



SIZWE HOSMED
MEDICAL SCHEME
Your choice for quality care

ABRIDGED ANNUAL REPORT

2023



sizwehosmed.co.za





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ABOUT SIZWE HOSMED

Sizwe Hosmed Medical Scheme is the result of a strategic merger between two respected healthcare schemes - Sizwe and Hosmed, combining over 82 years of experience in serving South Africans.

As the country's 8th largest open medical scheme, we are a trusted partner in healthcare for individuals and families across all walks of life.

Our mission is to provide comprehensive, accessible healthcare benefits that ensure you and your loved ones receive high-quality care when it matters most. From preventive services and routine check-ups to specialised treatments and hospital care, our extensive network of healthcare providers delivers peace of mind and exceptional service.

We offer a diverse range of medical plan options tailored to meet the varying health and lifestyle needs of our members.



VISION

YOUR CHOICE FOR QUALITY CARE

At Sizwe Hosmed, we aim to be your preferred choice when it comes to quality healthcare. We believe in offering services that not only meet but exceed your expectations, ensuring that every individual gets the quality care they deserve.



MISSION

TO PROVIDE HEALTHCARE SERVICES IN SUPPORT OF MEMBER WELL-BEING

Our primary purpose is to deliver comprehensive healthcare solutions tailored to support the holistic well-being of our members. We understand the intricacies of health and are dedicated to fostering an environment where member health and satisfaction are paramount.



VALUES

CARING: We approach every situation with empathy and compassion, putting the needs of our members at the forefront of everything we do.

INTEGRITY: Honesty and transparency define our operations. We are committed to upholding the highest ethical standards in all our interactions.

ACCOUNTABILITY: We take responsibility and transparency define our actions and decisions, ensuring that we deliver our promises and uphold the trust placed in us.

INNOVATIVE: In a constantly evolving healthcare landscape, we embrace change and strive for innovative solutions that benefit our members.

SERVICE EXCELLENCE: We are dedicated to providing exceptional service, continually raising the bar to offer unparalleled healthcare solutions.

SOLIDARITY: We stand together as a united front, supporting one another and our members, fostering a sense of community and mutual respect.



NOTICE OF SPECIAL GENERAL MEETING (SGM) OF MEMBERS ONSITE AND VIRTUAL

To: Members

Notice is hereby given that the Sizwe Hosmed Medical Scheme Special General Meeting for the year ended December 2024 will be held as follows:

DATE: Saturday, 27 September 2025

TIME: 10h00 am

VENUE: Park Inn Radisson Polokwane
Dorp Street, Polokwane

Further information will be made available for virtual/hybrid attendance SOON.

AGENDA

1. Solvency Update
2. Pricing
3. SALGABC Update
4. AFS 2023/24 Reports
5. Forensic Investigation Update
6. 2026 Benefit Designs and Pricing Report
7. Curatorship Update

IMPORTANT: Members attending the meeting virtually will be provided with a meeting link after they confirm attendance. Details will follow. Those attending onsite will be expected to show their SA Identity document or Membership Card to be able to participate in the meeting.



SPECIAL GENERAL MEETING (SGM)

AGENDA

1. Opening & Welcome
2. Attendance Register & Declaration of Interests
3. Apologies
4. Adoption of Agenda
5. Minutes
6. Matters arising
7. Business of the Day
 - a. Curator's Report
 - b. AFS 2023 and ARC report
 - c. KPMG report
8. Questions and Answers



SIZWE HOSMED
MEDICAL SCHEME
Your choice for quality care

MINUTES OF THE SIZWE HOSMED MEDICAL SCHEME ANNUAL GENERAL MEETING (AGM)

MINUTES OF THE SIZWE HOSMED MEDICAL SCHEME ANNUAL GENERAL MEETING(AGM)

MEMBERS HELD ON SATURDAY, 24 AUGUST AT 10H00
AT THE PRESIDENT HOTEL, 1 UNION AVENUE, BLOEMFONTEIN

PRESENT:

Mr. Luyolo Makwabe	Board Chairperson
Ms. Zukiswa Matikinca	Deputy Chairperson
Mr. Mandla Shamase	Trustee
Mr. Alex Nhlapo	Trustee
Ms. Chrystolene van Rensburg	Trustee
Mr. Zonwabele King	Trustee
Mr. Mpho Monei	Trustee
Mr. Ayanda Phikani	Trustee
Mr. Luvuyo Pokomela	Trustee
Mr. Pogiso Shikwane	Trustee
Mr. Nicolaas Erasmus	Trustee

IN ATTENDANCE:

Ms. Nozibele Tshobeni	Principal Executive Officer
Dr. Lebogang Maroo	Clinical and Operations Executive
Ms. Belinda Madengwane	Chief Financial Officer
Mr. Maphelo Magodla	Acting Chief Operations Officer
Ms. Ophilia Mbatha	Manager: Legal and Compliance
Mr. Thomas Kgokolo	Chairperson of the Audit and Risk Committee
Ms. Matlhodi Ngwenya	Chairperson of the HR and Remuneration Committee
Mr. Tebogo Malatji	Malatji & Co Attorneys
Mr. Amos Mavuso	Council for Medical Schemes (CMS)
Ms. Sindi Phungula	SkX
Ms. S Mabasa	Deloitte
Mr. P Malavi	Deloitte
Ms. Bertha Chaora	Statucor(Pty) Ltd-Minutes

APOLOGIES:

None

1. OPENING AND WELCOME

The Chairperson, Mr. L Makwabe, opened the meeting. He welcomed all present at the 2024 Sizwe Hosmed Medical Scheme Annual General Meeting (AGM) at the President Hotel.

The Chairperson briefly shared the current challenges the Scheme faces regarding the decrease in reserves, the solvency position, and the collaboration between the Scheme and CMS in the appointment of the Statutory Manager, Mr. Joe Seoloane. He emphasized that the appointment of the Statutory Manager does not imply that the Scheme is under curatorship, as some members interpreted it after the publication of the appointment.

MINUTES OF THE 2023 ANNUAL GENERAL MEETING (AGM)

2. QUORUM

Mr. Maphelo Magodla confirmed that the required quorum was attained, and therefore, the meeting was duly constituted in terms of Scheme Rule 27.1.3. Seventy-three members were physically present, 225 members registered for the webinar, and 10 members were in attendance through online participation.

Mr. M Maqungo inquired how the online attendees would participate in the meeting and was informed that they would participate through a messaging platform that Mr. Magodla would manage. Mr. Magodla would convey the online attendees' concerns or queries to the Chairperson. Mr. Thabang M raised concern regarding the restrictive online participation and proposed that the platform be altered to include voice participation.

Mr. S Zondi requested that the absence of a CMS representative be addressed. The Chairperson highlighted that Mr. J Seoloane could represent CMS; however, Mr. M Manqungo pointed out that Mr. Joe Seoloane cannot represent two entities in one meeting. Mr. J Seoloane could either attend as a Statutory Manager for the Scheme or as a CMS representative; clarity should be provided in this regard. It was noted that the technical team would work behind the scenes to ensure that the CMS representative fully participates online.

3. SAFETY BRIEFING

The Chairperson requested the President Hotel staff to provide a safety brief to the meeting.

Mr. Scott provided a safety brief to the meeting.

4. CONFIRMATION OF PROPER NOTICE GIVEN

In terms of Rule 27.1.2 of the Scheme, a 90-day notice period was required to be served to the members regarding the holding of the AGM.

The Chairperson confirmed that the notice of the AGM met the requirements of the Scheme Rules and accordingly confirmed proper notice of the AGM.

Mr. S Zondi raised concerns that hard copy AGM packs were not distributed to members, considering that it is a challenge for elderly members to use and access online platforms. The Chairperson clarified that this is the only year AGM packs were not distributed, unlike the previously held AGMs. Mr M Manqungo highlighted the need for the Scheme to provide clarity on more forms of communication. He noted that previously, members discouraged posting AGM packs as members in the rural areas have no access to the Post Office.

The Chairperson reminded the members that the Scheme was outlined as one of the largest AGM spenders in the CMS report; therefore, the Scheme had implemented cost-effective measures to reduce spending. Some of the previously faced challenges included the closure of several post offices, which impacted the posting of AGM packs. Some of the measures that were implemented included SMS and WhatsApp messaging platforms. The SMS platform was utilized to distribute the link for the electronic AGM pack, and further AGM-related communication was done through the WhatsApp platform. Mr. R Swats noted the non-circulation of hard copy AGM packs due to limited funds. He commended the Scheme for the implemented communication platforms and urged the Scheme to send out a communication to all members to update their contact details. Mr. Makhado concurred with Mr. R Swats' sentiments and encouraged members to move towards the implementation of the 4th industrial revolution. In response to Mr. T Zama's query regarding the way forward, the Chairperson confirmed that the Scheme will continue with the current means of communication but will assist members who require hard copies. All members were to update their contact details so that they receive all communication.

MINUTES OF THE 2023 ANNUAL GENERAL MEETING (AGM)

5. ADOPTION OF THE AGENDA

Members considered the agenda, which was taken as read and adopted without any amendments.

RESOLUTION 1 OF 24 AUGUST 2024

IT WAS RESOLVED THAT the agenda be adopted.

Mr. A Ndlovu and Mr. R Swats moved and seconded the adoption of the agenda.

6. DECLARATION OF CONFLICT OF INTEREST

No declarations of conflict of interest were made in the meeting.

7. ADOPTION OF THE MINUTES OF THE PREVIOUS MEETING

The minutes of the AGM held on 22 July 2023 were taken as read and approved as a true reflection of proceedings.

RESOLUTION 2 OF 24 AUGUST 2024

IT WAS RESOLVED THAT the minutes of the meeting held on 22 July 2023 be approved.

Mr. S Zondi and Mr. Swats moved and seconded the approval of the minutes.

8. MATTERS ARISING FROM THE MEETING HELD ON 22 JULY 2023

The matters arising from the AGM held on 22 July 2023 were completed and closed.

9. CHAIRMAN'S REPORT

The Chairman presented his report and highlighted the following salient points:

- a. The Sizwe Hosmed Medical Scheme's relationship with the regulator, the Council of Medical Schemes (CMS), has significantly improved.
- b. The Scheme appointed Ms. Nozibele Tshobeni, previously the Scheme's Chief Financial Officer, as the new Principal Officer, and she reported to be doing an excellent job.
- c. The solvency position remains a challenge due to the under-pricing of some of the options, which the Scheme's actuaries need to revise.
- d. Previously, Mr. J Seoloane assisted the Scheme from a turnaround strategy perspective. However, the Scheme recently formalized the appointment of Mr. J Seoloane as the Scheme's Statutory Manager with CMS.
- e. From a global rating point of view, the Scheme was rated A(ZA).
- f. A business plan that maps the way forward was submitted to CMS, which the Scheme and CMS are closely monitoring.
- g. One of the issues raised at the 2023 AGM was the bloated Board of Trustees, which previously consisted of 18 Trustee members.
- h. Considering the exposition document stipulating a Board of 12 members, a decision was made not to renew the professional Trustees contracts, reducing the Board to 14 members.
- i. After that, the Board of Trustees was reduced to 11 Members due to resignations, particularly from the Board Chairperson, Mr. Songandaba Langa, the Audit and Risk Committee Chairperson, Mr. Andre Van Staden, Ms. Priscilla Dumelagosi, and Ms. Zinhle Maseko.
- j. The Scheme has facilitated several indabas in the country to raise awareness regarding the National Health Insurance (NHI) and conducted meetings with the honorable Minister, Mr. Joe Phaahla.
- k. The existing Board of Trustees' term of office comes to an end on 24 August 2024. A democratic process of voting for new Trustees was undertaken, and the voting outcome will be announced in this meeting.

MINUTES OF THE 2023 ANNUAL GENERAL MEETING (AGM)

Comments and questions

The Chairman proceeded to open the floor to the members for comments and questions on the Chairman's report as presented. The members raised the following salient points:

- a. Mr. Vusumuzi Phetshwa inquired about the reason for the Trustee resignations, whether they adversely affected the Scheme, and, if so, to advise on the economic impact of the resigned Trustees' conduct and interrogate the matter further.
- b. Mr. Tebogo Tsibulane inquired if there were no hiccups at the meetings with the Minister, Mr. Joe Phaahla.
- c. Mr. R Swarts observed that the Trustees' resignations coincide with the Scheme's current financial position and noted the appointment of the new Principal Office as per the media publication.
- d. He further raised concern if there were any other issues the members should be made aware of as the members are usually impacted by any issues that impact the Scheme.
- e. Furthermore, he emphasized that legal action be pursued against any misconduct of any persons who might have been aware of the claims build-up into the merger.
- f. A request was made to share the investigative report from a lesson learnt past the merger point of view and to take the members into confidence regarding the Trustee resignations.
- g. Mr. R Swarts commended the Board for consenting to the appointment of the Statutory Manager and highlighted the need to see positive results after implementing the turnaround strategy.
- h. Noting the Chairman's report, Mr. Andile Zitho outlined that Mr. J Seoloane had been working with the Scheme for one and a half years and linked that to the current reserves, which are below the required threshold.
- i. He wondered what transpired under Mr. J Seoloane's stewardship that made the Scheme assume there would be a quick turnaround beyond the merger.
- j. Mr. Andile Bloko expressed concern about the many queries and believed the reports would address most of these issues.
- k. He proposed that all reports be presented so that the members can make informed decisions and have all the necessary information.
- l. Further understanding was required regarding the solvency status and its implication, Trustee resignations, and the role of the Statutory Manager.
- m. Mr. Linda Mbeki stated that the Chairman's report alluded that the low reserves were attributable to under-pricing of some of the options.
- n. He wondered if the Scheme has actuaries who are assisting in reviewing the options and benefits considering that the previous actuaries made significant mistakes which led to double contribution increases in the prior year.
- o. Noting that the Scheme solvency ratio declined sharply since the merger, Mr. Njabulo Mlambo inquired if the Scheme is in a crisis, if so, proposed that the Scheme consider divorcing Hosmed.
- p. He highlighted that members are now being restricted to consult some of the GPs and to access previously authorised medication.
- q. Mr. M Maqungo supported the motion by Mr. A Blocko to proceed in presenting all reports.
- r. He further observed that Mr. J Seoloane does not form part of the approved agenda and urged the members to allow the PO to address some of the raised concerns if the issues cannot be addressed for now.
- s. He also pointed out that the PO could bring alongside Mr. Seoloane as she deems fit.
- t. Mr. Given Monama further seconded the motion for the AGM to proceed in presenting all the reports.
- u. Regarding the actuaries, the Chairperson confirmed that the previous Scheme actuaries were Matlotlo, headed by Mr. Ranti Mothapo, but parted ways, and the Scheme has since appointed GLM actuaries.
- v. The Chairperson indicated that there are no hiccups at the indabas as the Scheme and the Administrator are facilitating these frank and open engagements and the panellists are jointly invited by the Scheme and the Administrator.
- w. He explained that some of the reasons for the Chairperson's resignation attributed to him seeking to process issues by himself without involvement from the rest of the Trustees.
- x. The Chairperson indicated that KPMG is currently undertaking an investigation, and the report will be shared once it is completed.

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- y. Furthermore, the Marketing Executive resigned, and investigations are underway regarding the bloated marketing spending.
- z. Mr. Jabu Sibanyoni flagged that the Scheme was faced with contribution increases the previous year and is now faced with another potential adjustment.
- aa. He requested more details regarding the actuaries, particularly the period of issues that were previously faced and when the challenges that were currently faced emerged.
- ab. The Chairperson explained that the Scheme decided to do a peer review to work alongside Matlotlo to identify the period the issues commenced; however, Matlotlo was unwilling to share the required information with GLM actuaries.
- ac. The matter was escalated to the Board, and the Board decided to part ways with Matlotlo.
- ad. Both Mr. R Swarts and Mr. V Khoza further requested the PO to present her report which would potentially address all raised queries.

10. PRINCIPAL OFFICER'S REPORT

Ms. Nozibele Tshobeni, the Principal Officer (PO), presented her report and highlighted the following salient points:

- a. Ms. Tshobeni reported that she was appointed in February 2024 as the Scheme's new Principal Officer.
- b. She pledged to serve the Scheme members and leadership with great honor and diligence.
- c. The Scheme is governed by the leadership of the Board of Trustees and the recently appointed Statutory Manager, Mr. J Seoloane who carries a tie breaking vote.
- d. It was noted that the PO has been working alongside Mr. J Seoloane since February 2024 with clear distinct roles between that of the PO and Mr. J Seoloane.
- e. Furthermore, Mr. J Seoloane signed an SLA with CMS and co-signed with the Scheme with expected deliverables and he would be reporting directly to the CMS.
- f. There were two changes related to the sub-committees, namely, the dissolution of the Procurement Committee, and the Finance and Investment Committee was streamlined to an Investment Committee that mainly focuses on investment management.
- g. The PO reported that the Board now comprises eleven Trustees and by close of the AGM will consist of nine newly elected Trustees, who will in turn appoint three professional Trustees.
- h. The performance of the Board and the sub-committees was evaluated by the Institute of Directors of South Africa (IoDSA).
- i. The Board received an overall score of 4.1 out of 5 (82%) while the sub-committees reached an overall score of 4.2 out of 5 (84%) which indicates that the governance structures are appropriately composed, with the requisite skills set and undertake robust discussions.
- j. The environmental analysis remains unchanged.
- k. The Scheme released communication when the NHI Bill was pronounced, and the PO highlighted that most of the Schemes form part of the Board of Healthcare Funders ("BHF"), which believes that medical schemes have a significant role to play in the overall ecosystem.
- l. The overall industry is willing to work with the government to provide an NHI that encompasses all the role players.
- m. Frank dialogue sessions have been held to discuss the NHI with critical stakeholders and any other interested role players.
- n. The Scheme is currently operating in a highly competitive environment with high unemployment rates causing a significant decline in membership.
- o. Strategic risks were outlined as the solvency position, SALGA accreditation, non-compliance with regulations, industry uncertainty due to the NHI, and deteriorating member health.
- p. Emphasis was made regarding the importance of retaining SALGA membership considering that the loss of accreditation would result in a loss of 15 000 members.
- q. It was reported that the Scheme is working on building sound relationship with the brokers, employer groups and members.
- r. A CMS inspection was undertaken during the year, and no substantive issues were raised; the Scheme is mainly compliant.

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- s. High levels of chronicity are being addressed through the Disease Risk Management programs and revamping the wellness program.
- t. Although the 25% by 2025 strategy was overrun by events, the vision to expedite the solvency position remains unchanged.
- u. The Scheme strategy comprises three key pillars, namely, sustainable membership growth, improved member health, and organizational sustainability.
- v. These three pillars comprise of six priorities, namely, SALGA accreditation, corporate membership, customer satisfaction, patient satisfaction, solvency and compliance.
- w. As of the end of December 2023, the Scheme closed membership at 58 269, the claims ratio was sitting at 98%, while the solvency ratio was reported at 15.7% against the forecasted 19.1% and the non-health care costs were reported at 10.47%.
- x. Fraud, Waste, and Abuse investigations are underway, with approximately R7 million saved to date.
- y. The Scheme achieved an above-target investment return of 9.04% as of the end of December 2023; the Scheme has a GCR rating of A (ZA) and successfully implemented IFRS17.
- z. The decline in solvency was attributed to the Hosmed claims and under-pricing.
 - aa. Hosmed previously made a provision for R87 million for claims; however, approximately R250 million of the Scheme reserves were used to settle the Hosmed claims. Furthermore, low contribution increases were implemented over time, which eroded the Scheme's buffers.
 - ab. Several initiatives are underway, including investigations to curb potential fraud, waste, and abuse, actuarial reviews from a product rationalization perspective, cost containment measures, value-based contracting, and other operational efficiencies to address the solvency position.
 - ac. The 2025 benefit design and pricing process is underway. The outcome will be tabled at the Clinical and Governance Committee and the Audit and Risk Committee for recommendation to the Board for approval and submitted to the CMS before publication.
 - ad. The PO noted that the Scheme's products are priced competitively and are cheaper than the competitive options.
 - ae. The KPMG investigation regarding the pre-merger claims is ongoing, and the Scheme engaged Malatji and Co Attorneys to determine who should be held accountable for the pre-merger claims.
 - af. Based on the current trajectory, the Scheme is anticipated to reach a solvency ratio of 25% by 2028 unless the members consent to significant contribution increases of approximately 30%.
 - ag. Mr. J Seoloane acknowledged the members and confirmed that Mr. Mavuso (CMS) was online to attend to the members' queries.
 - ah. He reported that on 31 July 2024, the CMS and the Board jointly decided that he could transition from a consultant to the role of a Statutory Manager.
 - ai. Section 5A of the Financial Institutions (Protection of Funds) Act 28 of 2001 ("FI Act") brings about the statutory management process, which means that the Scheme is now being co-managed by CMS, the Trustees, and executive management, but the Statutory Management has a say in decisions made by the Scheme.
 - aj. If there is no agreement regarding the substantive issues, the CMS will take guidance on the course of action as advised by the Statutory Manager.
 - ak. On 31 July 2024, a public announcement regarding the appointment of the Statutory Manager was made, as was internal communication to all relevant stakeholders.
 - al. Mr. J Seoloane highlighted that part of his consultant role included identifying a capable Principal Officer, undertake preliminary analysis which reflected some form of under-pricing, and this was subject to actuarial review.
 - am. Mr. J Seoloane and Ms. Tshobeni jointly engaged Fidelity Insurance regarding the persistent claims.
 - an. The Statutory Manager's role is to assist the Trustees to run the Scheme until pressing issues have been resolved and clarified that statutory management is neither curatorship nor liquidation.
 - ao. Members in good standing will continue to enjoy their benefits subject to the Scheme protocols and procedures.
 - ap. Statutory management entails a thorough investigation of pre-merger claims and address past under-pricing related issues and updating CMS regularly on progress in addressing past issues.
 - aq. Mr. J Seoloane and the Trustees are jointly required to compile an assessment report for submission to CMS by 30 August 2024 that will map the way forward.

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Comments and Questions

- a. Mr. Lance Matlabo highlighted that the turnaround strategy should be linked with decision-making.
- b. He raised concerns regarding double hiring with reference to the appointment of GLM actuaries to assist Matlotlo and inquired if the statutory manager's powers supersede those of the trustees.
- c. Furthermore, he flagged that if the marketing strategy depends on the brokers, it should be relooked as some of these brokers have been bad-mouthing the Scheme.
- d. Lastly, he inquired if the marketing aspect is now being outsourced.
- e. Mr. G Monama narrated the solvency movement over time, which resulted in double contribution increases.
- f. He flagged that the implemented measures have yet to yield the desired outcome and queried the leadership's capacity to turn around the current situation.
- g. Mr. A Bloko appreciated that the Board will comprise of nine Trustees that will further appoint three professional Trustees.
- h. Noting that the Statutory Manager must provide a report by 30 August 2024, Mr. A Bloko inquired regarding Mr. J Seoloane's role in recouping the R162 million paid towards historical claims and needed to understand the purported under-pricing of options.
- i. Furthermore, he queried the cost the Scheme is likely to incur for the Statutory Manager role, considering that the PO now fully understands the turnaround strategy and the reason for the duplication of roles.
- j. The financial implications of the four-year recoup had yet to be included in the PO's report.
- k. Mr. A Bloko stated that Hosmed had a low solvency position pre-merger, he inquired the possibility of disbanding the merger to merge with a better Scheme and consider including these issues in the turnaround strategy.
- l. Mr. A Zitho proposed a 10-minute break and pointed out that the PO reflected that the Scheme is stable but critical, that she simplified the pre-merger process, core issues and historical under-pricing.
- m. Mr. V Phetshwa expressed confusion regarding the PO's report, which reflects that the Scheme is properly governed considering the current challenges.
- n. He believed that the Scheme is not properly marketed, in addition, the solvency position should be addressed and queried if due diligence was undertaken before the merger.
- o. He highlighted that further pricing changes would plunge the Scheme into a deeper crisis and suggested the Scheme consider other alternative options to address the current challenges.
- p. Noting that the member's satisfaction was rated at 87% he queried what informed the reflected stats considering the current faced challenges.
- q. He indicated that one of the contributing factors in the decrease in membership is the Scheme's decisions, case in point, the frequency of spectacle replacement was changed from two years to three years.
- r. Mr. J Sibanyoni indicated that he is not at ease regarding the statutory management.
- s. He highlighted that brokers are not presenting the Scheme and are continuously discouraging potential members from joining the Scheme.
- t. He believed that someone advised Hosmed to hold back settling claims until the merger; he inquired about the conditions of the merger and the solvency ratio of Hosmed at the time of the merger.
- u. Furthermore, he concurred that the proposal to dissolve the merger would not be contested.
- v. Mr. M Khoza highlighted that the PO tried to be as transparent as she could regarding the current challenges.
- w. He inquired how the Scheme will manage to pull away from the current solvency position and wondered if a risk assessment was undertaken before the merger.
- x. He also inquired if there are any other unprocessed Hosmed claims and, secondly, if there are any underlying issues besides under-pricing that are putting the Scheme at risk.
- y. Thirdly, he queried if the current situation is likely to improve and proposed that the Scheme should consider dissolving the merger and merge with a financially suitable Scheme.
- z. Lastly, he inquired if those tasked to grow the Scheme have done enough to recruit and source new Scheme members.
- aa. Mr. R Swarts inquired about the CMS role during the merger process as it seemed that some of the information was understated, and CMS has access to all Schemes financial information.

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- ab. Secondly, he inquired about the strategy for the Scheme's future growth.
- ac. He stated that there seemed to be undesirable conduct from the marketing executive perspective and wondered what was being done to address this matter.
- ad. As much as the members are required to contribute more membership fees, the Trustees should also consider cutting their remuneration, considering that the Scheme managed to successfully complete the tariff deductions with the various SPNs.
- ae. Mr. R Swarts expressed concern regarding Mr. J Seoloane's veto power and inquired if there was some form of maladministration during the merger process.
- af. Mr. M Maqungo inquired regarding the termination of contract conditions with Matlotlo, particularly if the Scheme bought off Matlotlo.
- ag. Secondly, he believed that if the KPMG investigation will not help the Scheme in recouping the financial losses, then the investigation should be halted to curb further incurred costs.
- ah. He highlighted that each year a benefit design process is undertaken and submitted to CMS for provisional for the proposed benefits which does not explain the raised under-pricing aspect.
- ai. He mentioned that the rationalization of dissolving the Procurement Committee was a wise decision.
- aj. Mr. Maqungo further indicated that Hosmed was under curatorship in 2014, he urged members not to contest against one another and that Medscheme should take responsibility therefore he discouraged the motion to divorce Hosmed as it would negatively impact the members.
- ak. He stated that the solvency position was at 15.75% in 2023 and urged the CFO to take members into confidence where the reserves are currently at.
- al. He highlighted that the members would not support double increases, that no one would be able to pay high contribution increases, and believed that there were some operational issues.
- am. Regarding addressing the solvency issue, the PO explained that the contributions should, at a minimum, cover the costs of running a Scheme and ensure proper claim management processes. The PO indicated that a decline in solvency can happen overnight but requires more time to fix.
- an. She confirmed that there are no further Hosmed claims, and the current claims are about four months and less old.
- ao. It was noted that the Scheme is always on the lookout of potential merger partners as and when mandated by the Board.
- ap. The PO confirmed that 3Sixty is performing as expected from a marketing perspective and anticipates that the work underway will yield a positive outcome.
- aq. The exposition document went through CMS, and only CMS can provide feedback regarding the pre-merger issues.
- ar. The SALGA strategy is to grow member numbers, structures have been created to recruit new members, increase visibility and not entirely rely on the current brokers but appoint new younger brokers.
- as. The marketing activities investigation report was recently received and is yet to be reviewed by management.
- at. The PO indicated that the Board and sub-committees had significantly reduced the number of meetings, resulting in a decrease in Board fees.
- au. The KPMG investigation report will determine if there was any form of maladministration in the pre-merger claims, and the Fidelity guarantee will have to respond accordingly.
- av. The PO believed that the marketing strategy could have been implemented better; however, work is underway to market the Scheme.
- aw. Two due diligences were done on Hosmed by Sizwe prior the merger which related to the financial and legal obligations with no significant findings that would have discouraged the merger.
- ax. It was noted that not all options were underpriced, and the appropriately priced options will not be penalized.
- ay. The request for Medscheme to be held liable would be held in abeyance until the conclusion of the KPMG investigation, and the outcome will also inform the lessons derived from the merger.
- az. The PO highlighted that there would be no double increases; claims usually pick up around July 2024 and, therefore, cannot confirm the current solvency position.
- ba. She explained that the members are satisfied with the call centre service, and this informs the customer satisfaction outcome of 87%.
- bb. The Hosmed solvency position the day before the merger was tracking at 23%.

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bc. In terms of the Matlotlo contract, there was a three-month termination clause.

bd. The business model contributed to the bloating of the marketing budget; however, this has since been addressed, and the Board decided to retain the outsourcing function, which has resulted in a decrease in the marketing spend.

be. Mr. J Seoloane indicated that there is a five-year strategy with several scenarios that are subject to Board approval.

bf. The assessment report for submission to CMS will entail if the Scheme's situation can be turned around, the steps forward and if the Scheme is being properly administered.

bg. Mr. J Seoloane believed that the veto power is highly unlikely to be exercised due to the current positive relationship between him and the Trustees.

bh. He further highlighted that part of his responsibility is to ensure that responsible persons are held liable once the investigation has been finalized.

11. PRESENTATION OF THE 2023 ANNUAL FINANCIAL STATEMENTS AND THE EXTERNAL AUDITORS REPORT

Ms. N Tshobeni, the Principal (PO), presented the 2023 Annual Financial Statements report and highlighted the following salient points:

- a. Ms. Belinda Madengwane, the new Chief Financial Officer, was introduced to the members, and she briefly shared her background and areas of expertise.
- b. It was noted that the Scheme cannot present signed annual financial statements due to various reasons that would be addressed by Deloitte.
- c. She highlighted that the Scheme is not in a unique position as many Schemes have not been able to have signed financials submitted to CMS due to technical glitches from a CMS system side.
- d. The Scheme is required to share the final signed financials with members once finalised and adopt these financials at the upcoming AGM.
- e. The Scheme adopted IFRS17, which relates to the insurance contract standard that replaced IFRS4.
- f. Mr. M Maqungo highlighted that CMS would have penalized the Scheme for unsigned financials if the fault had not been on the CMS side.
- g. He believed that there was no reason to adopt the unsigned 2023 annual financial statements.

RESOLUTION 3 OF 24 AUGUST 2024

IT WAS RESOLVED THAT the unsigned 2023 Annual Financial Statements be not adopted.

Mr. M Maqungo and Mr. A Zitho moved and seconded not to adopt the unsigned 2023 annual financial statements.

MINUTES OF THE 2023 ANNUAL GENERAL MEETING (AGM)

12. REPORT OF THE BOARD OF TRUSTEES

Mr. M Shamase, presented the Board of Trustees report. The following salient points were highlighted:

- a. It was noted that the Sizwe Hosmed Medical Scheme is a not-for-profit medical scheme registered in terms of Medical Schemes Act No. 131 of 1998.
- b. The Scheme offered the following eight benefit options to employers and members during the year:
 - » Titanium Executive Plan
 - » Platinum Enhanced Plan
 - » Gold Ascend Plan
 - » Silver Hospital Plan
 - » Plus Option
 - » Value Option
 - » Essential Copper Option
 - » Access Saver Option
- c. There were no risk transfer arrangements for 2023.
- d. The unallocated funds as of 31 December 2023 amounted to R2,360,602 against R8,229,787 (2022).

13. CONFIRMATION OF THE APPOINTMENT OF EXTERNAL AUDITORS

Mr. Thomas Kgokolo, the Audit and Risk independent Chairperson, presented the appointment of the external auditors' proposal. The following salient points were highlighted:

- a. Deloitte was appointed for a three-year term of service and required to confirm their appointment annually in line with the Scheme rules.
- b. The Audit and Risk Committee has formal Terms of Reference, which are approved by the Board.
- c. The Committee's roles and responsibilities include statutory duties outlined in the Medical Schemes Act and any additional responsibilities assigned by the Board.
- d. The Committee considered Deloitte's performance and independence and, therefore, is comfortable to recommend the re-appointment of Deloitte as the Scheme auditors for 2024.
- e. Furthermore, the Committee reviewed the accounting policies and the unsigned annual financial statements and was comfortable with the fact that they comply with international reporting standards, the Medical Schemes Act, and circulars issued by CMS.

RESOLUTION 4 OF 24 AUGUST 2024

IT WAS RESOLVED THAT the re-appointment of Deloitte as Sizwe Hosmed Medical Scheme external auditor for the next audit year be approved.

Mr. K Mawela and Mr. M Maqungo moved and seconded the re-appointment of Deloitte as the external auditors for the next financial year.

14. APPROVAL OF BOARD OF TRUSTEES' REMUNERATION

The Board of Trustees was recused from the meeting at this point.

- a. The HR and Remuneration Committee Chairperson, Ms. Matlhodi Ngwenya presented the HR and Remuneration Committee achievements and the proposed Board of Trustees 2024 remuneration structure.
- b. She highlighted that the Committee approved the organizational structure, which will result in a total of 23 permanent employees, six vacancies, and one temporary employee.
- c. From an employment equity point of view, the staff complement has more females than males.

MINUTES OF THE 2023 ANNUAL GENERAL MEETING (AGM)

- d. The succession plan was approved last year, and the Scheme was able to mitigate the executive vacancies as well as complete the appointment of the Principal Officer.
- e. The Pension Fund run by Alexander Forber is in place, the Scheme maintained a B-BBEE Level 3 score rating and the Scheme is aiming for Level 2 in the coming year.
- f. There are no labour relations matters, and one occupational health and safety incident was addressed.
- g. In line with the Scheme rule 19.16 to seek approval for the Trustee's remuneration, the Committee resolved to maintain the current status quo; therefore, no increases are recommended for approval.

RESOLUTION 5 OF 24 AUGUST 2024

IT WAS RESOLVED THAT the current BoT remuneration structure remain unchanged.

Mr. K Mawela and Mr. T Mahlala moved and seconded for the current BoT remuneration structure to remain unchanged until the next AGM.

The Trustees re-joined the meeting at this point.

15. MOTIONS RECEIVED IN TERMS OF RULE 27.1.5

The PO confirmed that no motions were received in terms of Rule 27.1.5; however, received queries were forwarded to 3Sixty to be addressed.

Mr. M Manqungo flagged the Scheme rule amendment, and the PO explained that Rule 19.3.1, which outlines that the formulation of the Nominations Committee should comprise the Board Chairperson and three Trustees, was problematic in that the entire Board was seeking re-election and, therefore, all Trustees would be conflicted to form part of the Nominations Committee.

The PO recommended that Rule 19.3.1 be removed.

RESOLUTION 6 OF 24 AUGUST 2024

IT WAS RESOLVED THAT the Rule 19.3.1 be removed.

Mr. A Zitho and Mr. R Swarts moved and seconded the removal of Rule 19.3.1.

16. AUTHORISATION TO SIGN THE AGM RESOLUTIONS

RESOLUTION 7 OF 24 AUGUST 2024

IT WAS RESOLVED THAT the new Board Chairperson is authorized to sign the AGM resolutions.

Mr. M Kholisi and Mr. R Swarts moved and seconded the approval for the Board Chairperson to sign the AGM resolutions.

17. DECLARATION OF THE ELECTORAL PROCESS

The PO presented the electoral process report to the members. The following salient points were highlighted:

- a. The term of the current trustees has come to an end.
- b. The election notice was circulated on 24 August 2024 in line with the Scheme rules.
- c. The voting process commenced 45 days before the AGM.
- d. An independent Elections Agency was appointed to run the electoral process.
- e. Furthermore, independent Elections Auditors were appointed to audit the voting and electoral process.
- f. The Board is required to ensure that elections are free and fair.
- g. The Nominations Committee was chaired by the Audit and Risk Committee Chairperson.

18. AUDIT OPINION ON ELECTIONS AUDIT

Ms. Sindi Phungula presented the Audit opinion on the elections audit. The following salient points were highlighted:

- a. SkX inspected all the ballot papers, sealed ballot boxes, online voting, and SMS votes.
- b. The counting of votes was undertaken, and data analytics used to eliminate any duplicate votes and invalid membership numbers.
- c. The vote's outcome was noted as follows:
 - » Received votes - 28 261
 - » Spoilt votes — 302
 - » Manual votes — 27 787
 - » Online votes - 326
 - » SMS votes — 148
 - » Valid votes — 23 571 (across all three platforms)
- d. SkX confirmed that the voting was free and fair.

19. ANNOUNCEMENT OF ELECTION RESULTS

- a. The PO announced the election results as follows:
 - » Mandla Shamase — 2 735 votes.
 - » Simphiwe Philemon Siswana - 2 429 votes.
 - » Alex Nhlapho — 2 415 votes.
 - » Chrystolene Rensburg — 2 410 votes.
 - » Advocate Ayanda Phikane — 2 407 votes.
 - » Zukiswa Matikinca — 2 407 votes.
 - » Zonwabele King — 2 384 votes.
 - » Luyolo Makwabe — 2 382 votes.
 - » Luvuyo Pokomela — 2 354 votes.
- b. Considering the request by Mr. M Maqungo, The PO announced that Dizzy Mugoni, Millicent Magwaza, and Vanessa Le Roux were number 10, 11, and 12, respectively.

20. CLOSING REMARKS

Mr. J Seolane congratulated the newly elected Trustees and highlighted that the Board Chairperson and the Deputy Chairperson would be appointed at the first Board meeting. Furthermore, the new Trustees will appoint the three professional Trustees. He thanked those in attendance, both physically present and those online, for their time and participation.

21. CLOSURE

There being no further business to discuss, the meeting was closed at 16h00.

MATTERS ARISING

Item No	Minute Ref	Action	Responsible Person/Entity	Due Date	Status
	4.	CONFIRMATION OF PROPER NOTICE GIVEN			
1.		Send out communication for all members to update their contact details so that they receive all communication.	PO	Immediate	Ongoing, members receive communication every six months requesting them to update their contact details."
2.	9.	CHAIRMAN'S REPORT A request was made to share the KPMG investigative report from a lesson learnt past the merger point of view.	PO	Immediate	Completed, report to be presented by KPMG on the 27th September 2025
3.	11.	PRESENTATION OF THE 2023 ANNUAL FINANCIAL STATEMENTS AND THE EXTERNAL AUDITORS REPORT Share the final signed financials with members once finalized and adopt these financials at the upcoming AGM.	PO/CFO	Immediate	In Progress
4.	13.	CONFIRMATION OF THE APPOINTMENT OF EXTERNAL AUDITORS Re-appoint of Deloitte as Sizwe Hosmed Medical Scheme external auditor for the next audit year.	PO	Immediate	Completed
5.	14.	APPROVAL OF BOARD OF TRUSTEES REMUNERATION The current BoT remuneration structure will remain unchanged.	BOARD/PO	Immediate	Completed
6.	15.	MOTIONS RECEIVED IN TERMS OF RULE 27.1.5 To remove Rule 19.3.1 regarding the formulation of the Nominations Committee to comprise of Trustees.	PO	Immediate	In Progress,
7.	20.	CLOSING REMARKS Appoint the Board Chairperson and the Deputy Chairperson at the first Board meeting. Furthermore, appoint the three professional Trustees.	BOARD	Immediate	Completed



ABRIDGED DRAFT ANNUAL FINANCIAL STATEMENTS

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STATEMENT OF RESPONSIBILITY BY THE PROVISIONAL CURATOR

ANNUAL FINANCIAL STATEMENTS

The Curator is responsible for the preparation, integrity, and fair presentation of the Annual Financial Statements (AFS) of the Sizwe Hosmed Medical Scheme (the Scheme). The AFS have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and in the manner required by the Medical Schemes Act, No 131 of 1998, as amended and include amounts based on judgments and estimates made by management.

The AFS comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, the statement of changes in members' funds and reserves and the statement of cash flows for the year then ended and the notes to the AFS which include a summary of material accounting policies and other explanatory notes.

In preparing the AFS, the Curator has ensured that appropriate accounting policies have been applied and that IFRS has been followed. These are consistent with those adopted in prior financial years and are supported by reasonable and prudent judgments and estimates.

The Curator is responsible for ensuring that proper accounting records are kept and maintained by the Scheme and the Administrator. The accounting records must disclose with reasonable accuracy the financial position of the Scheme, which enables the Curator to ensure that the annual financial statements comply with the relevant legislation. Following the KPMG forensic investigation completed in 2025, which confirmed critical gaps in governance and internal controls during the 2023 financial year, the Scheme has embarked on a robust corrective process. Key risk areas included inadequate provisioning assumptions, benefit pricing and fraud risk management. In response, the Curator has implemented and continues to oversee a detailed remediation plan, supported by the Audit and Risk Committee. Measures include enhanced benefit design and pricing oversight, targeted internal audit interventions, and consequence management actions. These initiatives are intended to reinforce risk governance and ensure more effective internal controls going forward.

The Curator is satisfied that the information contained in the AFS fairly presents the results of operations for the year and the financial position of the Scheme at year-end. The Curator has also reviewed the other information included in the AFS and is responsible for both its accuracy and consistency with the financial statements.

The going concern basis has been adopted in preparing the AFS. In line with Note 26 to the AFS, the Curator has assessed the going concern status based on the financial results, actuarial projections, control remediation progress, and reserves position. While the Scheme's statutory solvency ratio remains below the required 25%, reserves exceed R676 million for 2023 (31 July 2025: R281 million), the current ratio is 1.53 for 2023 (31 July 2025: 0.97), and the CMS-approved recovery plan projects gradual improvement with full compliance expected by 2028. Accordingly, the Curator is satisfied that the Scheme remains a going concern into the foreseeable future.

The annual financial statements set out on pages 39 to 122 were approved by the Curator and were signed on (date to be confirmed):

Ms L Mpakati

STATEMENT OF CORPORATE GOVERNANCE BY THE PROVISIONAL CURATOR

The Curator is committed to the principles and practice of fairness, openness, integrity, and accountability in all dealings with its stakeholders. Acting under the authority of the court order dated 04 September 2025, the Curator assumes the responsibilities previously vested in the Board of Trustees (BOT) and exercises them with due care, diligence, and good faith in the best interest of the members. In pursuit of this, the Curator conducts all duties in accordance with the Rules of the Scheme, the Medical Schemes Act no. 131 of 1998, as amended and applicable principles of good governance.

1. Governance oversight

The Curator monitors the administration of the Scheme, addresses a range of key issues, and ensures that discussions and decisions on matters of policy, strategy, and performance are critical, informed, and constructive.

Where appropriate, the Curator seeks professional and independent advice at the expense of the Scheme to ensure sound decision-making.

2. Internal Controls and Risk Management

The Curator supports the principles of Corporate Governance as contained in the King IV report. However, the findings of the 2024 forensic investigation conducted by KPMG revealed material control and governance deficiencies during the 2023 financial year. These included under-provisioning, under-pricing of benefits and fraud risk indicating that the internal control environment and combined assurance model did not function as intended.

While internal audit services were in place, the deficiencies identified in the KPMG report were not previously raised by the internal audit function. Consequently, new internal auditors were appointed effective for the 2025 financial year. In response, the Curator has accepted under her leadership the implementation of a control remediation programme that includes but is not limited to:

- Quarterly monitoring of the remediation plan
- Strengthened risk management and provisioning oversight
- Revised internal audit scope and focus areas
- Realignment of roles in line with a refreshed combined assurance model
- Enhanced consequence management and accountability protocols

These corrective actions aim to progressively rebuild a control environment that provides reasonable assurance over financial and operational integrity.

3. Ethical values of the Scheme

The Scheme is bound by a Code of Conduct, mandates, and principles of treating members fairly. The Code of Conduct outlines the principles that guide the Scheme in a way that contributes to the welfare of the key stakeholders and helps balance the needs of all stakeholders in the system. Governance and ethical values within Sizwe Hosmed Medical Scheme are continually being reinforced under the Curator's oversight.

The Scheme's committees continue to operate with mandates that set out their responsibilities in promoting transparency and ethics. The Scheme is bound to open communication with all its stakeholders about its financial and business targets and to treat them fairly in all business dealings.

STATEMENT OF CORPORATE GOVERNANCE BY THE PROVISIONAL CURATOR

4. Compliance with the Medical Schemes Act

The Curator monitors compliance with the Medical Schemes Act no. 131 of 1998 (the “Act”) and the Regulations issued in terms of the Act, and endeavours to apply the King IV Code of Corporate Governance where necessary and practical. Identified non-compliance matters are disclosed in the notes to the AFS.

5. Administrator performance

The administrator, 3Sixty Health (Pty) Ltd, is responsible for maintaining operational controls and service delivery in accordance with contractual obligations. However, control failures identified in the KPMG investigations revealed shortcomings in both oversight and performance monitoring during 2023.

As a result, the Curator has intensified performance management processes and reporting expectations, including:

more rigorous monthly and quarterly SLA monitoring

Strengthened contract enforcement measures

Independent validation of performance outcomes

The Curator will continue to hold all service providers accountable for delivering against enhanced governance and performance standards.

6. Independent evaluations

Previously, the Scheme adopted a practice of performing independent evaluations on its BOT and its Committees. Following the appointment of the Curator, the governance evaluation framework will be adapted to reflect the interim curatorship arrangements and ensure that independent oversight is maintained.

Ms L Mpakati
Curator



REPORT OF THE PROVISIONAL CURATOR

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

Sizwe Hosmed Medical Scheme (the Scheme) is a not-for-profit, open medical scheme registered under reference number 1486 in terms of the Medical Schemes Act no. 131 of 1998, as amended. The Scheme is administered by 3 Sixty Health (Pty) Ltd and regulated by the Council for Medical Schemes (CMS).

1.2 Benefit options within Sizwe Hosmed Medical Scheme

The Scheme offered the following eight benefit options to employees of participating employers and members of the public during the year:

- Titanium Executive Plan*
- Platinum Enhanced Plan*
- Gold Ascend Plan
- Silver Hospital Plan
- Plus Option
- Value Option
- Essential Copper Option
- Access Saver Option*

* These benefit options contains a savings plan in 2023.

1.3 Risk Transfer Arrangement

During the 2023 financial year there were no risk transfer arrangements, but for the 2022 financial year the Scheme had entered into a risk transfer arrangement with Isoleso Optics for optometry benefits.

The table below reflects the premiums paid and net expenses incurred in respect of the risk transfer arrangement:

	2023	2022
	R	R
Risk transfer fees paid	-	(20,913,577)
Recovery from risk transfer arrangement	-	22,574,365
Net income on risk transfer arrangement	-	1,660,788

1.4 Unallocated Funds

Unallocated funds arise on receipt of deposits in favour of the Sizwe Hosmed Medical Scheme. The unallocated funds that are legally prescribed, and are older than three years, after reasonable efforts have been made to trace the members, are written back and included under sundry income on the face of the Statement of Comprehensive Income. A liability for unallocated funds which are not legally prescribed is recognised and disclosed under insurance contract liabilities.

Unallocated funds as at 31 December 2023 amounted to R2,360,602 (2022: R8,229,787).

1.5 BOARD OF TRUSTEES MEETING ATTENDANCE – 2023

The Board of Trustees in governance at the time held and attended meetings as detailed in the following table. The BOT has since been replaced by the Curator effective 04 September 2025.

	Designation	Date initially appointed/elected	Date Term ended	(BOT)		(RESCO)		(IC)		(ARC)		(CGC)		(CDRC)		(PC)	
				A	B	A	B	A	B	A	B	A	B	A	B	A	B
Mr S.D. Langa	Chairperson – Elected Trustee	13 September 2021	15 May 2024	14	13	8	8	4	4	-	-	-	-	-	-	-	-
Mr L. Makwabe	Deputy Chairperson – Elected Trustee	13 September 2021	24 August 2024	14	14	8	7	4	4	-	-	-	-	-	-	-	-
Ms Z. Matikinca	Elected Trustee	13 September 2021	24 August 2024	14	14	8	8	-	-	8	8	-	-	-	-	-	-
Mr Z. King	Elected Trustee	13 September 2021	24 August 2024	14	14	-	-	4	4	-	-	4	4	-	-	12	12
Mr A. Nhlapo	Elected Trustee	13 September 2021	24 August 2024	14	14	-	-	4	4	-	-	-	-	-	-	12	12
Mr L. Pokomela	Elected Trustee	26 October 2022	24 August 2024	14	14	8	8	-	-	-	-	4	4	-	-	-	-
Mr A. Phikani	Elected Trustee	13 September 2021	24 August 2024	14	14	-	-	-	-	-	-	4	4	-	-	12	12
Mr A. Greyling	Appointed Trustee	13 September 2021	11 September 2023	14	12	-	-	4	4	-	-	-	-	-	-	12	12
Mr P. Shikwane	Elected Trustee	13 September 2021	24 August 2024	14	14	-	-	-	-	-	-	4	4	-	-	12	12
Mr M. Monei	Elected Trustee	13 September 2021	24 August 2024	14	14	8	8	-	-	-	-	-	-	-	-	12	12
Mr M. Hennig	Appointed Trustee	13 September 2021	11 September 2023	14	11	8	8	-	-	-	-	3	4	-	-	12	12
Ms P. Dumelakgosi	Elected Trustee	13 September 2021	25 June 2024	14	14	8	8	-	-	-	-	-	-	-	-	12	12
Ms B. Maseko	Elected Trustee	13 September 2021	06 July 2024	14	14	8	8	-	-	-	-	-	-	-	-	12	12
Mr V.M. Shamase	Elected Trustee	26 October 2022	24 August 2024	14	14	8	8	4	4	-	-	-	-	-	-	-	-
Ms C. Rensburg	Elected Trustee	26 October 2022	24 August 2024	14	14	-	-	-	-	-	-	4	4	-	-	12	12
Mr T. Kgokolo	Appointed Trustee	13 September 2021	11 September 2023	14	10	-	-	4	4	8	8	-	-	-	-	12	12
Ms N. Nkosi	Appointed Trustee	13 September 2024	01 June 2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ms L. Gxasheka	Appointed Trustee	13 September 2024		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dr B.Z. Limba	Appointed Trustee	26 October 2022	11 September 2023	14	12	8	8	-	-	-	-	4	4	-	-	-	-
Mr T. Madiba	Appointed Trustee	13 September 2024		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr S. Siswana	Appointed Trustee	24 August 2024		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr N. Erasmus	Elected Trustee	26 October 2022	24 August 2024	14	14	-	-	4	4	-	-	4	4	-	-	-	-

BOT: Board of Trustees

RESCO: HR and Remuneration Committee IC: Investment Committee

ARC: Audit and Risk Committee CGC: Clinical Governance Committee

CDRC: Complaints and Dispute Resolution Committee PC: Procurement Committee

In terms of the Scheme Rules, elected trustees are elected by members and remain in office until the third Annual General Meeting. The Sizwe Hosmed Board includes members from both Sizwe Medical Fund and Hosmed Medical Scheme, as approved by the Registrar for Medical Schemes in terms of the Exposition document.

1.6 Sub-Committees of the Board of Trustees governing the Scheme.

1.6.1 Audit and Risk Committee (ARC)

The Audit and Risk Committee (ARC) is a statutory committee established in terms of section 36(10) of the Act. The Committee's mandate is derived from its approved terms of reference. The Committee performs an oversight role and assists the Board of Trustees in discharging its responsibilities of safeguarding the Scheme's assets and of ensuring that an effective internal control system is operational.

In addition, the ARC performs a key corporate governance oversight role by safeguarding the integrity of the Scheme's financial reporting and internal financial control environment. The ARC periodically reported to the Board on how it has discharged its responsibilities.

The Committee met eight (8) times during the year and was comprised of the following members:

Members

Mr A. Van Staden	Chairperson and Independent member	(Appointed 30 November 2021) Resigned 26 February 2024
Ms Z. Matikinca	Trustee representative	(Appointed 13 September 2021)
Mr T Ramawa	Independent member	(Appointed 13 January 2023)
Mr T. Kgokolo	Independent member	(Appointed 13 September 2021)
Mr L. Kubheka	Independent member	(Appointed 13 September 2021)

A report of the Audit and Risk Committee is presented on pages 48 - 52.

1.6.2 Other Committees

To improve and strengthen the governance of the Scheme, the BOT also operates the following committees:

Clinical Governance Committee

Whilst there is no statutory requirement for this Committee, it has been established to empower the BOT to appoint and delegate authority to a subcommittee consisting of such BOT members and other experts as it may deem necessary. The Committee reviews and monitors all initiatives aimed at reducing unnecessary healthcare costs without compromising the quality of care. The Committee met four (4) times during the year and comprised the following members:

Members

Dr B.Z. Limba	Chairperson and Trustee representative	(Appointed 13 September 2021)
Mr N. Erasmus	Trustee representative	(Appointed 13 September 2021)
Mr Z. King	Trustee representative	(Appointed 13 September 2021)
Mr L. Pokomela	Trustee representative	(Appointed 13 September 2021)
Mr A. Phikani	Trustee representative	(Appointed 26 October 2022)
Ms Z. Maseko	Trustee representative	(Appointed 13 September 2021)
Mr P. Shikwane	Trustee representative	(Appointed 13 September 2021)
Ms C. Rensburg	Trustee representative	(Appointed 26 October 2022)
Mr M. Hennig	Independent member	(Appointed 13 September 2021)

Complaints and Dispute Resolution Committee

The role of the Complaints and Dispute Resolution Committee is to adjudicate disputes that may arise between a member, prospective member, or person claiming against the Scheme. The Committee is mandated by the BOT using formal terms of reference as to its membership, authority, and duties. The Committee did not meet during the year and was comprised of the following members:

Members

Ms N. Maseko	Chairperson and Independent member	(Appointed 13 September 2021)
Dr E. Ngwenya	Independent member	(Appointed 23 August 2023)
Dr K. van den Berg	Independent member	(Appointed 23 August 2023)

Investment Committee

The role of the Committee is to advise the BOT and Management on the best possible investment of the Scheme's resources available for that purpose, amendments to, or the reinvestment of existing investments and potential steps that may be considered in respect of the investment of available funds. The Committee is mandated by the BOT using formal terms of reference as to its membership, authority, and duties. The Principal Officer and senior management attend meetings of the Committee. The Committee met four (4) times during the year and was comprised of the following members:

Members

Mr A. Greyling	Chairperson and Trustee representative	(Appointed 13 September 2021)
Ms N. Maponya	Independent member	(Appointed 13 September 2021)
Ms M. Maubane	Independent member	(Appointed 13 September 2021)
Mr L. Makwabe	Trustee representative	(Appointed 13 September 2021)
Mr M. Shamase	Trustee representative	(Appointed 13 September 2021)
Mr N. Erasmus	Trustee representative	(Appointed 13 September 2021)
Mr A. Nhlapo	Trustee representative	(Appointed 13 September 2021)
Mr D. Langa	Trustee representative	(Appointed 13 September 2021)
Mr T. Kgokolo	Trustee Representative	(Appointed 13 September 2021)

HR and Remuneration Committee

The role of the Committee is to ensure that the remuneration policy and practices are regularly reviewed, that the Scheme remunerates the BOT, senior management and its employees fairly and responsibly, and that disclosure of trustee and senior management remuneration is accurate, complete, and transparent. The Committee is mandated by the BOT using formal terms of reference as to its membership, authority, and duties. The Committee met eight (8) times during the year and was comprised of the following members:

Members

Ms M Ngwenya	Independent Chairperson	(Appointed 13 January 2023)
Mr M. Hennig	Independent member	(Appointed 13 September 2021)
Ms Z. Matikinca	Trustee representative	(Appointed 13 September 2021)
Ms P. Dumelakgosi	Trustee representative	(Appointed 13 September 2021)
Mr M. Shamase	Trustee representative	(Appointed 13 September 2021)
Mr L. Makwabe	Trustee representative	(Appointed 13 September 2021)
Ms Z. Maseko	Trustee representative	(Appointed 13 September 2021)
Mr M. Monei	Trustee representative	(Appointed 13 September 2021)
Dr B.Z. Limba	Independent member	(Appointed 26 October 2022)
Mr L. Pokomela	Trustee representative	(Appointed 26 October 2022)
Mr S. Langa	Trustee representative	(Appointed 13 September 2021)

2. MANAGEMENT

2.1 Registered office and postal address

Postal address: P.O. Box 62345, Marshalltown 2017

Business address: 3 Victoria Link, Route 21 Corporate Park, Irene, Pretoria, Gauteng 0178

Website: www.sizwehosmed.co.za

2.2 Executive Management

The table lists the names of management team members employed by the Scheme during the 2023 financial year, along with their respective dates of engagement.

Name	Position	Date of Appointment
Ms N. Tshobeni	Acting Principal Officer / Chief Financial Officer	1 December 2020 - Appointed as CFO and appointed as Acting Principal Officer on 17 October 2022 and appointed as Principal Officer on 1 February 2024.
Dr L. Maroo	Clinical and Operations Executive	1 November 2021 - Resigned 31 March 2025
Mr M. Chuene	Legal and Compliance Executive	1 November 2021 - Resigned 13 March 2024
Mr M. Pitsoane	Marketing & Communications Executive	01 November 2021 - Resigned 31 October 2023
Ms B. Madengwane	Chief Financial Officer	1 July 2024 - Resigned 31 January 2025
Ms A. Mamane	Chief Financial Officer	Appointed 1 May 2025

2.3 Medical Scheme Administrator and Managed Care provider

3Sixty Health (Pty) Ltd
7 West Street
Houghton
Johannesburg
2001

P.O. Box 10436
Johannesburg
2000

2.4 External Auditor

Deloitte & Touche
South Africa Partnership
The Deloitte building
5 Magwa Crescent Waterfall City
Johannesburg

Private Bag X6
Gallo Manor
2052
2090

2.5 Internal Auditor

SekelaXabiso CA Incorporated
1 Waverly Office Park
15 Forest Road
Bramley
2199

SM Xulu Inc
4 Peltier Dr
Sunninghill
Sandton
2157

2.6 Investment managers during the year

During the 2023 financial year, the BOT retained the services of asset managers to assist it with the investment and management of the Scheme's surplus funds. The following 11 companies are the asset managers that were engaged by the Scheme during the year.

Taquanta Asset Managers (Proprietary) Limited

7th Floor, Newlands Terrace
8 Boundary Road
Newlands
7700
FSP 618

P.O. Box 23540
Claremont
7735

Aluwani Capital Partners (Proprietary) Limited

24 Georgian Crescent
Bryanston East
2152
FSP 46196

Private Bag X75
Bryanston
2125

Argon Asset Management (Proprietary) Limited

1st Floor Colinton House
The Oval, 1 Oakdale Road
Newlands 7700
FSP 835

P.O. Box 23254
Claremont
7735

Sanlam Investment Management (Proprietary) Limited

55 Willie van Schoor Avenue Private Bag X8
Bellville Tygervally
7530 7536
FSP 579

RH Managers (Proprietary) Limited

3rd Floor, 18 Melrose Boulevard Postnet Suite 510
Melrose Arch Private Bag X 1
2076 Melrose Arch
FSP 4481 2076

Aeon Investment Management (Propriety) Limited

4th Floor, The Citadel P.O. Box 24020
15 Cavendish Street Claremont
Claremont 7735
7708
FSP 27126

Sesfikile Capital

30 Melrose Boulevard Suite 334
Melrose Arch Private Bag X1
Johannesburg Melrose Arch
2076 2076
FSP 39946

Prescient Investment Management (Proprietary) Limited

Prescient House P. O Box 31142
Westlake Business Park Tokai
Otto Close Cape Town
Cape Town 7966
7945
FSP 612

Visio Fund Management (Proprietary) Limited

92 Rivonia Road 92 Rivonia Road
Wierda Valley Wierda Valley
Sandton Sandton
2146 2146
FSP 49566

Perpetua Investment Managers

5th Floor, The Citadel PO Box 44367
15 Cavendish Street Claremont
Claremont 7735
7708
FSP 29977

Umthombo Wealth

Suite 14, 2nd Floor
Katherine and West Building 114 West Street
Sandton 2196
FSP 44802

2.7 Investment advisors during the year

Independent Actuarial Consultants (Proprietary) Limited
6th Floor, Wale Street Chambers
38 Wale Street
Cape Town, 8001
FSP 6832

2.8 Actuaries

GLM Actuaries and consultants PO Box 60010
Pierre van Ryneveld 0045

2.9 Regulator

Council for Medical Schemes (CMS)

Block A Eco Glades Office Park
420 Witch-Hazel Avenue,
Eco Park
Centurion
0157

2.10 Banker

Nedbank Limited

Fifth floor Block F Nedbank 135 P.O. Box 1144
Rivonia Campus Johannesburg
135 Rivonia Road 2000
Sandown
Sandton

3. INVESTMENT STRATEGY OF THE SCHEME

The Scheme's primary investment objective is to maximise the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and the Board of Trustees. The monitoring and implementation of the strategy are delegated to the Finance and Investment Committee. Details of investments are set out in the AFS in notes 6 and 7.

The Scheme utilised the services of Independent Actuarial Consultants (Proprietary) Limited (IAC) as its investment advisor for 2023. The primary mandate of the investment advisor is to ensure compliance with the Scheme's investment strategy, actively monitor the performance of asset managers, and ensure legislative compliance and value retention while still ensuring growth.

4. MANAGEMENT OF INSURANCE RISK

The primary insurance activity carried out by the Scheme assumes the risk of loss from members and their dependents that are directly subject to the risk. This risk relates to the health of Scheme members.

As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements, and the monitoring of emerging issues.

The Scheme uses several methods to assess and monitor insurance risk exposures for both individual types of risk and overall risks. These methods include internal risk measurement models, sensitivity analysis, 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 are 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 with established statistical techniques. During the 2023 financial year, the Scheme adopted the IFRS17 accounting standard retrospectively, which resulted in the financials being restated. This restatement affected the measurement of the Scheme's insurance assets and liabilities.



5. OPERATIONAL STATISTICS PER BENEFIT PLAN

As part of its oversight role, the BOT reviews various ratios and operational statistics. The following tables reflect some of the key operational statistics that the BOT considered during the year.

5.1 Operation Statistics - 31 December 2023

		Total Scheme	Gold Ascend	Titanium Executive	Platinum Enhanced	Essential Copper Core	Silver Hospital	Plus Option	Value Option	Access Option
1	Average number of members during the accounting period	60,058	22,305	2,050	12,228	4,022	358	2,278	13,236	3,581
2	Number of members at the end of the accounting period	58,269	21,381	1,938	11,826	3,781	353	2,202	12,936	3,852
3	Average number of beneficiaries during the accounting period	142,835	54,818	3,705	27,999	7,594	648	4,835	34,496	8,740
4	Number of beneficiaries at the end of the accounting period	138,507	52,500	3,494	27,087	7,076	643	4,641	33,518	9,548
5	Average age of beneficiaries for the accounting period	33.44	30.73	52.32	34.24	37.1	42.08	43.73	33.99	30.36
6	Pensioner ratio (beneficiaries >65)	8.06%	5.26%	36.00%	10.28%	14.34%	18.66%	16.59%	8.88%	5.97%
7	Dependent ratio	1.38	1.46	0.80	1.29	0.87	0.82	1.11	1.59	1.48
8	Beneficiaries per member as at 31 December 2022	0.42	0.41	0.55	0.44	0.53	0.55	0.47	0.39	0.40
9	Insurance revenue (IR) per average member per month	5,513	5,118	8,669	5,152	2,954	2,986	10,186	6,695	3,194
10	Insurance revenue (IR) per average beneficiary per month	2,318	2,082	4,797	2,250	1,565	1,650	4,798	2,569	1,309
11	Insurance service expense (ISE) per average member per month (R)	5,856	4,989	8,812	5,808	3,586	4,129	11,010	7,449	3,283
12	Insurance service expense (ISE) per average beneficiary per month (R)	2,462	2,030	4,876	2,537	1,899	2,282	5,186	2,858	1,345
13	Directly attributable insurance service expense (DAE) per average member per month (R)	612	617	617	617	547	636	616	616	618
14	Directly attributable insurance service expense (DAE) per average beneficiary per month (R)	257	251	341	270	290	351	290	236	253
15	Amount paid to administrator (R) *	409,644,520	154,971,906	14,303,075	84,640,959	21,885,246	2,546,055	15,893,223	91,521,883	23,882,173
16	Average managed care: management services per member, per month (R)	284	289	289	289	220	285	289	289	287
17	Average accumulated funds per member as at 31 December 2022 (R)	11,613	4,261	386	2,357	754	70	439	2,578	768
18	Non-healthcare expenditure per beneficiary per month (R)	135	131	187	140	171	190	153	124	125
19	Relevant healthcare expenditure incurred per average beneficiary, per month (R)	2,324	1,896	4,695	2,393	1,726	2,088	5,032	2,733	1,209
20	Relevant healthcare expenditure ratio	100.26%	91.06%	97.87%	106.38%	110.32%	126.52%	104.89%	106.38%	92.42%
21	Non-healthcare expenditure as a percentage of Insurance Revenue	5.84%	6.30%	3.91%	6.24%	10.93%	11.51%	3.19%	4.81%	9.58%
22	Return on investment	9.04%	3.57%	0.32%	1.97%	0.00%	0.00%	0.37%	2.16%	0.64%
23	Directly attributable insurance service expense (DAE) ratio	11.11%	12.06%	7.12%	11.98%	18.51%	21.29%	6.05%	9.20%	19.36%
24	Administration expenses as a percentage of Insurance Revenue	5.84%	6.30%	3.91%	6.24%	10.93%	11.51%	3.19%	4.81%	9.58%
25	Number of dependents at the end of the accounting period	80,238	31,119	1,556	15,261	3,295	290	2,439	20,582	5,696

The Provisional Curator has also reviewed the above operational statistics.

5.2 Operation Statistics - 31 December 2022

		Total Scheme	Gold Ascend	Titanium Executive	Platinum Enhanced	Essential Copper Core	Silver Hospital	Plus Option	Value Option	Access Option
1	Average number of members during the accounting period	63,577	23,730	2,395	12,981	5,519	371	2,615	14,106	1,861
2	Number of members at the end of the accounting period	62,247	23,591	2,317	12,679	4,714	424	2,583	13,816	2,123
3	Average number of beneficiaries during the accounting period	152,421	59,208	4,358	29,707	10,853	666	5,767	37,526	4,335
4	Number of beneficiaries at the end of the accounting period	148,569	58,402	4,210	29,023	9,083	744	5,615	36,599	4,893
5	Average age of beneficiaries for the accounting period	33.13	30.06	51.74	34.25	35.49	39.48	42.26	33.31	29.87
6	Pensioner ratio (beneficiaries >65)	7.62%	4.39%	34.35%	10.08%	11.85%	14.11%	13.86%	5.97%	5.15%
7	Dependent ratio	1.39	1.48	0.82	1.29	0.93	0.75	1.17	1.65	1.30
8	Beneficiaries per member as at 31 December 2022	0.42	0.40	0.55	0.44	0.52	0.57	0.46	0.38	0.43
9	Insurance revenue (IR) per average member per month	5,398	4,642	9,769	6,040	2,628	2,650	9,325	6,106	2,826
10	Insurance revenue (IR) per average beneficiary per month	2,252	1,861	5,368	2,639	1,337	1,474	4,228	2,295	1,213
11	Insurance service expense (ISE) per average member per month (R)	6,166	4,925	9,538	6,607	4,982	3,068	9,672	7,524	3,481
12	Insurance service expense (ISE) per average beneficiary per month (R)	2,572	1,974	5,241	2,887	2,533	1,707	4,385	2,828	1,495
13	Directly attributable insurance service expense (DAE) per average member per month(R)	586	592	591	592	523	579	592	593	599
14	Directly attributable insurance service expense (DAE) per average beneficiary per month (R)	245	237	325	259	266	322	268	223	257
15	Amount paid to administrator (R) *	402,815,117	153,626,246	15,481,148	83,997,101	27,292,996	2,383,349	16,872,069	91,072,095	12,090,115
16	Average managed care: management services per member, per month (R)	269	275	275	275	209	271	274	275	274
17	Average accumulated funds per member as at 31 December 2022 (R)	17,030	6,454	634	3,469	1,290	116	707	3,780	581
18	Non-healthcare expenditure per beneficiary per month (R)	134	129	182	140	160	182	143	119	144
19	Relevant healthcare expenditure incurred per average beneficiary, per month (R)	2,232	1,746	5,076	2,577	1,695	1,329	4,114	2,401	1,165
20	Relevant healthcare expenditure ratio	99.13%	93.84%	94.56%	97.66%	126.83%	90.15%	97.30%	104.63%	96.07%
21	Non-healthcare expenditure as a percentage of Insurance Revenue	5.93%	6.92%	3.40%	5.31%	12.00%	12.33%	3.39%	5.19%	11.84%
22	Return on investment	6.65%	2.75%	0.27%	1.48%	0.00%	0.00%	0.30%	1.61%	0.25%
23	Directly attributable insurance service expense (DAE) ratio	10.86%	12.75%	6.05%	9.80%	19.91%	21.85%	6.35%	9.71%	21.19%
24	Administration expenses as a percentage of Insurance Revenue	5.93%	6.92%	3.40%	5.31%	12.00%	12.33%	3.39%	5.19%	11.84%
25	Number of dependents at the end of the accounting period	86,322	34,811	1,893	16,344	4,369	320	3,032	22,783	2,770

The Provisional Curator has also reviewed the above operational statistics.

5.3 Operational statistics for the scheme

Insurance contract liability to future members per member	2023 R 11,612	2022 R 16,935
Breakdown of total amount paid to the administrator: Administration Fees	163,718,256	166,754,762
Managed Care Fees	190,418,740	192,321,463
Marketing Fees	42,550,000	41,883,000
Maternity Programme	1,637,106	1,855,891
Return on investment as a percentage of investments	9.04%	6.65%

5.4 Results of Operations

The results of operations are set out in the annual financial statements, and the Board of Trustees believes that no further clarification is required.

5.5 Solvency ratio

Insurance contract liability to future members per member	2023 R	2022 Restated R
Insurance contract liability to future members	676,651,996	1,042,033,907
Gross contributions	4,301,705,163	4,142,609,981
Solvency ratio	15.73%	25.59%

The Board is aware of the decrease in the Scheme's solvency from 25.59% in 2022 to 15.73% in 2023. During the year, the solvency levels of the Scheme dropped below the minimum statutory levels as required by Regulation 29 to the Medical Schemes Act. Management reported this to the CMS, and provided a business plan including a turnaround strategy.

5.6 Insurance contract liabilities

Movements in the reserves are set out in the Statement of Changes in Members' Funds and Reserves.

5.7 Liability for incurred claims

The liability for incurred claims includes estimated cost of healthcare benefits that have been incurred before the end of the accounting period but that have not been reported to the scheme by that date. This provision is determined as accurately as possible on the basis of a number of factors, which may include previous experience in claims patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim. The provision is net of estimated recoveries from members for co-payments. The liability for incurred claims includes the PMSA utilised (transferred from the liability for remaining coverage). The calculation and movements on the liability for incurred claims is set out in note 9 of the AFS.

6. ACTUARIAL SERVICES

For the period 01 March 2019 to 30 June 2023, the Scheme had appointed Matlotlo Group (Pty) Ltd as the Scheme's actuaries.

Matlotlo was consulted during 2022 in the determination of the contribution and benefits levels for the 2023 financial year.

GLM actuaries and consultants were appointed on a consultancy basis on 01 July 2023 as the Scheme's actuaries. GLM was consulted in the determination of the 2023 claims liability for incurred claims is disclosed in the AFS.

7. EVENTS AFTER REPORTING DATE

7.1 Appointment of Principal Officer

Ms N. Tshobeni was appointed as Principal Officer on the 1st of February 2024.

7.2 NHI Bill

On 21 February 2024 the Finance Minister delivered the 2024 budget speech. The budget did not specifically address the Government's plan on the funding of the proposed National Health Insurance (NHI). On 15 May 2024 President Cyril Ramaphosa signed the NHI Bill into law. The impact of this event does not materially affect the annual financial statements.

7.3 KPMG Forensic Investigation into Solvency Decline

On the 6th of August 2024, Sizwe Hosmed Medical Scheme appointed KPMG to conduct a forensic investigation into the solvency decline. This investigation was necessitated by the solvency decline experienced by the Scheme between 2021 and 2023. The then Board of Trustees sought to obtain a thorough understanding of the factors that resulted in the solvency decline, obtain an independent assessment of the control environment within the Scheme and the appointed administrator, and obtain recommendations on how to remedy the solvency decline.

Scope revision and amendment led to delays in the conclusion of the investigation. The investigation was concluded, and the final report was tabled to the then Board of Trustees on the 8th of May 2025.

The KPMG report identified weaknesses in financial oversight, benefit design, and contract governance that contributed to underpricing and provisioning gaps, exacerbating the solvency decline.

The then BOT deliberated on the KPMG report, resolved to adopt it in its entirety, and mandated management of the Scheme to formulate an action plan to address the KPMG findings and implement the recommendations. The Provisional Curator and ARC have since assumed full oversight of the implementation of the remedial actions as summarised below:

Key Findings	BOT Responses
Payment of duplicated and fictitious claims - approximate loss R17.1 million.	The then BOT instructed 3Sixty Health to recover the duplicate payments from the service providers. R5 million had been recovered at the end of July 2025.
Reversal of claims post August 2024.	The then BOT mandated the Scheme to do a thorough investigation into the reversals worth R91.5 million. The investigation was still ongoing at the end of July 2025
Weaknesses in systems, processes, security and controls (NEO System and related applications).	The then BOT mandated management to work with 3Sixty Health to enhance the controls within the NEO system and introduce a new layer of internal controls. The enhancements include but not limited to: • Inclusion of unique identifiers to prevent duplications. • Development of approval processes for overriding rule validations in the system. • Make Bank Account details mandatory fields to be completed by service providers during on-boarding. • Implementation of the Segregation of Duties framework across the application estate within 3Sixty, ensuring that users have minimum permissions required to perform their tasks. • Strengthening access controls by reducing superuser access and implementing role-based permissions to ensure alignment with the segregation of duties principle. The implementation process is ongoing.

The payment of duplicate and stale claims resulted in the overstatement of claims and understatement of members' funds in the 2022 and 2023 financial years. The Scheme has not adjusted the annual financial statements to reflect these understatements and overstatements as the amounts involved fall below the materiality level. These overstatements and understatements have negligible impact on the solvency of the Scheme.

7.4 Appointment of Statutory Manager

The Council for Medical Schemes (CMS), by joint agreement with the then Board of Trustees of Sizwe Hosmed Medical Scheme, placed the Scheme under statutory management effective 31 July 2024.

Placing the Scheme under statutory management allowed CMS and the then BOT to work together to stabilize the Scheme, ensure its sustainability, and protect the interests of Sizwe Hosmed beneficiaries.

CMS appointed Mr Joe Selokane to work closely with the then BOT to turnaround the solvency position of the Scheme.

7.5 Appointment and Resignation of the Chief Financial Officer

The Scheme appointed Ms Belinda Madengwane to the position of Chief Financial Officer effective 01 July 2024.

Ms Belinda Madengwane served the Scheme in the position of Chief Financial Officer until the end of February 2025. The Scheme appointed Ms Asathi Mamane to the position of Chief Financial Officer effective 01 May 2025.

7.6 Delays in the Finalisation of Annual Financial Statements

A combination of factors resulted in delays in the finalisation of the audit of the 2023 annual financial statements. The then BOT resolution to appoint KPMG to conduct a forensic investigation into the solvency decline necessitated that the statutory auditors put on hold the signing of the annual financial statements until the KPMG investigation was completed.

The KPMG forensic audit took more than eight months to complete due to numerous scope revisions and delays in providing the necessary data to KPMG.

The sign off annual financial statements were delayed by more than twelve months necessitating the statutory auditors to report the matter to the Independent Regulatory Board for Auditors.

7.7 Provisional Curatorship

On 04 September 2025, the High Court of South Africa granted an order placing the Scheme under provisional curatorship following an application by the Council for Medical Schemes ("CMS"). Ms Lebogang Grace Mpakati was appointed as the provisional Curator.

The appointment of the Curator occurred after year-end and therefore does not affect the recognition or measurement of amounts reported in these financial statements as at 31 December 2023. The Curator has assumed the powers and responsibilities of the Board of Trustees ("BOT") and is currently with management and other key stakeholders to stabilise the Scheme, review governance structures and oversee its ongoing operations.

Management has assessed the implications of this development and is satisfied that the Scheme remains a going concern

7.8 Prevention and Combating of Corrupt Activities Act, 2004 (PRECCA)

The Scheme finalised the forensic investigation conducted by KPMG, which identified instances of irregular activities that were reportable in terms of PRECCA. In compliance with the Act, the Scheme has reported the matter to the relevant law enforcement authorities. The impact on the Scheme's financial position cannot be reliably estimated at this stage.

8. SIGNIFICANT ACCOUNTING IMPLICATIONS - IFRS 17 INSURANCE CONTRACTS

The International Financial Reporting Standard: (IFRS 17) Insurance Contracts came into effect for financial years beginning on or after 1 January 2023. The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The standard brings significant changes to the accounting for insurance contracts issued and reinsurance contracts held. IFRS 17 contains more extensive disclosure requirements for insurance contracts issued and reinsurance contracts held and requires preparers to provide both qualitative and quantitative disclosures about insurance contracts within its scope. IFRS 17 has changed the measurement and presentation of insurance contracts and requires comparatives of financial statements to be restated. With its complexities of IFRS 17, the implementation process required significant effort hence the BOT had to solicit expert guidance from actuaries, accountants and other professionals to get to the end goal of presentation and disclosure in the financial statements. The Trustees, jointly with the BOT's Audit, Risk and Remuneration Committee have assessed the impact of IFRS17 and are satisfied that the Scheme has in all material respects complied with and disclosed all relevant IFRS17 disclosures.

9. RELATED PARTY TRANSACTIONS

Related party transactions are set out in Note 22 to the annual financial statements.



10. GOING CONCERN

The Provisional Curator has assessed the scheme's going concern status based on the 2023 financial position, the approved budget, actuarial projections and subsequent developments affecting control effectiveness and solvency sustainability.

The Scheme recorded a statutory solvency ratio of 15.73% as at 31 December 2023, below the required 25% minimum under Regulation 29 of the Medical Schemes Act. In 2024, the then BOT commissioned an independent forensic investigation by KPMG to understand the root causes of the solvency decline. The final report confirmed that the Scheme experienced governance and control gaps during the 2023 financial year, which contributed to historical weaknesses in provisioning and pricing assumptions.

The then BOT deliberated on the KPMG report, resolved to adopt it in its entirety, and has mandated management of the Scheme to formulate an action plan to address the KPMG findings and implement the recommendations. The Provisional Curator and ARC have since assumed full oversight of the implementation of the remedial actions as summarised below:

Key Findings	BOT Responses
Payment of duplicated and fictitious claims - approximate loss R17.1 million.	The then BOT instructed 3Sixty Health to recover the duplicate payments from the service providers. R5 million had been recovered at the end of July 2025.
Reversal of claims post August 2024.	The then BOT mandated the Scheme to do a thorough investigation into the reversals worth R91.5 million. The investigation was still ongoing at the end of July 2025.
Weaknesses in systems, processes, security and controls (NEO System and related applications).	The then BOT mandated management to work with 3Sixty Health to enhance the controls within the NEO system and introduce a new layer of internal controls. The enhancements include but not limited to: • Inclusion of unique identifiers to prevent duplications. • Development of approval processes for overriding rule validations in the system. • Make Bank Account details mandatory fields to be completed by service providers during on-boarding. • Implementation of the Segregation of Duties framework across the application estate within 3Sixty, ensuring that users have minimum permissions required to perform their tasks. • Strengthening access controls by reducing superuser access and implementing role-based permissions to ensure alignment with the segregation of duties principle. The implementation process is ongoing.

In addition to the above summary, the then BOT has put in place the below initiatives to expedite the turnaround of the Scheme and strengthen the control environment within the Scheme:

- A formal control remediation tracker monitored quarterly by ARC.
- Improved oversight on Benefit Design, Pricing, claims provisioning and budgeting processes, including through actuarial peer reviews.
- Expanded fraud prevention controls and post-payment claims validation.
- Strengthening internal audit and risk monitoring, with priority areas under active remediation and an alignment of the internal audit plan to address these.
- Active consequence management and recovery action stemming from the KPMG findings.
- Continued engagement with the Council for Medical Schemes (CMS), including updates on financial recovery and governance implementation.
- Cost containment and procurement reform to preserve reserves and reduce non-healthcare expenditure.

The payment of duplicate and stale claims resulted in the overstatement of claims and understatement of members' funds in the 2022 and 2023 financial years. The Scheme has not adjusted the annual financial statements to reflect these understatements and overstatements as the amounts involved fall below the materiality level. These overstatements and understatements have negligible impact on the solvency of the Scheme.

The Council for Medical Schemes placed the Scheme under Statutory Management in July 2024 by joint agreement with the then Scheme's Board of Trustees, to address the scheme's deteriorating financial reserves. The key responsibilities of the Statutory Manager were:

- Must participate in the management of the affairs of the financial institution.
- Manage the affairs of the institution with the greatest economy possible compatible with efficiency.
- Report to the registrar and indicate what steps should be taken to ensure that the financial institution complies with the law; becomes financially sound and is properly administered.
- If the statutory manager considers that it is not practicable to take steps in terms of he or she must report to the registrar and must indicate whether steps should be taken to transfer the financial services business or a part thereof of the financial institution to an appropriate person and, if so, on what terms; whether the financial institution should be wound up or placed under curatorship.

The term of the Statutory Manager ended on the 4th of September 2025.

While the Scheme remains under provisional curatorship, the financial position, ongoing remediation measures, and curator-led turnaround interventions provide assurance that the Scheme remains a going concern for the foreseeable future. The curatorship provides an opportunity to restore confidence, improve solvency, and entrench governance practices that will safeguard the Scheme's long-term sustainability. The most recent performance indicators as at the end of July 2025 are detailed below:

- YTD July 2025 results, which put the solvency ratio at 6.62%, 2.06% below the budget.
- The latest actuarial projections for the 2025 financial year, which is part of the 2026 benefit design and pricing, range from 8% to 10%, supported by midterm contribution increases, internal control improvements and the insurance claim that the Scheme filed with its insurers at the beginning of July 2025 for losses identified in the KPMG Report.
- The CMS-approved Revised Business Plan and Turnaround strategy project an incremental 5% per annum solvency ratio recovery, with full statutory solvency achieved in 2028.
- Reserves exceeding R281 million against the budget of R391 million.
- A current ratio of 0.97
- No material contingent liabilities.

While the KPMG forensic report was finalised after the reporting date, its findings confirm and expand on internal controls and governance risks present during the 2023 financial year. Accordingly, its conclusions have been taken into account in management's evaluation of the going concern assumptions and post-balance sheet disclosures.

The scheme has identified the following key initiatives for immediate implementation as part of the turnaround strategy:

- System and process improvement – the enhancement and improvement of the current claims management system and managed care system. The improvements will focus on rigorous testing of the claims processing engine rules, and continuous review of application security.
- Cost management – efforts to reduce the scheme's cost base, including claims optimisation strategies that do not negate access to care.
- Expedited contribution increase – the implementation of an expedited contribution increase, effective from 1 October 2025, applicable for the remainder of the 2025 financial year and throughout 2026.
- Tariff renegotiations – negotiations with all hospital groups for an immediate reduction in tariffs, the reduction is expected assist the Scheme with its recovery. Implementation of this initiative is already underway.

Based on this evaluation and the mitigation measures in place, the Provisional Curator concludes that the Scheme is a going concern for the foreseeable future.

11. PERSONAL MEDICAL SAVINGS

Personal medical savings accounts in respect of the Scheme is managed on the members' behalf in terms of the scheme rules. Following the Constitutional court ruling which found that PMSA funds enter the Scheme's bank account without being impressed by a trust or fiduciary relationship and once paid into the scheme's bank account become assets to the scheme, the Scheme's rules were amended in January 2019. The effect of the amendment establishes that a trust relationship no longer exists.

Therefore, PMSA assets are no longer defined and treated as trust assets and now form part of the Scheme's assets. PMSA contributions are refundable when a member enrolls in another benefit option or another medical scheme without a personal medical savings account, and in instances where a member does not enrol in another medical scheme, the accumulated unutilised personal medical savings account balance will be transferred to the member in terms of the medical scheme's rules.

More details are provided in the accounting policies Note 1.23.

12. NON-COMPLIANCE WITH THE ACT

The following areas of non-compliance with the Medical Schemes Act were identified during the financial year:

12.1 Contravention of Section 26(7) of the Act - Contributions not received within three days of becoming due.

Nature

Section 26 (7) of the Medical Schemes Act no. 131 of 1998 (MSA) states that all subscriptions or contributions shall be paid directly to a medical scheme not later than three days of becoming due. The rules can extend this period to seven days. Sizwe Hosmed Medical Scheme approved rules extended the requirement to seven days, as per paragraph 13.3 of the rules.

Cause of non-compliance

The Scheme has no control over payments by members and employer contributions, which could be caused by delays in Employers' pay runs.

Possible impact

If not well managed, late payment of contributions could result in:

- Inability to pay claims from members when they fall due; and
- Loss of potential interest income.

Corrective course of action

Less than 0,5% of contributions are received after the seventh day of the month. This is mainly due to:

- a. Members having insufficient funds in their bank account at the time of collection,
- b. Members paying contributions after the third day of becoming due, thus contravening Section 26(7).
- c. The Scheme has amended its rules, increasing the period from three days to seven days, and these rules have been approved accordingly by the Regulator (CMS). We actively pursue contributions not received within seven days; furthermore, apply credit control processes, including the suspension and termination of membership for non-payment.

12.2 Contravention of Section 33(2) of the Act – Sustainability of benefits Nature

Section 33(2) of the MSA states that each benefit option must be self-supporting in terms of membership and financial performance and be financially sound.

Cause of non-compliance

More claims than anticipated were received from the Gold Ascend, Titanium, Platinum Enhanced, Essential Copper, Silver Hospital, Plus, Value, and Access option members.

Benefit Option	Number of members	Insurance service result	Profit/(Loss) for the year
Gold Ascend	21,381	34,575,812	(14,219,227)
Titanium	1,938	(3,523,776)	(7,556,627)
Platinum Enhanced	11,826	(96,388,369)	(122,593,963)
Essential Copper	3,781	(30,499,388)	(45,210,790)
Silver Saver	353	(4,911,513)	(6,309,893)
Plus	2,202	(22,534,220)	(27,617,960)
Value	12,936	(119,820,132)	(148,975,441)
Access	3,852	(3,821,181)	(11,138,692)

Possible impact

- Risk of non-compliance with section 33(2) of the MSA.
- Increased risk to the financial sustainability to the scheme.

Corrective course of action

The Scheme is committed to complying wherever possible with the applicable legislation. The performance of all benefit options is monitored on an ongoing basis with a view to improving financial outcomes and different strategies to address the deficit in these plans are continually evaluated. The Scheme has implemented the following measures:

1. Intensification of Managed Care Risk management interventions such as Active Disease Management, given the high Burden of Disease and chronic prevalence for the Scheme overall and for specific options such as Essential Copper and Value options
2. Management of high-cost cases, through onsite case management
3. Prevention and Wellness interventions aligned to a rewards programme.
4. Implementation of Evidence-Based clinical protocols
5. Successful tariff negotiations with all disciplines
6. Implementation of Alternative Reimbursement Models for certain frequent high-cost procedures
7. Establishment of provider networks for hospitals, GPs and Specialists to manage costs at the point of service
8. Benefit design to include option rationalisation, currently being reviewed by actuaries
9. Contribution alignment.

In addition, Sizwe Hosmed continually provides the Regulator with updates on both the Scheme and individual benefit option performance through the monthly management accounts and quarterly filing of statutory returns. The Scheme intends to continue increasing the contributions annually at a rate higher than the market average within the constraints of the Act.

12.3 Contravention of Section 59(2) – Payment of claims within 30 days Nature

Member or provider claims should be settled within 30 days of submission. Instances were noted where settlements took more than 30 days.

Cause of non-compliance

Claims were paid in part, and the short payment was later corrected, resulting in the latter being paid after 30 days of receipt.

Possible impact

- Non-compliance with section 59(2) of the MSA.
- The backlog in processing will change the pattern of the claims experience, and incorrect projections may arise if these are not considered.

Corrective course of action

The MSA requires that a valid claim submitted to the Scheme must be paid within 30 days after the day on which the claim is received. In limited instances, claims were paid after this time frame, mainly as a result of incorrect coding by service providers. Remittance advice, including reasons for short payment or rejection of the claim, is shared with the member and service provider. Reprocessing of valid claims will be completed within the stipulated conditions of the MSA.

12.4 Contravention of Regulation 29(2) - Accumulated funds ratio of 25% not maintained by the scheme during the year.

Nature

Regulation 29 (2) subject to sub regulations (3), (3A) and (4) of the Medical Schemes Act requires, the medical scheme to maintain an accumulated funds expressed as a percentage of gross annual contributions for the accounting period under review which may not be less than 25%.

Cause of non-compliance

During the reporting months of February to December 2023, the scheme solvency ratio had dropped to below 25%.

Possible impact

Non compliance with regulation 29 (2) of the Act.

Corrective Action

The scheme's business plan and turnaround strategy as approved by the then BOT has been submitted to the Council for Medical Schemes and is being implemented. The progress on the implementation of the turnaround strategy is monitored on a monthly basis. Furthermore, the scheme continues to submit financial results to the regulator on a monthly basis.

The following strategic initiatives have been implemented / are being implemented:

1. Implementation of the KPMG recommendations. The implementation is ongoing.
2. Appointment of a Fraud Waste and Abuse tip off anonymous service provider. The appointment process has been completed.
3. Underwriting reviews. The reviews have been completed and underwriting rules tightened.
4. Digital channels improvement. The implementation is ongoing, the relaunch of the revamped Scheme website is complete.
5. Containment of Non Healthcare Expenditure. The cost containment project is ongoing, some contracts have been terminated while others moved to more price competitive service providers.

12.5 Contravention of Regulation of Section 32 of the Act - Binding force of rules as a result of the below scheme rules

Section 32 of the Medical Schemes Act no. 131 of 1998 (MSA) states that the rules of a medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers and on any person who claims any benefit under the rules or whose claim is derived from a person so claiming.

12.5.1 Scheme rule paragraph 12.3.1 - Non-paying members not suspended and terminated timeously Nature

Paragraph 12.3.1 of the Scheme Rules states that the Board shall have the right to terminate the membership of a member where the member fails to pay to the scheme any amount due by the member to the scheme in terms of these rules or whose contributions are more than 30 days in arrears.

Cause of non-compliance

Contributions received from employer groups are not always supported by detailed and accurate schedules, making it difficult to allocate the contributions to members.

Possible impact

- Non compliance with section 32 of the MSA
- Non compliance with paragraph 12.3.1 of the Schemes Rules
- Loss of funds due to members receiving full benefits whereas they have outstanding contributions and membership not being terminated.

Corrective course of action

The Scheme continues to foster better working relationships with employer groups which will improve the contributions reconciliation process and allow the Scheme to timeously suspend and terminate non – paying members.

12.5.2 Scheme rule paragraph 8.14 – Requirements for payment of contributions Nature

Paragraph 8.14 of the Scheme Rules states that every member admitted in terms of rule 6.3.2 or 6.4 shall either, make suitable arrangements for a particular method of payments to be effected of the monthly contribution payable in terms of these rules. This is to ensure to the satisfaction of the Board that all payments of contributions are:

8.14.1 paid directly into the Scheme's nominated bank account or received at the registered office of the scheme; and 8.14.2 notified by the Scheme's banker and/or the Scheme as payments made by the relevant member, in such a way that they are readily and immediately identifiable as such payments.

Cause of non-compliance

Inaccurate capturing of members' bank details and incorrect mapping of the operating systems.

Possible impact

- Contributions may not be received on time due to rejected debit order.
- Reputational damage due to unnecessary suspensions of members.

Corrective course of action

The identified mapping shortcomings in the operating systems have been corrected.

12.5.3 Scheme rule paragraph 17.5 – Non recovery of amounts owed to the Scheme by members.

Nature

Paragraph 17.5 of the Scheme Rules states that where the scheme has paid an account or portion of an account or any benefit to which a members is not entitled, whether payment is made to the member or to the supplier of service, the amount of such overpayment is recovered by the scheme, and may be set-off from funds owed to such member by the scheme arising from future claims or otherwise.

Cause of non-compliance

System errors that were only discovered after the overpayments were processed.

Possible impact

- Failure to recover the overpaid amount resulting to financial loss to the scheme.
- High amount of claims paid resulting in the scheme not having sufficient funds to pay for valid claims.

Corrective course of action

The process to clawback overpayments from providers of service has been implemented and the system errors are being monitored regularly.

12.6 Contravention of Regulation Section 37 (i) of the Act - Late submission of annual financial statements.

Nature

Section 37 of the Medical Schemes Act states that the BOT shall in respect of every financial year cause to be prepared annual financial statements and shall within four months after the end of a financial year furnish copies of the financial statements concerned together with the report of the board of trustees to the Registrar.

Cause of non-compliance

Due to IT issues encountered on the Council for Medical Schemes statutory portal the Annual Financial Statements and supporting documents could not be uploaded and the then BOT decision to institute a forensic investigation into the solvency decline.

Possible impact

- Non compliance with section 37 (i) of the MSA

Corrective course of action

The Scheme has provided CMS with a comprehensive account of all the factors that led to the delayed submission of the financial statements.

13. Legal Matters

13.1 SASP Commercial Affairs

In February 2022, SASP Commercial Affairs, the commercial arm of the South African Society of Physiotherapists (SASP) instituted an application in the Pretoria High Court, in which it seeks an order declaring s59 (3) of the Medical Schemes Act (1998), unconstitutional and invalid. If the application were to succeed, there is a possibility that medical aid schemes, including Sizwe Hosmed, would be required to refund the applicants all amounts previously withheld or clawed back from them by medical aid schemes, relating to fraud, waste, and abuse.

The claim has not been quantified yet but should the Applicant succeed, a quantum of five year claims will be payable. The matter is before the court with the date for the main application yet to be determined. The court is currently seized with a number of interlocutory applications by various respondents. Common amongst them, are the desire for the Applicant(SASP) to provide security for the application.

The legal view obtained by the Scheme is that the SASP constitutional challenge of section 59(2) has no prospects of success.

13.2 Equality Court Matter

The Scheme is being sued, together with the other medical schemes for an amount of R236,000,000 for pain and suffering and emotional stress as a result of the Scheme having with-held payment of claims deemed to have been fraudulent.

The Scheme has received legal advice that there is no prospect of success as the Scheme has previously settled all disputes and claims between itself and the Applicant (Mr Mokoditso).

14. Matter against former Principal Officer

The scheme instituted an independent investigation into the conduct of its former Principal Officer, Dr Simon Mangcwatywa, following an allegation made against him. The investigation found the former principal officer to have acted in a manner that was contrary to the scheme's code of conduct, scheme rules and his fiduciary duties. The Board of Trustees has overseen the implementation of the recommendations contained in the investigation report including reporting the matter to CMS and fulfilled all its fiduciary duties in this regard. The Scheme's external auditor was obliged to report the matter in terms of the Auditing Profession Act.

15. Appreciation

The Scheme would like to express its sincere gratitude to its members, service providers, staff and all other stakeholders for their loyalty and continued support.

Looking ahead, the Provisional Curator is committed to restoring full statutory compliance, improving member value, and strengthening the Scheme's long-term sustainability through disciplined execution of the turnaround strategy and active engagement with all stakeholders.

The annual financial statements set out on pages 39 to 122 (which have been prepared on the going concern basis) were approved and signed by the Provisional Curator on (Date to be confirmed):

Ms Lebogang Mpakati
Provisional Curator



REPORT OF THE AUDIT AND RISK COMMITTEE

REPORT OF THE **AUDIT AND RISK COMMITTEE**

1. AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

The Audit and Risk Committee (The Committee) is pleased to present its report for the financial year ended 31 December 2023.

The Committee confirms that it has adopted appropriate and formal terms of reference, which are approved by the BOT. The Committee has executed its duties and conducted its affairs in accordance with its terms of reference and has discharged all its responsibilities as contained therein. Members of the Committee keep up to date with the developments at the scheme that require their skill set.

The Audit and Risk Committee is assessed annually, with independent evaluations being undertaken every second year. The evaluation of the Audit and Risk Committee commenced in the early part of 2023 and is currently in the final stages of completion. The evaluation is carried out by the Institute of Directors in South Africa (IODSA).

The Committee is an independent statutory committee.

2. MEMBERS OF THE COMMITTEE AND ATTENDANCE OF MEETINGS

At year end the Committee consisted of two independent members and two trustee members. An additional independent member was appointed in January 2023.

The executive officers of the Scheme and representatives of the Administrator attend meetings by invitation. In addition, the Internal and External auditors attend meetings or parts of meetings by invitation and meet with the Committee at least once per year without the executives being present. The Committee meets at least four times per year in accordance with its charter. During the year under review, eight meetings were held. Details of attendance are provided in the table below. Members of the Committee collectively bring a wide range of expertise and skills in the areas of accounting, auditing, compliance, finance, governance, investment, and fund management, the medical schemes industry, and risk management to assist and advise the Scheme in fulfilling its mandate.

During the year under review eight meetings were held.

Committee Member	Qualifications	Appointment date	Resignation date	Number of meetings that could be attended	Number of meetings attended
Mr A. Van Staden (Chairman and Independent Member)	CA(SA)	30 November 2021	26 February 2024	8	8
Ms Z. Matikinca (Elected Trustee)	N3 Electrical Engineering	13 September 2021		8	8
Mr T Ramawa (Independent Member)	CA(SA)	13 January 2023		8	8
Mr T. Kgokolo (Appointed Trustee)	MBA, CA(SA)	13 September 2021		8	7
Mr L. Kubheka (Independent Member)	National Diploma- Financial Information Systems	13 September 2021		8	8

The effectiveness of the audit committee and its individual members are assessed on an annual basis.

3. ROLES AND RESPONSIBILITIES

The Committee's roles and responsibilities include statutory duties as per the Medical Schemes Act, no 131 of 1998, as amended, (the Act) and further responsibilities assigned to it by the BOT. The Committee executed its duties in accordance with its terms of reference and the Act during the financial year.

4. EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The Committee considered the matters set out in Section 36 of the Act and nominated Deloitte & Touche South Africa Partnership for appointment as external auditor of the Scheme for the 2023 financial year in accordance with section 36(2) of the Act.

The Committee is satisfied that Deloitte is independent of the Scheme as set out in Section 36(3) of the Act. Assurance was provided by the Auditor that internal governance processes within the audit firm support and demonstrate its claims of independence. The Committee, following consultation with the Scheme's Executive Officers, recommended the engagement letter, audit plan, budgeted audit fees, and representation letter for the year ended 31 December 2023 for approval by the BOT.

5. FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The Committee has reviewed the accounting policies and the Scheme's AFS and is satisfied that they are appropriate and comply with International Financial Reporting Standards (IFRS), the Medical Schemes Act no. 131 of 1998, and circulars issued by the Council for Medical Schemes. The Auditor has indicated that the 2023 AFS are a fair reflection of the Scheme's activities during the year and accounting practices have been applied appropriately.

6. INTERNAL FINANCIAL CONTROLS

The Committee is responsible for overseeing the Scheme's internal control environment. In this regard, the Committee has, among other things, evaluated the adequacy and effectiveness of the Scheme's systems of internal control, evaluated the findings of the KPMG forensic investigation and made appropriate recommendations to the BOT.

The Committee has noted the lapses and weaknesses in the internal control environment of the scheme as outlined in the KPMG forensic report. In response, the Committee has adopted a hands-on approach to strengthen internal controls through enhanced monitoring, implementation oversight of KPMG recommendations, and coordination with management and internal audit. Areas of deficiency identified have been elevated as top priorities in the internal audit plan and are being tracked through a formal remediation register overseen by the ARC.

The identified areas with inadequate internal controls have been prioritised and will be the focal point of the internal audit function.

The Committee is satisfied with the working relationship between the Committee and the Scheme's external and internal auditors. In addition, the Committee is satisfied that the Internal Audit function of the Scheme is independent and has the relevant skills and resources to perform its duties.

7. INTERNAL AUDIT

The Committee fulfils an oversight role on the Scheme's system of internal financial control. It is responsible for ensuring the independence of the internal audit function and that it has the necessary resources, understanding, and authority in the organisation to enable it to discharge its duties. Furthermore, the Committee oversees cooperation between the internal and external auditors and serves as a link between the BOT and these functions.

Internal Audit forms an integral part of the Scheme's risk management process and system of internal control. The Internal Audit plan for 2023 and the Internal Audit Charter were presented to and approved by the Committee. The Committee received regular internal audit reports confirming the soundness of the system of internal control of the Scheme. The Committee is satisfied with the working relationship between the Committee and the Scheme's external and internal auditors. In addition, the Committee is satisfied that the Internal Audit function of the Scheme is independent and has the relevant skills and resources to perform its duties.

In addition, the Committee is satisfied that the Internal Audit function of the Scheme is independent and has the relevant skills and resources to perform its duties.

8. RISK MANAGEMENT

The Audit and Risk Committee is responsible for ensuring that systems are in place to monitor and mitigate risk and comply with laws, regulations, and codes of conduct that may affect the integrity of the financial statements. The Committee monitors the risk management processes and systems of internal control of the Scheme through the review of reports from and discussions with the Scheme's internal and external auditor and the risk management function. The Scheme has performed a risk assessment and updated the risk register during the financial year and has managed the risks to which the Scheme was exposed. The Committee continues to monitor risks posed by the COVID-19 epidemic on the Scheme and is satisfied with the Scheme's ability to fund the vaccination of its members under the Government led COVID-19 vaccination programme.

Reports from internal and external audits indicated that the control environment and procedures are sound and functioning as intended. The Committee is satisfied that the system and process of risk management are effective.

9. EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The Committee is satisfied with the expertise and experience of the Scheme's Chief Financial Officer. The Committee further reviewed and satisfied itself of the experience, expertise, and appropriateness of the administrator's team that carries out the duties of a finance function for the scheme.

10. GOING CONCERN

The Scheme recorded a statutory solvency ratio of 15.73% at 31 December 2023, below the required 25% minimum under Regulation 29 of the Medical Schemes Act. In 2024, the BOT commissioned an independent forensic investigation by KPMG to understand the root causes of the solvency decline. The final report confirmed that the Scheme experienced governance and control gaps during the 2023 financial year, which contributed to historical weaknesses in provisioning and pricing assumptions.

In light of the findings, the ARC is overseeing the implementation of a comprehensive remediation programme, which includes:

- A formal control remediation tracker monitored quarterly
- Improved oversight on Benefit Design, Pricing, claims provisioning and budgeting processes, including through actuarial peer reviews
- Expanded fraud prevention controls and post-payment claims validation
- Strengthening internal audit and risk monitoring, with priority areas under active remediation and an alignment of the internal audit plan to address these.
- Active consequence management and recovery action stemming from the KPMG findings
- Cost containment and procurement reform to preserve reserves and reduce non-healthcare expenditure
- YTD May 2025 results, which put the solvency ratio at 8.98%, 0.23% above the budget
- Actuarial projections for the 2025 financial year range from 10% to 15.7%, supported by internal control improvements and the insurance claim that the Scheme filed with its insurers at the beginning of July 2025 for losses identified in the KPMG Report.

11. CURATORSHIP

The Committee has noted the placement of the medical scheme under provisional curatorship and will continue to work with the curator to implement remedial actions addressing the identified control weaknesses.

12. CONCLUSION

Based on the information and explanations given by the Scheme's executive officers, the Administrator, and discussions with the independent external auditor regarding the results of the audit, the Committee is satisfied that there was no material breakdown in the accounting and internal controls during the financial year under review.

The Committee has evaluated the Scheme's AFS for the year ended 2023 and, based on the information provided to the Committee, considers that the Scheme complies (to a large extent) with the requirements of the Medical Schemes Act, no. 131 of 1998, as amended, and with International Financial Reporting Standards (IFRS). The Committee has recommended the AFS to the BOT for approval, which will be presented to the members at the forthcoming Annual General Meeting.

Mr T Kgokolo
Chairperson: Audit and Risk



ABRIDGED DRAFT ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

Figures in R	Notes	2023	2022	2021
			Restated	Restated
Assets				
Non-current assets				
Property, plant and equipment	3	1,768,046	2,356,423	2,232,237
Financial assets at Fair value through profit or loss	6	549,408,097	449,751,488	553,510,977
Financial assets at fair value through OCI	7	238,835,402	570,162,861	685,200,769
Total non-current assets		790,011,545	1,022,270,772	1,240,943,983
Current assets				
Right-of-use asset	4	-	764,211	2,265,763
Other receivables	5	52,074,846	35,732,260	22,947,199
Financial assets at fair value through OCI	7	83,245,895	127,890,557	293,755,676
Cash and cash equivalents	8	154,651,846	120,126,713	108,527,250
Total current assets		289,972,587	284,513,741	427,495,888
Total assets		1,079,984,132	1,306,784,513	1,668,439,871
Liabilities				
Non-current liabilities				
Insurance contract liability to future members	9	676,652,002	1,060,038,254	1,443,557,919
Total non-current liabilities		676,652,002	1,060,038,254	1,443,557,919
Current liabilities				
Trade and other payables	10	54,405,446	64,218,873	18,326,097
Insurance contract liabilities	11	348,926,684	181,599,264	203,728,801
Lease liability	12	-	928,122	2,827,054
Total current liabilities		403,332,130	246,746,259	224,881,952
Total liabilities		1,079,984,132	1,306,784,513	1,668,439,871
Total equity and liabilities		1,079,984,132	1,306,784,513	1,668,439,871

STATEMENT OF COMPREHENSIVE INCOME

Figures in R	Notes	2023	2022
			Restated
Insurance revenue	11	3,973,389,852	4,118,616,357
Insurance service expenses		(4,220,312,623)	(4,326,592,863)
Claims incurred		(3,783,302,306)	(3,885,633,001)
Insurance acquisition cash flows (broker fees)	14	(72,758,701)	(73,399,349)
Attributable expenses incurred	14	(163,718,256)	(168,690,780)
Accredited managed healthcare services (no risk transfer)	14	(204,818,261)	(205,246,676)
Third-party claims recoveries	11	4,284,901	6,376,943
Net income from reinsurance contracts held	16	-	1,660,788
Reinsurance expenses from reinsurance contracts held	16		(20,913,577)
Reinsurance income from reinsurance contracts held	16		22,574,365
Insurance service result		(246,922,771)	(206,315,718)
Other income		99,650,273	77,542,932
Sundry income	17	13,359,658	1,315,538
Investment income	19	86,290,615	76,227,394
Other expenses		(236,350,094)	(250,534,323)
Administration fees and other operative expenses	20	(232,099,513)	(244,332,405)
Asset management fees		(4,229,922)	(6,054,940)
Finance costs	23	(20,659)	(146,978)
Loss before amounts attributable to future members		(383,622,592)	(379,307,109)
Amounts attributable to future members		383,622,592	379,307,109
Profit/(Loss) for the year		-	-
Other comprehensive income:			
Items that will be reclassified to profit or loss			
Debt instruments at fair value through OCI - net change in fair value		236,336	(13,357,327)
Debt instruments at fair value through OCI — reclassified to profit or loss		(236,336)	13,357,327
Other comprehensive income for the year		-	-

STATEMENT OF CASH FLOWS

Figures in R	Notes	2023	2022
Cashflows from operating activities			
Cash receipts from members and providers		3,985,766,731	4,107,431,524
Cash receipts from members and providers – others		(3,866,453)	(2,518,970)
Cash paid to providers and employees – Claims		(3,824,184,572)	(4,094,871,493)
Cash paid to providers and employees – non-healthcare expenditure		(484,458,309)	(442,025,164)
Cash paid to members – savings plan refunds		(521,370)	(1,081,282)
Interest received on bank account	19	4,949,488	2,614,941
Interest paid on lease liabilities		(20,659)	(146,978)
Net cash used in operating activities		(322,335,143)	(430,597,422)
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	3	-	90,667
Purchase of property, plant and equipment	3	(104,575)	(912,486)
Payments for financial assets	7	(2,798,188,938)	(1,882,593,616)
Proceeds from disposal of financial assets		3,073,757,654	2,237,186,191
Dividends received	6	5,571,592	17,441,081
Interest received		76,752,666	72,883,980
Net cash generated from investing activities		357,788,399	444,095,817
Cash flows from financing activities			
Payment of lease liabilities	12	(928,122)	(1,898,932)
Net Cash used in financing activities		(928,122)	(1,898,932)
Cash and cash equivalents movement for the year		34,525,133	11,599,463
Cash and cash equivalents at beginning of the year		120,126,713	108,527,250
Cash and cash equivalents at end of the year	8	154,651,846	120,126,713

NOTES

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SIZWE HOSMED
MEDICAL SCHEME
Your choice for quality care

Head Office

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Sizwe Hosmed Medical Scheme is regulated by the Council for Medical Schemes.
Sizwe Hosmed Medical Scheme is administered by 3Sixty Health (Pty)Ltd;
Registration number 1978/001109/07;
an accredited administration and managed care service provider.