involves participation in financial and operating decisions but not controlling the Scheme.

The agreement between Medscheme Holdings (Pty) Ltd and POLMED is an agreement whereby Medscheme Holdings (Pty) Ltd provides managed care services including HIV management services to POLMED in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees of the Scheme. This involves participation in financial and operating decisions but not controlling the Scheme.

The agreement between Scriptpharm Risk Management (Pty) Ltd is an agreement whereby Scriptpharm Risk Management (Pty) Ltd provides chronic, acute and over the counter medicine management services to POLMED in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees of the Scheme. This involves participation in financial and operating decisions but not controlling the Scheme.

South African Police Service, the employer of the Scheme's members, in terms of the rules of POLMED, designate 50% of the Trustees, who in turn participate in financial and operating decisions but not controlling the Scheme. The employer also contributes a grant towards risk contribution income.

All transactions with related parties are commercially determined under terms that are no less favourable than those arranged with third parties.

	2023 R	2022 R
Administrator and its associates		
Administration and managed care services		
Medscheme Holdings (Pty) Ltd (administration services)	284 157 884	245 808 127
Medscheme Holdings (Pty) Ltd (managed care services)	201 006 456	180 603 020
Scriptpharm Risk Management (Pty) Ltd	713 492 138	732 148 277
Purchase (recoveries/reimbursements) of other services and expenses		
Medscheme Holdings (Pty) Ltd (administration services)	27 218 547	25 760 090
Medscheme Holdings (Pty) Ltd (managed care services)	-	12 862 252
Risk transfer arrangement		
Scriptpharm Risk Management (Pty) Ltd		
Recoveries from risk transfer arrangement	645 672 748	634 327 683
Current year claims incurred in respect of risk transfer arrangement	645 526 933	634 547 037
Movement in outstanding risk claims provision	140 028	(221 896)
Profit share on risk transfer arrangement	29 170 255	56 580 392
Balance as at 31 December:		
Medscheme Holdings (Pty) Ltd (managed care services)	93 301	(16 271 619)
Medscheme Holdings (Pty) Ltd (administration services)	(2 935 891)	(22 756 186)
Scriptpharm Risk Management (Pty) Ltd	32 224 401	61 213 179

Terms and conditions of transactions with related parties:

Administration agreement:
The administration agreement is in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees of the Scheme. Medscheme Holdings (Pty) Ltd was appointed as the administrator effective 01 January 2022 until 31 December 2026.

Managed care agreements:
The managed care agreements are in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees of the Scheme. Medscheme Holdings (Pty) Ltd was appointed as the managed care administrator effective 01 January 2022 until 31 December 2026.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

23. RELATED PARTIES (continued)

Risk transfer agreement:
The risk transfer agreement is in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees of the Scheme. Following a tender process, Scriptpharm Risk Management (Pty) Ltd were awarded a contract effective 01 January 2023 until 31 December 2026.

Outstanding balances at the year-end are unsecured, interest free and settlement normally occurs monthly. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2023, the Scheme has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Employer of the Scheme's members

	2023 R	2022 R
Transactions for the year ended 31 December:		
Contributions by employer on behalf of members (current year)	9 009 200 000	8 604 800 000
Once-off employer contributions	200 880 000	722 458 735

The employer of the Scheme's members were not party to, nor did they have any interest in any of the Scheme's agreements in existence during the current or previous year.

Parties identified as key management personnel and their close family members

The key management personnel of the Scheme have been identified as the key individuals, who can influence decision-making in the Scheme. This definition would thus include only the Principal Officer, the Board of Trustees and their dependants and immediate family members.

Executive personnel, their dependants and immediate family members

Transactions for the year ended 31 December:

	2023	2022
N Khauoe		
Principal Officer remuneration	3 189 736	2 442 320
Defined contribution benefits	3 716 470	3 146 766
Performance incentive	1 691 418	994 930
Other disbursements	639 659	377 550
Principal Officer's fees	**9 237 283**	**6 961 566**
Principal Officer's leave pay provision	(1 480 742)	(791 289)
Principal Officer's performance bonus provision	(2 423 420)	(1 570 319)

Neither the executive personnel nor their dependants and immediate family members were party to nor did they have any interest in any of the Scheme's agreements in existence during the current or previous year, except for healthcare services provided and contributions. These healthcare services were on normal terms as offered to all members of the Scheme. No impairment of any balances owing during the year occurred.

The Trustees, their dependants and immediate family members

Transactions for the year ended 31 December:

	2023	2022
Total trustees' honoraria and considerations	6 324 332	6 367 078
Gross medical contributions received from trustees and their dependants	(496 875)	(553 504)
Claims paid to or on behalf of trustees and their dependants	915 549	893 168
Trustee honoraria payable	-	(64 905)

Neither the Trustees nor their dependants and immediate family members were party to, or had any interest in any of the Scheme's agreements in existence during the current or previous year, except for their individual membership agreements with the Scheme and healthcare services provided and contributions. These membership agreements and healthcare services were on normal terms as offered to all members of the Scheme. No impairment of any balances owing during the year occurred.

Terms and conditions of transactions with related parties:

Contributions received:
This constitutes the contributions paid by the related party as members of the Scheme, in their individual capacity. All contributions were at the same terms as offered to all members of the Scheme.

Claims:
This constitutes amounts claimed by the related party as members of the Scheme, in their individual capacity. All claims were paid out in terms of the rules of the Scheme at the same terms as offered to all members of the Scheme.

24 NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT, No. 131 OF 1998, AS AMENDED

The followings areas of non-compliance with the Act were identified during the course of the financial year:

24.1 Contravention of Section 26(7):

Nature and cause of the non-compliance	*Corrective course of action*
In terms of Section 26(7) of the Medical Schemes Act 131 of 1998, as amended, all subscriptions or contributions shall be paid directly to a medical scheme no later than three days after payments thereof becoming due.	Contributions are receivable from the employer, South African Police Services, and continuation members. Continuation members' contributions are collected via debit orders and cash payments. In accordance with the Scheme's Debt Policy, the late paying members are contacted and informed of the requirement of the Medical Scheme Act and Polmed Rule 13.3. Failure of the member to settle outstanding contributions will result in suspension and termination of Scheme membership.
Possible impact of the non-compliance	
Late payments may result in a loss of interest to the Scheme for the number of days that payments are late. The amount is, however, not considered significant as it relates to a small number of continuation members.	

24.2 Contravention of Section 35(8):

Nature and cause of the non-compliance	*Corrective course of action*
In terms of Section 35(8) of the Medical Schemes Act 131 of 1998, as amended, a Scheme should not have any shares in an employer who participates in the medical scheme or any administrator or any agreement associated with the medical scheme. As at 31 December 2023, the Scheme had indirect holdings in the following entities: Discovery Ltd - R 33,090,687 Momentum Metropolitan Holdings Ltd - R 7,202,673	The Council for Medical Schemes has granted the Scheme an exemption from Section 35(8)(a) and (c) of the Medical Schemes Act for a period of 3 years, effective 01 December 2022 to 30 November 2025. The exemption is granted subject to the following conditions: - the Scheme continues to take steps to avoid conflicts of interest; - the investments, which constitute the subject matter of this exemption application continue to be managed by an independent investment manager with no influence from the Scheme or its officers. The Scheme will be required on an annual basis to submit declarations from investment managers stating that no conflict of interest exists between themselves and the prohibited investment entities; and - the Scheme conducts a comprehensive quarterly analysis on total assets to ensure that the investments do not exceed the limitations set out in Annexure B.
Possible impact of the non-compliance	
To remedy the non-compliance, the Scheme obtained an exemption from Section 35(8)(a) and (c) of the Act.	

24.3 Contravention of Section 59(2):

Nature and cause of the non-compliance	*Corrective course of action*
In terms of Section 59(2) of the Medical Schemes Act 131 of 1998, as amended, a Scheme shall settle all claims due within thirty (30) days of receipt. As part of the claims processing function a claim may be placed in PDI (Personal Discrepancy Intervention) status where the assessor or the system validation rules identifies the claim as incomplete. The claim is captured in full but remains unpaid until the claim error is resolved either through interaction with the provider or through system validation review.	The Administrator has implemented eligibility and validation rules to verify all claims before payment is issued to members or providers. Section 59(2) rules that a Scheme shall settle all claims due within thirty (30) days of receipt, where the claims are both valid and complete.
Possible impact of the non-compliance	
Valid claims could be rejected or amounts due on valid claims could be short-paid or could be paid beyond the prescribed 30-day period.	

24.4 Contravention of Rule 16.5:

Nature and cause of the non-compliance	*Corrective course of action*
Rule 16.5 of the Scheme's rules states that the Scheme does not cover benefits for services rendered outside the Republic of South Africa (RSA), except for existing members of the Scheme residing in Namibia, where the Scheme's rate will be applicable. The non-compliance pertains to claims which were paid for services received from locations outside the borders of the RSA, specifically for members who do not reside in Namibia.	The Administrator's system has been set up in accordance with the Scheme rules, i.e., any claim received from outside the borders of RSA (except for existing Scheme members residing in Namibia) automatically rejects for payment. User access to process and settle foreign claims is restricted to claims relating to the Scheme's members residing in Namibia. Additional exception reports have been designed to aid management in monitoring foreign claims, scheme exclusions and user access related to the override functionality.
Possible impact of the non-compliance	
Financial loss to the Scheme as a result of the payment of foreign claims that should have been rejected.	

25. FINANCIAL RISK MANAGEMENT

Financial assets by category

The Scheme's activities expose it to a variety of financial risks, including the effects of changes in equity market prices and interest rates. 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.

Risk management and investment decisions are made under the guidance and policies approved by the Scheme. The investment committee identifies, evaluates and economically hedges (where appropriate) financial risk associated with the Scheme's investment portfolio.

Analysis of carrying amounts of financial assets per category.

2023

	Amortised cost	Fair value through profit or loss - designated upon initial recognition	Fair value through other comprehensive income	Total
	R	R	R	R
Investments				
Collective investments	-	1 388 033 365	-	1 388 033 365
Money market	-	-	1 486 821 006	1 486 821 006
SA listed bonds	-	-	4 990 866 581	4 990 866 581
SA listed equities	-	2 547 656 291	-	2 547 656 291
Unlisted equities	-	154 209 550	-	154 209 550
Cash and cash equivalents	404 748 552	-	-	404 748 552
Trade and other receivables	160 367 912	-	-	160 367 912
	565 116 464	**4 089 899 206**	**6 477 687 587**	**11 132 703 257**

2022

	Amortised cost	Fair value through profit or loss - designated upon initial recognition	Fair value through other comprehensive income	Total
	R	R	R	R
Investments				
Collective investments	-	1 647 425 216	-	1 647 425 216
Money market	-	-	1 318 663 670	1 318 663 670
SA listed bonds	-	-	3 944 076 644	3 944 076 644
SA listed equities	-	2 128 641 024	-	2 128 641 024
Cash and cash equivalents	365 161 717	-	-	365 161 717
Trade and other receivables	78 473 342	-	-	78 473 342
	443 635 059	**3 776 066 240**	**5 262 740 314**	**9 482 441 613**

* - Trade and other receivables were previously categorised as loans and receivables and have been reclassified to the amortised cost category.

25. FINANCIAL RISK MANAGEMENT (continued)

Financial liabilities by category

Analysis of carrying amounts of financial liabilities per category.

2023

	Note	Other non-financial liabilities at amortised cost	Financial liabilities at amortised cost	Total
		R	R	R
Trade and other payables	10	-	31 671 780	31 671 780
Employee benefits obligations	10	4 293 060	-	4 293 060
		4 293 060	**31 671 780**	**35 964 840**

2022

	Note	Other non-financial liabilities at amortised cost	Financial liabilities at amortised cost	Total
		R	R	R
Trade and other payables	10	-	15 976 699	15 976 699
Employee benefits obligations	10	3 038 731	-	3 038 731
		3 038 731	**15 976 699**	**19 015 430**

Insurance liabilities by category

Analysis of carrying amounts of insurance liabilities per category.

2023

	Note	Insurance liabilities	Total
		R	R
Liability for incurred claims	9.3	572 618 968	572 618 968
		572 618 968	**572 618 968**

2022

	Note	Insurance liabilities	Total
		R	R
Liability for incurred claims	9.3	562 040 543	562 040 543
		562 040 543	**562 040 543**

Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme ensures, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation. The Scheme has complied with the requirements regarding the nature and categories of assets as prescribed by Section 35(1) and Regulation 30 of the Medical Schemes Act, No. 131 of 1998, as amended.

25. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Scheme has the ability to fund its day-to-day operations.

The Scheme manages liquidity risk by forecasting and monitoring cash flows and ensuring that an appropriate investment strategy is maintained.

The following are the contractual and estimated maturities of financial and insurance liabilities:

2023

	Up to 1 month	2-3 months	4-12 months	Total
Insurance liabilities	R	R	R	R
Liability for incurred claims	324 614 191	106 438 240	141 566 537	572 618 968
Reported claims not yet paid	71 637 112	-	-	71 637 112
Financial liabilities				
Accrued expense	31 671 780	-	-	31 671 780
	427 923 083	**106 438 240**	**141 566 537**	**675 927 860**

2022

	Up to 1 month	2-3 months	4-12 months	Total
Insurance liabilities	R	R	R	R
Liability for incurred claims	328 268 380	125 481 068	108 291 095	562 040 543
Reported claims not yet paid	69 700 664	-	-	69 700 664
Financial liabilities				
Accrued expense	15 976 699	-	-	15 976 699
	413 945 743	**125 481 068**	**108 291 095**	**647 717 906**

There were no significant changes in the Scheme's objectives, policies and processes for managing risk and the methods used to measure risk compared to the previous period.

Management monitors rolling forecasts of the Scheme's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. The Scheme's liquidity is sufficient to meet its financial obligations as they fall due.

Liquidity risk table

Members of the Scheme are required to submit their claims within 4 months of the service date. Therefore the liability attributable to current members is expected to be settled within 12 months.

The Scheme expects to achieve a net surplus, before taking into account amounts attributable to future members, for the period ending 31 December 2024 and therefore does not expect to utilise the liability attributable to future members within the next 12 months.

	31 December 2023		31 December 2022	
	0 - 12 months	+12 months	0 - 12 months	+12 months
	R	R	R	R
Insurance contract balances				
Liabilities attributable to current members	911 267 692	-	897 863 274	-
Liabilities attributable to future members	-	10 280 704 537	-	8 689 689 464
	911 267 692	**10 280 704 537**	**897 863 274**	**8 689 689 464**

25. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of financial loss to the Scheme if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Scheme's receivables from customers and investments in debt securities.

The Scheme's principal financial assets are cash and cash equivalents, insurance and other receivables and investments. The Scheme's credit risk is primarily attributable to its insurance and other receivables and debt instruments. An allowance for impairment of insurance and other receivables is recognised where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Cash transactions are concluded with reputable financial institutions. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution.

The Scheme doesn’t have significant credit risk arising from reinsurance contract assets or insurance assets.

The capitation agreement with Scriptpharm is used to manage insurance risk. This does not, however, discharge the Scheme’s liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Scheme remains liable for the payment to the members.

At the reporting date there were no significant concentration of credit risk, with exposure spread over a large number of members. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Scheme manages credit risk by:
- Ageing and pursuing unpaid accounts on a monthly basis;
- Suspending benefits and terminating membership where no response is received from the member;
- Applying credit limits within asset manager investment guidelines and
- Monitoring of exposures at monthly and quarterly report backs.

The investment regulations have implicit credit risk limits by limiting issuer exposure.

The tables below represents the maximum exposure to credit risk.

2023

	Fully performing	Past due not impaired	Impaired	Total
	R	R	R	R
Insurance receivables				
Contributions outstanding				
- Current	1 690 875	-	1 012 402	2 703 277
- 30 days	-	1 040 417	382 455	1 422 872
- 60 days	-	450 224	237 016	687 240
- 90 days	-	256 796	180 791	437 587
- 120 days	-	3 711 277	5 182 219	8 893 496
Claim recoveries from members and service providers				
- current	3 779 680	-	88 669	3 868 349
- 30 days	-	348 751	16 737	365 488
- 60 days	-	244 157	71 786	315 943
- 90 days	-	117 216	35 992	153 208
- 120 days	-	1 092 502	1 816 070	2 908 572
Other risk transfer arrangements				
- Liability for incurred claims	981 302	-	-	981 302
Non-insurance receivables				
Accrued interest on financial instruments	160 348 675	-	-	160 348 675
Profit share receivable - risk transfer arrangements	32 224 401	-	-	32 224 401
Other receivables	19 237	-	-	19 237
	199 044 170	**7 261 340**	**9 024 137**	**215 329 647**

25. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

2022

	Fully performing R	Past due not impaired R	Impaired R	Total R
Insurance receivables				
Contributions outstanding				
- Current	3 815 879	-	753 148	4 569 027
- 30 days	-	1 362 156	357 248	1 719 404
- 60 days	-	540 310	258 212	798 522
- 90 days	-	427 375	278 487	705 862
- 120 days	-	6 043 844	4 214 304	10 258 148
Claim recoveries from members and service providers				
- current	617 459	-	107 895	725 354
- 30 days	-	306 484	77 829	384 313
- 60 days	-	206 782	16 757	223 539
- 90 days	-	181 937	51 844	233 781
- 120 days	-	603 076	1 997 777	2 600 853
Other risk transfer arrangements				
- Liability for incurred claims	841 274	-	-	841 274
Non-insurance receivables				
Accrued interest on financial instruments	78 364 184	-	-	78 364 184
Profit share receivable - risk transfer arrangements	61 213 179	-	-	61 213 179
Other receivables	109 158	-	-	109 158
	144 961 133	**9 671 964**	**8 113 501**	**162 746 598**

Credit quality

The Scheme believes that the unimpaired amounts that are past due are still collectible in full, based on historic payment behaviour and extensive analysis of counterparty credit risk. In addition, Debt Management Policy allows for active members and pensioners to not be impaired when they are past due. The credit quality of the insurance and other receivables is assessed based on credit quality established by the Risk Management Policy. An above average percentage of the Scheme's debt is fully performing. The debt book fully performs at 92.44% (2022: 89.07%).

Debt securities

The Scheme limits its exposure to credit risk by investing only in liquid debt securities. A significant number of counterparties that the Scheme has invested in are creditworthy. The Scheme monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Scheme supplements this by reviewing changes in bond yields and, where available, CDS prices together with available press and regulatory information about issuers.

The Scheme considers a two notch reduction in credit rating as an indicator of significant increase in credit risk. The Scheme uses S&P local ratings as the basis for this assessment. During the 2020 calendar year, S&P ratings reduced South Africa’s sovereign rating by one notch. Further, an assessment of South African Government CDS spreads did not indicate a material increase in default risk over the short-term. A 12-month ECL measure was deemed to be appropriate for most instruments.

25. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

	2023 R	2022 R
Gross amounts:		
Debt		
AAA	3 027 601 699	2 112 165 839
AA+	812 419 462	746 956 635
AA	480 957 897	505 178 201
AA-	156 334 473	177 564 502
A+	216 219 661	156 004 509
A	123 650 274	46 662 052
A-	123 352 186	192 616 465
BBB-	3 149 834	-
BBB+	34 721 923	-
BB	-	-
B	6 870 602	10 415
NR	5 588 570	6 918 026
	4 990 866 581	**3 944 076 644**
Money market		
AAA	29 966 185	3 397 717
AA+	252 689 940	282 887 194
AA	1 203 264 984	1 004 843 298
A+	899 897	21 401 445
A	-	-
NR	-	6 134 016
	1 486 821 006	**1 318 663 670**
Cash and cash equivalents		
AAA	-	16 001 000
AA+	395 006 728	1 202 192
AA	4 042 506	345 660 063
NR	5 699 318	2 298 462
	404 748 552	**365 161 717**

NR denotes debt instruments not rated. Exposure to credit risk is classified in terms of an issuer's national long-term (domestic) rating.

The following table presents an analysis of the credit quality of debt securities at amortised cost and FVOCI. It indicates whether assets measured at amortised cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance.

2023

	Gross amounts R	FVOCI 12-ECL R	FVOCI Lifetime ECL R	At amortised cost at 12-ECL R
Credit rating				
AAA	3 057 567 884	4 264 780	1 024 299 711	-
AA+ to AA-	3 304 715 990	5 485 396	24 462 459	758 797
A+ to A-	464 122 018	2 739 110	9 922 073	-
BBB+ to BBB-	37 871 757	410 415	1 008 311	-
B+ to B-	6 870 602	468 618	744 951	-
NR	11 287 888	479 624	513 577	110 003
	6 882 436 139	**13 847 943**	**1 060 951 082**	**868 800**

25. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

2022

	Gross amounts	FVOCI 12-ECL	FVOCI Lifetime ECL	At amortised cost at 12-ECL
	R	R	R	R
Credit rating				
AAA	2 131 564 556	4 188 460	79 357 986	32 700
AA+ to AA-	3 064 292 085	5 519 234	26 587 531	708 845
A+ to A-	416 684 471	2 091 892	9 362 998	-
B+ to B-	10 415	1 630	2 323	-
NR	15 350 504	1 637 080	1 737 609	271 105
	5 627 902 031	**13 438 296**	**117 048 447**	**1 012 650**

ECL Tables

IFRS 9 requires that the Scheme classify its financial assets into various stages. The Scheme defines:
- Stage 1 assets as those financial assets that are performing;
- Stage 2 assets as those financial assets where the credit risk has increased significantly since recognition; and
- Stage 3 assets as those financial assets that are non-performing and therefore impaired.

The Scheme considers instruments where its credit rating has reduced by two notches or more, or where the modelled 12-month default probability is greater than 20%, as instruments where credit risk has increased significantly.

Expected credit loss is measured over 12-months for Stage 1 instruments and over the lifetime of the instrument for Stage 2 instruments.

2023 **Instruments measured at FVOCI**

Credit rating	Gross carrying amount Stage 1	Stage 2	Stage 3	Total	Expected credit loss Stage 1	Stage 2	Stage 3	Total
AAA	3 057 567 884	-	-	3 057 567 884	4 264 780	-	-	4 264 780
AA+ to AA-	2 905 666 755	-	-	2 905 666 755	5 485 396	-	-	5 485 396
A+ to A-	464 122 019	-	-	464 122 019	2 739 110	-	-	2 739 110
BB+ to BB-	-	-	-	-	-	-	-	-
BBB+ to BBB-	37 871 757	-	-	37 871 757	410 415	-	-	410 415
B+ to B-	-	6 870 602	-	6 870 602	-	744 951	-	744 951
CCC+ to CCC-	-	-	-	-	-	-	-	-
NR	398 667	-	5 189 903	5 588 570	63 746	-	449 831	513 577
Total	**6 465 627 082**	**6 870 602**	**5 189 903**	**6 477 687 587**	**12 963 447**	**744 951**	**449 831**	**14 158 229**

2023 **Instruments measured at amortised cost**

Credit rating	Gross carrying amount Stage 1	Stage 2	Stage 3	Total	Expected credit loss Stage 1	Stage 2	Stage 3	Total
AAA	-	-	-	-	-	-	-	-
AA+ to AA-	399 049 234	-	-	399 049 234	758 797	-	-	758 797
A+ to A-	-	-	-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-	-	-	-
BBB+ to BBB-	-	-	-	-	-	-	-	-
B+ to B-	-	-	-	-	-	-	-	-
CCC+ to CCC-	-	-	-	-	-	-	-	-
NR	5 699 318	-	-	5 699 318	110 003	-	-	110 003
Total	**404 748 552**	**-**	**-**	**404 748 552**	**868 800**	**-**	**-**	**868 800**

2022 **Instruments measured at FVOCI**

Credit rating	Gross carrying amount Stage 1	Stage 2	Stage 3	Total	Expected credit loss Stage 1	Stage 2	Stage 3	Total
AAA	2 115 563 555	-	-	2 115 563 555	4 188 460	-	-	4 188 460
AA+ to AA-	2 717 429 830	-	-	2 717 429 830	5 519 234	-	-	5 519 234
A+ to A-	416 684 470	-	-	416 684 470	2 091 892	-	-	2 091 892
BB+ to BB-	-	-	-	-	-	-	-	-
BBB+ to BBB-	-	-	-	-	-	-	-	-
B+ to B-	(5 472 607)	5 483 024	-	10 417	(8 877)	11 200	-	2 323
CCC+ to CCC-	(54 185 266)	54 185 266	-	-	(18 348)	18 348	-	-
NR	6 134 016	-	6 918 026	13 052 042	1 679 975	-	57 634	1 737 609
Total	**5 196 153 998**	**59 668 290**	**6 918 026**	**5 262 740 314**	**13 452 336**	**29 548**	**57 634**	**13 539 518**

2022 **Instruments measured at amortised cost**

Credit rating	Gross carrying amount Stage 1	Stage 2	Stage 3	Total	Expected credit loss Stage 1	Stage 2	Stage 3	Total
AAA	16 001 000	-	-	16 001 000	32 700	-	-	32 700
AA+ to AA-	346 862 255	-	-	346 862 255	708 845	-	-	708 845
A+ to A-	-	-	-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-	-	-	-
BBB+ to BBB-	-	-	-	-	-	-	-	-
B+ to B-	-	-	-	-	-	-	-	-
CCC+ to CCC-	-	-	-	-	-	-	-	-
NR	2 298 462	-	-	2 298 462	271 105	-	-	271 105
Total	**365 161 717**	**-**	**-**	**365 161 717**	**1 012 650**	**-**	**-**	**1 012 650**

25. FINANCIAL RISK MANAGEMENT (continued)

Market risk

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

Price risk

The Scheme is exposed to price risk in respect of its exposure to the local equity market. Keeping all other variables constant for example interest rate, should the local equity market rally and deliver a performance of 15%, the corresponding return for the Scheme's equity investments would be expected to be 15% (2022: 13.34%), but if the performance of the equity market dips by 15%, then the expected loss to the equity portfolio would be 15% (2022: 14.01%) in market value. In the prior year, the Scheme hedged a portion of its equity exposure and hence the asymmetrical movement in the prior year. The Scheme did not hedge its equity exposure at year end. The Scheme reviews regularly its approach to hedging. In monetary terms the overall market value of the investment portfolios would be affected as shown in the table below:

	2023 R	2022 R
Changes in FTSE-JSE all share index		
Effect of a 15% increase in FTSE-JSE all share index	382 148 444	283 964 050
Effect of a 10% increase in FTSE-JSE all share index	254 765 629	191 211 607
Effect of a 5% increase in FTSE-JSE all share index	127 382 815	96 554 577
Effect of a 15% decrease in FTSE-JSE all share index	(382 148 444)	(298 271 156)
Effect of a 10% decrease in FTSE-JSE all share index	(254 765 629)	(197 787 462)
Effect of a 5% decrease in FTSE-JSE all share index	(127 382 815)	(98 236 372)

The Scheme holds investments to the value of R154,209,550 in private equity (2022: Rnil). A 10% increase in the value of the investments would have resulted in a gain of R15.4 million. A 10% decrease in the valuation of the investments would have resulted in a loss of R15.4 million.

Interest rate risk

The Scheme's investment policy during the year under review included investments in interest bearing instruments such as bonds and money market instruments. The Scheme's investments are therefore exposed to changes in the market interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate instruments within the market.

Market overview

Interest rate analysis (repo rate)

Date	Rate	Movement
23 September 2022	6.25%	0.75%
25 November 2022	7.00%	0.75%
27 January 2023	7.25%	0.25%
31 March 2023	7.75%	0.50%
26 May 2023	8.25%	0.50%

Market performance	2023	2022	Movement %
Cash (STeFI Composite Index)	548.32	507.44	8.06%
Bonds (All Bond Index)	940.96	857.77	9.70%
Equity (All Share Index)	13 551.61	12 403.84	9.25%

25. FINANCIAL RISK MANAGEMENT (continued)

Asset Allocation of the Scheme

The table below summaries the Scheme's exposure to interest rate risk. Included in the table are the Scheme's investments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

2023	Up to 1-3 months R	Up to 3-12 months R	1-5 years R	Non-interest bearing R	Total R
Collective investments	-	498 650 890	889 382 475	-	1 388 033 365
Money market	209 879 093	821 514 197	455 427 716	-	1 486 821 006
SA listed bonds	169 821 657	318 045 007	4 502 999 917	-	4 990 866 581
SA listed equities	-	-	-	2 547 656 291	2 547 656 291
Unlisted equities	-	-	154 209 550	-	154 209 550
Total	**379 700 750**	**1 638 210 094**	**6 002 019 658**	**2 547 656 291**	**10 567 586 793**

2022	Up to 1-3 months R	Up to 3-12 months R	1-5 years R	Non-interest bearing R	Total R
Collective investments	-	740 038 168	907 387 048	-	1 647 425 216
Money market	30 510 059	771 417 986	516 735 625	-	1 318 663 670
SA listed bonds	235 464 758	283 549 678	3 425 062 208	-	3 944 076 644
SA listed equities	-	(4 497 210)	-	2 133 138 234	2 128 641 024
Total	**265 974 817**	**1 790 508 622**	**4 849 184 881**	**2 133 138 234**	**9 038 806 554**

Investment performance is calculated on a daily basis as per market values reported. A time weighted method is used. This method takes into account the timing of the cash inflows and outflows of the investments. The performance of the direct property holding is based on the annual interest yield.

Sensitivity analysis for interest bearing instruments

Due to the short-term duration of these instruments, a reasonably possible change in interest rates is 100 basis points. At the reporting date, the effect of this change on the insurance liability to future members and deficit is shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for previous year.

	Surplus or deficit		Insurance liability to future members	
	100bps Increase R	100bps Decrease R	100bps Increase R	100bps Decrease R
2023				
Cash and cash equivalents	4 047 486	(4 047 486)	4 047 486	(4 047 486)
Money market	14 868 210	(14 868 210)	14 868 210	(14 868 210)
SA listed bonds	49 908 666	(49 908 666)	49 908 666	(49 908 666)
	68 824 362	**(68 824 362)**	**68 824 362**	**(68 824 362)**
2022				
Cash and cash equivalents	3 651 617	(3 651 617)	3 651 617	(3 651 617)
Money market	13 186 637	(13 186 637)	13 186 637	(13 186 637)
SA listed bonds	39 440 766	(39 440 766)	39 440 766	(39 440 766)
	56 279 020	**(56 279 020)**	**56 279 020**	**(56 279 020)**

26. FAIR VALUE INFORMATION

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Scheme can access at measurement date.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

A register of investments is available for inspection at the registered office of the Scheme.

Levels of fair value measurements	**2023** **R**	**2022** **R**
Level 1		
Financial assets		
Listed shares	2 547 656 291	2 128 641 024
Listed bonds	4 559 200 216	3 460 530 942
Money market instruments	2 754 278	47 818 365
Total level 1 investments	**7 109 610 785**	**5 636 990 331**
Level 2		
Financial assets		
Bonds	431 666 365	483 545 702
Money market instruments	1 484 066 728	1 270 845 305
Unit trusts	1 388 033 365	1 647 425 216
Total level 2 investments	**3 303 766 458**	**3 401 816 223**
Level 3		
Financial assets		
Unlisted shares	154 209 550	-
Total level 3 investments	**154 209 550**	**-**

Whilst the unit trust portfolios are daily priced, the constituents making up this valuation are based on level 1 and level 2 valuations. The Scheme thus reflects its holdings in unit trusts as level 2 category instruments. The Scheme’s level 3 category instruments refers to its holding in private equity.

The Scheme relied on the valuation of the underlying assets performed by independent valuation experts and as reported in the audited financial statements of the fund. The valuation techniques used in determining fair value was based on the type of asset.

Asset type	**Valuation technique**
Unlisted equity	Discounted cashflow
Property	Capitalisation rate
Projects in construction	Cost
Loans, debt	Fair value

The following valuation inputs were used in the valuation of the investee companies.

Key unobservable input	**Range**	**Impact of an assumption increase**	**Impact of an assumption decrease**
Capitalisation rate	9.5% to 11.5%	Decrease in fair value	Increase in fair value
Terminal growth rate	4.5% to 4.8%	Increase in fair value	Decrease in fair value
WACC	13.7% to 19.5%	Decrease in fair value	Increase in fair value
Market interest rate	9.85% to 10.75%	Decrease in fair value	Increase in fair value

26. FAIR VALUE INFORMATION (continued)

Reconciliation of level 3 investments	Note	2023 R	2022 R
Fair value at the beginning of the year		-	-
Additions		188 011 782	-
Disposals at fair value		-	-
Unsettled dividend		(148 653)	
Unrealised gain/(loss) on revaluation of investment at fair value through profit or loss	16	25 968 227	-
Realised gain/(loss) on disposal of investment		7 353 612	-
Other investment charges		(53 164 389)	-
Portfolio management charges		(13 811 029)	
Fair value at the end of the year		**154 209 550**	**-**

* - The levels of fair value measurements has been restated to include bonds in the levels 1 and 2 of the fair value hierarchy, which was not previously disclosed.

27. INVESTMENTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The asset managers invest the Scheme's monies in reputable funds and undertake to manage returns on a risk adjusted basis to the Scheme. The Scheme views these funds as unconsolidated structured entities. The Scheme monitors the performance of the funds closely to ensure the Scheme earns high returns within their stated benchmarks without unnecessary exposure to risk.

Ashburton Money Market Fund	126 062 733	303 088 548
Ashburton Stable Income Fund	7 011 584	6 417 850
Nedgroup Investments Core Income Fund	-	343 652 519
Nedgroup Investments Money Market Fund	488 285 570	5 826 030
Nedgroup Structured Life Taquanta Enhanced Income Fund	728 893 611	659 196 146
SIM Property Fund B2	5 788 856	5 255 878
STANLIB Money Market Fund	31 991 012	323 988 245
Razorite Fund II	154 209 550	-
	1 542 242 916	**1 647 425 216**

	2023 %	2022 %
Ashburton Money Market Fund	0.70%	3.20%
Ashburton Stable Income Fund	0.03%	0.07%
Nedgroup Investments Core Income Fund	-	3.63%
Nedgroup Investments Money Market Fund	1.84%	0.06%
Nedgroup Structured Life Taquanta Enhanced Income Fund	9.05%	6.97%
SIM Property Fund B2	0.20%	0.06%
STANLIB Money Market Fund	0.10%	3.42%
Razorite Fund II	8.00%	-

The exposure is limited to the investment in the respective funds. The investments in the structured entities are not consolidated because the voting rights are not dominant rights in deciding who controls these entities, as they relate to administrative tasks only.

28. INSURANCE RISK MANAGEMENT

Risk management objectives, policies and procedures for managing insurance risk

The primary insurance risk carried by the Scheme is the risk of loss related to the health of the Scheme's members and their dependants. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and investment activities.

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for the transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements as well as the monitoring of emerging issues. Certain risks are mitigated by entering into risk transfer arrangements.

28. INSURANCE RISK MANAGEMENT (continued)

Risk management objectives, policies and procedures for managing insurance risk (continued)

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

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.

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

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

Benefits and associated contributions are calculated taking into account the Scheme's risk concentrations, changes in utilisation based on historical data and inflationary increases. The Scheme considers its risk to be concentrated in the following areas:

Hospital benefits

Hospital claims represents the Scheme's most significant expense and there is a risk that the actual claims incurred in respect of hospital costs for any benefit year, could be adversely worse than the expectation.

Medicine benefits

Medicine claims are affected by continued legislative changes. There is therefore a risk that the actual claims incurred may increase or decrease medicine costs by more or less than expected.

Pensioner ratio

Based on historical data, pensioner members are regarded as the high claimers of medical benefits. Due to the significant amount of pensioners and the Scheme's arrangements with employer companies, the pensioner levels could increase more than anticipated, which could result in greater claims expenditure than expected.

All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal. Management information including contribution income and claims ratios by option, solvency ratios, established targets and member age profiles are reviewed monthly.

Claims development

The claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within 3 months based on the Scheme's historical experience.

The following table summarises the concentration of insurance risk by age group and in relation to the type of risk covered/benefits provided:

Age grouping (in years)	In-Hospital R	Chronic R	Routine R	Total R
2023				
< 26 years	1 128 332 274	299 145	755 307 789	1 883 939 208
26 - 34 years	515 723 967	128 239	331 536 439	847 388 645
35 - 49 years	1 833 261 821	1 374 254	1 124 335 218	2 958 971 293
50 - 64 years	2 438 003 238	1 480 542	922 508 639	3 361 992 419
65+ years	1 348 714 210	744 085	301 390 529	1 650 848 824
	7 264 035 510	**4 026 265**	**3 435 078 614**	**10 703 140 389**

The total amount includes total settled claims for the year relating to current and prior service years. Claims paid were R10,229,914,479 and R500,814,236 respectively.

28. INSURANCE RISK MANAGEMENT (continued)

Risk management objectives, policies and procedures for managing insurance risk (continued)

Claims development (continued)

Age grouping (in years)	In-Hospital R	Chronic R	Routine R	Total R
2022				
< 26 years	1 069 245 501	829 412	760 640 961	1 830 715 874
26 - 34 years	503 625 507	150 764	327 948 204	831 724 475
35 - 49 years	1 635 704 359	985 976	1 126 433 010	2 763 123 345
50 - 64 years	2 138 265 542	2 069 707	859 129 624	2 999 464 873
65+ years	1 173 500 544	327 819	274 169 553	1 447 997 916
	6 520 341 453	**4 363 678**	**3 348 321 352**	**9 873 026 483**

The total amount includes total settled claims for the year relating to current and prior service years. Claims paid were R9,498,369,533 and R390,782,519 respectively.

The effect of the changes in the risk areas identified are set out below. Each change in the criteria represents the impact on the current budget that was approved by the Board of Trustees:

Quantitative Risk Factors

	-2%	0%	2%
2023	**-2%**	**0%**	**2%**
Inflation assumptions			
Hospital benefits			
Scenario			
Effect on claims - R	3 998 798 245	4 080 406 373	4 162 014 500
Effect on solvency - %	81.19%	80.54%	79.89%
Medicine benefits			
Scenario			
Effect on claims - R	1 648 079 161	1 681 713 430	1 715 347 698
Effect on solvency - %	80.81%	80.54%	80.27%
2022	**-2%**	**0%**	**2%**
Inflation assumptions			
Hospital benefits			
Scenario			
Effect on claims - R	3 534 851 478	3 606 991 305	3 679 131 131
Effect on solvency - %	71.32%	70.73%	70.14%
Medicine benefits			
Scenario			
Effect on claims - R	1 548 002 216	1 579 594 098	1 611 185 980
Effect on solvency - %	70.99%	70.73%	70.47%

Risk transfer arrangement

The Scheme reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Scheme entered into a capitation agreement with Scriptpharm Risk Management, for the provision of chronic, acute and, over the counter medicine to the members.

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

2023

Option	Dentistry	General practitioners	Specialists	Optometry	Medicines	Hospital
Marine	0%	0%	0%	0%	6%	0%
Aquarium	0%	0%	0%	0%	4%	0%

2022

Marine	0%	0%	0%	0%	7%	0%
Aquarium	0%	0%	0%	0%	4%	0%

28. INSURANCE RISK MANAGEMENT (continued)

Sensitivity analysis to insurance risk variables - Sensitivity disclosure

The following table provides a sensitivity on the insurance contract liabilities. The table provides the sensitivity before and after the impact of the Scheme being a mutual entity. As the Scheme is a mutual entity, the impact of any changes in the insurance liability to current members would impact the insurance liability to future members. The table presents information on how reasonably possible changes in the risk confidence level made by the Scheme will impact the risk adjustment.

	2023			2022		
	LIC as at 31 December	Impact on LIC	Impact on SOCI	LIC as at 31 December	Impact on LIC	Impact on SOCI
	R	R	R	R	R	R
Insurance contract liabilities	**911 267 692**	-	-	**897 863 274**	-	-
Net insurance contract liabilities	911 267 692	-	-	897 863 274	-	-
Unpaid claims and expenses - 5% increase						
Insurance contract liabilities (before mutualisation)	-	45 563 385	45 563 385	-	44 893 164	44 893 164
Insurance contract liabilities (after mutualisation)	-	-	-	-	-	-
Expenses - 5% increase						
Insurance service expense (before insurance service expense relating to future members)	(11 848 006 746)	-	-	(10 862 905 426)	-	-
Insurance service expense (before mutualisation)	-	-	(592 400 337)	-	-	(543 145 271)
Insurance service expense (after mutualisation)	-	-	-	-	-	-

Risk adjustment sensitivities

Any change in the risk adjustment will impact the incurred claims and other directly attributable expenses in insurance service expenses with an equal and opposite impact on the amounts attributable to future members in insurance services expenses. The net impact on profit or loss for any change in the risk adjustment would therefore be nil.

	2023 R	2022 R
Risk adjustment with a 75% confidence level as reported	10 830 628	10 807 444
Risk adjustment with a 80% confidence level	14 288 597	14 126 685

The above analysis is based on a change in an assumption while holding all the assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No changes were made by the Scheme in the methods and assumptions used in preparing the above analysis. To further demonstrate the sensitivity to insurance risk, the risk adjustment at a 80% confidence level has also been disclosed.

29. CAPITAL ADEQUACY

In the application of the mutual entities principle for medical schemes, members' funds have been replaced by 'Amounts attributable to current and future members'. The residual equity is nil as the remaining assets of the Scheme will be used to pay current and future members. The calculation of solvency, therefore, remains unchanged in terms of CMS Circular 12 of 2024.

Capital adequacy risk is the risk that there may be insufficient reserves to provide for adverse variations on actual and future experience. The Scheme deems insurance liability to future members (previously represented as accumulated funds) as its capital.

The Scheme is subject to the capital requirement imposed by Regulation 29(2) to the Medical Schemes Act 131, No. of 1998, as amended, which requires a minimum solvency ratio of insurance liability to future members (previously represented as accumulated funds) expressed as a percentage of gross contributions to be 25%.

The Scheme's objectives when managing capital are to maintain the capital requirements of the Medical Schemes Act, No. 131 of 1998, as amended, and to safeguard the Scheme's ability to continue as a going concern. The Scheme manages its capital in such a way that sufficient funds are available to pay claims, both in the current and future years. This is achieved whilst keeping annual contribution increase to members as low as possible, or at least in line with the employer salary increases. Claims expenditure is managed by means of changes in benefit design and other managed care interventions to maintain a positive claim ratio. Returns on investments are utilised to fund possible deficits that might occur as a result of operational and/or healthcare losses.

	Note	2023 R	2022 R
Insurance liability to future members per Statement of Financial Position	9.2	10 280 704 537	8 689 689 464
Less: Unrealised non-distributable reserve		-	-
Less: Cumulative net unrealised non-distributable reserve movements recognised in the statement of income		(150 067 350)	(85 204 480)
Insurance liability to future members per Regulation 29		**10 130 637 187**	**8 604 484 984**
Annualised gross contributions	11	12 578 599 001	12 165 537 120
Solvency ratio		80.54%	70.73%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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30. INCOME/(EXPENSE) FROM OPERATIONS PER BENEFIT OPTION

For management purposes the Scheme is organised into 2 Benefit options - Marine and Aquarium. Benefit limits on Marine are higher and as such the contributions are at a higher rate.

Expenses for which a per member rate applies are allocated based on actual membership per option for the month in which it relates.

Investment income and expenses are allocated to each option in the same ratio the respective option contributed to reserves since inception of the Scheme.

Other income and expenses are allocated per option based on average claims expenditure.

	Marine 2023 R	Aquarium 2023 R	Total 2023 R
Insurance revenue	**9 528 476 859**	**3 048 399 903**	**12 576 876 762**
Insurance service expense	**(9 989 006 329)**	**(3 450 015 490)**	**(13 439 021 819)**
Net (expense)/income from risk transfer arrangement	**(22 330 645)**	**(16 318 490)**	**(38 649 135)**
Risk transfer arrangement premiums paid	(394 599 383)	(318 892 755)	(713 492 138)
Recoveries from risk transfer arrangements	557 104 226	88 568 522	645 672 748
Profit share arising from risk transfer arrangements	(184 835 488)	214 005 743	29 170 255
Insurance service result	**(482 860 115)**	**(417 934 077)**	**(900 794 192)**
Other Income	**641 562 509**	**461 335 319**	**1 102 897 828**
Investment income	637 930 858	259 732 283	897 663 141
Sundry income	3 631 651	201 603 036	205 234 687
Other expenditure	**(223 493 776)**	**(69 780 925)**	**(293 274 701)**
Administration fees and other operating expenses	(146 626 699)	(38 484 647)	(185 111 346)
Asset management fees	(76 867 077)	(31 296 278)	(108 163 355)
Profit/(loss) for the year	**(64 791 382)**	**(26 379 683)**	**(91 171 065)**
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss	**64 791 382**	**26 379 683**	**91 171 065**
Debt instruments at fair value through OCI – net change in fair value	71 588 339	29 147 050	100 735 389
Debt instruments at fair value through OCI – reclassified to profit or loss	(6 796 957)	(2 767 367)	(9 564 324)
Total comprehensive income for the year	**-**	**-**	**-**
Membership			
Principal members	105 933	79 594	185 527
Dependants	163 913	146 033	309 946
Beneficiaries	**269 846**	**225 627**	**495 473**
Average age	34.04	23.42	28.73
Pensioner ratio	6.42%	0.62%	3.78%

30. INCOME/(EXPENSE) FROM OPERATIONS PER BENEFIT OPTION (continued)

	Restated Marine 2022 R	Restated Aquarium 2022 R	Restated Total 2022 R
Insurance revenue	**9 559 664 689**	**2 603 063 887**	**12 162 728 576**
Insurance service expense	**(10 198 558 072)**	**(3 067 604 195)**	**(13 266 162 267)**
Net (expense)/income from risk transfer arrangement	**(30 431 490)**	**(16 946 358)**	**(47 377 848)**
Risk transfer arrangement premiums paid	(430 451 440)	(301 696 837)	(732 148 277)
Recoveries from risk transfer arrangements	546 163 257	82 026 780	628 190 037
Profit share arising from risk transfer arrangements	(146 143 307)	202 723 699	56 580 392
Insurance service result	**(669 324 873)**	**(481 486 666)**	**(1 150 811 539)**
Other Income	**828 557 165**	**525 133 450**	**1 353 690 615**
Investment income	453 088 087	167 208 234	620 296 321
Sundry income	375 469 078	357 925 216	733 394 294
Other expenditure	**(141 422 312)**	**(37 074 164)**	**(178 496 476)**
Administration fees and other operating expenses	(117 637 741)	(28 296 674)	(145 934 415)
Asset management fees	(23 784 571)	(8 777 490)	(32 562 061)
Profit/(loss) for the year	**17 809 980**	**6 572 620**	**24 382 600**
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss	**(17 809 980)**	**(6 572 620)**	**(24 382 600)**
Debt instruments at fair value through OCI – net change in fair value	(42 116 230)	(15 542 630)	(57 658 860)
Debt instruments at fair value through OCI – reclassified to profit or loss	24 306 250	8 970 010	33 276 260
Total comprehensive income for the year	-	-	-
Membership			
Principal members	109 192	69 617	178 809
Dependants	174 868	137 107	311 975
Beneficiaries	**284 060**	**206 724**	**490 784**
Average age	33.06	23.31	28.95
Pensioner ratio	5.81%	0.67%	3.64%

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31. INCOME/(EXPENSE) FROM OPERATIONS PER BENEFIT OPTION EXCLUDING AMOUNTS ATTRIBUTABLE TO FUTURE MEMBERS IN THE INSURANCE SERVICE EXPENSE

The Scheme met the definition of mutual entities and disclosed amounts attributable to future members under the insurance service expenses in the Statement of Profit or Loss and Other Comprehensive Income in the Annual Financial Statements, in line with IFRS 17, which resulted in a nil total comprehensive income for the year. In terms of Section 37(2), CMS requires the Scheme to disclose information to members in the notes to the Annual Financial Statements in relation to the insurance service result and net surplus/(deficit) without the inclusion of amounts attributable to future members in the insurance service expense, to allow members to gain an understanding of the annum's results. This disclosure must be included as part of the benefit option results note as per CMS Circular 12 of 2024.

The Scheme has disclosed the benefits option results note, in terms of Sections 37(2) and 37(4)(d) to the Medical Schemes Act 131, No. of 1998, as amended, without the inclusion of the Amounts attributable to future members in the Insurance Service Expense, in compliance with CMS Circular 12 of 2024.

In assessing the benefit options' compliance with Section 33(2) of the Act, the CMS will not consider the Amounts attributable to future members. The assessment will be based on the insurance service result (net healthcare result) and income/(expense) attributable to current members.

For management purposes the Scheme is organised into 2 Benefit options - Marine and Aquarium. Benefit limits on Marine are higher and as such the contributions are at a higher rate.

Expenses for which a per member rate applies are allocated based on actual membership per option for the month in which it relates.

Investment income and expenses are allocated to each option in the same ratio the respective option contributed to reserves since inception of the Scheme.

Other income and expenses are allocated per option based on average claims expenditure.

	Marine 2023 R	Aquarium 2023 R	Total 2023 R
Insurance revenue	**9 528 476 859**	**3 048 399 903**	**12 576 876 762**
Insurance service expense	**(9 224 970 460)**	**(2 623 036 286)**	**(11 848 006 746)**
Net (expense)/income from risk transfer arrangement	**(22 330 645)**	**(16 318 490)**	**(38 649 135)**
Risk transfer arrangement premiums paid	(394 599 383)	(318 892 755)	(713 492 138)
Recoveries from risk transfer arrangements	557 104 226	88 568 522	645 672 748
Profit share arising from risk transfer arrangements	(184 835 488)	214 005 743	29 170 255
Insurance service result	**281 175 754**	**409 045 127**	**690 220 881**
Other Income	**641 562 509**	**461 335 319**	**1 102 897 828**
Investment income	637 930 858	259 732 283	897 663 141
Sundry income	3 631 651	201 603 036	205 234 687
Other expenditure	**(223 493 776)**	**(69 780 925)**	**(293 274 701)**
Administration fees and other operating expenses	(146 626 699)	(38 484 647)	(185 111 346)
Asset management fees	(76 867 077)	(31 296 278)	(108 163 355)
Profit/(loss) for the year	**699 244 487**	**800 599 521**	**1 499 844 008**
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss	**64 791 382**	**26 379 683**	**91 171 065**
Debt instruments at fair value through OCI – net change in fair value	71 588 339	29 147 050	100 735 389
Debt instruments at fair value through OCI – reclassified to profit or loss	(6 796 957)	(2 767 367)	(9 564 324)
Total comprehensive income for the year	**764 035 869**	**826 979 204**	**1 591 015 073**

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for the year ended 31 December 2023

31. INCOME/(EXPENSE) FROM OPERATIONS PER BENEFIT OPTION EXCLUDING AMOUNTS ATTRIBUTABLE TO FUTURE MEMBERS IN THE INSURANCE SERVICE EXPENSE (continued)

	Restated Marine 2022 R	Restated Aquarium 2022 R	Restated Total 2022 R
Insurance revenue	**9 559 664 689**	**2 603 063 887**	**12 162 728 576**
Insurance service expense	**(8 608 612 994)**	**(2 254 292 432)**	**(10 862 905 426)**
Net (expense)/income from risk transfer arrangement	**(30 431 490)**	**(16 946 358)**	**(47 377 848)**
Risk transfer arrangement premiums paid	(430 451 440)	(301 696 837)	(732 148 277)
Recoveries from risk transfer arrangements	546 163 257	82 026 780	628 190 037
Profit share arising from risk transfer arrangements	(146 143 307)	202 723 699	56 580 392
Insurance service result	**920 620 205**	**331 825 097**	**1 252 445 302**
Other Income	**828 557 165**	**525 133 450**	**1 353 690 615**
Investment income	453 088 087	167 208 234	620 296 321
Sundry income	375 469 078	357 925 216	733 394 294
Other expenditure	**(141 422 312)**	**(37 074 164)**	**(178 496 476)**
Administration fees and other operating expenses	(117 637 741)	(28 296 674)	(145 934 415)
Asset management fees	(23 784 571)	(8 777 490)	(32 562 061)
Profit/(loss) for the year	**1 607 755 058**	**819 884 383**	**2 427 639 441**
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss	**(17 809 980)**	**(6 572 620)**	**(24 382 600)**
Debt instruments at fair value through OCI – net change in fair value	(42 116 230)	(15 542 630)	(57 658 860)
Debt instruments at fair value through OCI – reclassified to profit or loss	24 306 250	8 970 010	33 276 260
Total comprehensive income for the year	**1 589 945 078**	**813 311 763**	**2 403 256 841**

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31. INCOME/(EXPENSE) FROM OPERATIONS PER BENEFIT OPTION EXCLUDING AMOUNTS ATTRIBUTABLE TO FUTURE MEMBERS IN THE INSURANCE SERVICE EXPENSE (continued)

31.1 RECONCILIATION OF INSURANCE SERVICE RESULT

	Marine R	Aquarium R	Total R
2023			
Insurance service result excluding amounts attributable to future members	281 175 754	409 045 127	690 220 881
Amounts attributable to future members	(764 035 869)	(826 979 204)	(1 591 015 073)
Insurance service result including amounts attributable to future members	**(482 860 115)**	**(417 934 077)**	**(900 794 192)**
2022			
Insurance service result excluding amounts attributable to future members	920 620 205	331 825 097	1 252 445 302
Amounts attributable to future members	(1 589 945 078)	(813 311 763)	(2 403 256 841)
Insurance service result including amounts attributable to future members	**(669 324 873)**	**(481 486 666)**	**(1 150 811 539)**