

SIZWE HOSMED
MEDICAL SCHEME
Your choice for quality care

ANNUAL REPORT
2023/2024

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SIZWE HOSMED
MEDICAL SCHEME
Your choice for quality care



ABOUT SIZWE HOSMED

For 85 years, **Sizwe Hosmed** has been part of South Africans' healthcare journeys. We are now a self-administered scheme – bringing us closer to our members and stakeholders.

We provide comprehensive, accessible healthcare benefits that ensure our members receive high-quality care when it matters most. We offer a diverse range of plans tailored to meet various health and lifestyle needs.

From critical care to preventive services, routine check-ups, specialised treatments, and hospital care, our extensive network of healthcare providers delivers peace of mind.

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 for our actions and decisions, ensuring that we deliver on 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 2026 SPECIAL GENERAL MEETING (SGM)

To: Members

Notice is hereby given that the Sizwe Hosmed Medical Scheme Special General Meeting for the year ended December 2025 will be held as follows:

DATE: 14 NOVEMBER 2026
TIME: 10H00 AM
VENUE: 187 THIRD RD, HALFWAY GARDENS, MIDRAND, 1682

AGENDA

- Opening, welcome and confirmation of quorum
- SGM Minutes FY 2025 and tracking register
- Update on the curatorship of the Scheme
- 2027 Benefit design and pricing report
- Presentation of the Scheme's financial position and audited financial statements
- Scheme Governance – Proposed Rule Amendment/s
- Appointment of auditors
- Closure

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.



2026 SPECIAL GENERAL MEETING (SGM) AGENDA

1. Opening & Welcome
2. Attendance Register & Declaration of Interest
3. Apologies
4. Adoption of Agenda
5. Minutes
6. Matters Arising
7. Business of the Day
   - » Update on the curatorship of the Scheme
   - » 2027 Benefit Design and Pricing Report
   - » Presentation of the Scheme's financial position and audited financial statements
   - » Scheme Governance – Proposed Rule Amendment/s
   - » Appointment of Auditors
8. Questions & Answers
9. Closure

MINUTES OF THE 2025 SPECIAL GENERAL MEETING ("SGM")



MINUTES OF THE SIZWE HOSMED MEDICAL SCHEME
SPECIAL GENERAL MEETING ("SGM")

MEMBERS HELD ON SATURDAY, 27 SEPTEMBER 2025 AT 10H00 AT THE PARK INN RADISSON HOTEL, POLOKWANE

PRESENT:

Ms. Lebogang Mpakathi	Provisional Curator

IN ATTENDANCE:

Ms. Nozibele Tshobeni	Principal Executive Officer
Dr. Zaheer Omar	Executive: Clinical
Mr. Maphelo Magodla	Head: Strategy and Performance
Ms. Ophilia Mbatha	Manager: Legal, Governance and Compliance
Mr. Thomas Kgokolo	Chairperson of the Audit and Risk Committee
Mr. Kwena Mokoatedi	Council for Medical Schemes (CMS)
Ms. Penny Malavi	Deloitte
Ms. Shirley Ivason-Wagener	KPMG
Ms. Bertha Chaora	Statucor(Pty) Ltd-Minutes

APOLOGIES:

Ms. Asathi Mamane	Chief Financial Officer

1. OPENING AND WELCOME

Mr. T Kgokolo opened the meeting. He welcomed all present at the 2025 Sizwe Hosmed Medical Scheme Special General Meeting (SGM) at the Park Inn Radisson Hotel (Polokwane). He indicated that the Curator had requested him to chair the SGM.

Mr. A Bloko asked whether the appointed Chairperson was a member of the Scheme, as the previous Chairperson was not. Noting that Mr. Kgokolo is an independent member of the Audit and Risk Committee of the Scheme, Mr. R. Swarts indicated that a member of the Scheme should chair the meeting. He requested that the Provisional Curator assume her Chairmanship role, as she is responsible for matters relating to the Scheme. The Curator highlighted that she had replaced the Board of Trustees and the Principal Officer; however, the sub-committees remain in place. Since she will be presenting at the SGM, she has delegated her powers to Mr. Kgokolo to chair the meeting.

From a cost management perspective and to mitigate the abuse of power, the Provisional Curator was urged to run the SGM in accordance with the Scheme Rules. Mr. M Maqungo noted that litigation will follow if a non-member chairs the meeting and referred to Scheme Rule 27.2, which specifies how a special SGM should be run. He proposed that the Curator consider appointing one of the known officials to chair the SGM, noting that the Curator cannot chair and run the affairs of the Scheme concurrently. Mr. A Zitho seconded the appointment of one of the Scheme's staff members to chair the SGM.

Mr. Maphelo Magodla was appointed to chair the SGM and re-welcomed all present, noting that representatives from Deloitte, KPMG, and CMS were in attendance.

2. QUORUM

Ms. Ophilia Mbatha confirmed that the required quorum was attained, and therefore, the meeting was duly constituted in terms of Scheme Rule 27.1.3. The Chair confirmed that 164 members were participating online, 40 were physically present, and the required quorum is 42.

3. SAFETY BRIEFING

Mr. Innocent Mahlalela provided a safety brief to the meeting.

MINUTES OF THE 2025 SPECIAL GENERAL MEETING ("SGM")

4. CONFIRMATION OF PROPER NOTICE GIVEN

In terms of Scheme Rule 27.2, a meeting notice should be served to the members 14 days before the holding of the SGM.

The Chairperson confirmed that the notice of the SGM met the requirements of the Scheme Rules and accordingly confirmed proper notice of the SGM; however, the Provisional Curator amended the agenda items to be discussed at the SGM after the notice was issued to address key issues relating to the Scheme.

5. ADOPTION OF THE AGENDA

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

The Chair clarified that KPMG was in attendance, not as the Scheme's auditors, but to provide an update on the final forensic investigation commissioned by the Board of Trustees.

RESOLUTION 1 OF 27 SEPTEMBER 2025

IT WAS RESOLVED THAT the agenda be adopted.

Mr. A Bloko and Ms. D Maluleke moved and seconded the adoption of the agenda, respectively

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 SGM held on 24 August 2024 were taken as read and approved as a true reflection of proceedings, subject to the following amendments:

a. Page 9, under attendees, to replace "Mr. Penny" with "Ms. Penny".

b. Page 10, under quorum and confirmation of proper notice given, to correct "Manqungo" to "Maqungo".

c. Page 12, under comments and questions, to correct "Blocko" to "Bloko".

d. A request was made to correctly capture Mr. Swarts' surname throughout the minutes.

RESOLUTION 2 OF 27 SEPTEMBER 2025

IT WAS RESOLVED THAT the minutes of the meeting held on 24 August 2024 be approved.

Mr. A Bloko 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 SGM held on 24 August 2024 were noted, with most items reported as completed.

9. CHAIRMAN'S REPORT

The Provisional Curator presented her report and highlighted the following salient points:

a. The Provisional Curator's vast experience in turning around distressed businesses was shared.

b. The appointment of the Provisional Curator was through a court order application by CMS, and the appointment was confirmed by 4 September 2025, with a return date of 30 October 2025.

c. The Provisional Curator replaced the Board of Trustees and the Principal Officer; however, the sub-committees, executive team, and staff members remain in place.

d. On 4 March 2024, CMS rejected the Scheme's business plan and requested further information, which was subsequently submitted.

e. A Statutory Manager was appointed on 31 July 2025, who determined the circumstances that led to a decline in solvency from 49.4% to 25.45% after the merger of the two Schemes.

MINUTES OF THE 2025 SPECIAL GENERAL MEETING ("SGM")

f. The Board of Trustees had commissioned KPMG to perform a forensic investigation.

g. Some of the scope of the investigation included confirming the financial information and the IBNR provision, establishing the root causes of the decline in the solvency ratio, determining whether historical claims complied with managed care protocols, identifying leakage in claims, and analyzing duplicate or fraudulent claims.

h. Some of the key considerations to be addressed by the Provisional Curators, as per the investigation outcome, include reducing member attrition rates, reducing non-healthcare costs, and correcting the premium rates charged to achieve profits in future years.

i. Based on the pricing analysis by GLM actuaries, the Scheme needs to consider appropriate changes to contribution rates to align with benefits.

j. Outstanding claims must be serviced in accordance with the claim management guidelines.

k. The Registrar has tasked the Provisional Curator with engaging relevant service providers to recover duplicate/overpayments made to them, identify controls and monitor recordings of stale claims, and determine inconsistencies in claim management processes.

l. Furthermore, determine the system configuration to identify and reject submissions of one or more claims for the same provider, and ensure the Administrator implements the segregation of duties framework.

m. The Scheme is currently facing critical financial and operational distress, does not comply with the legal prescriptions of a minimum solvency threshold, lacks self-sustaining benefit options, and faces the risk of losing young members.

n. In addition, there has been an increase in member losses, buy-downs of options, and experienced challenges with signing off on the 2023 Annual Financial Statements.

o. The Scheme's survival depends on implementing an optimal benefit design that addresses pricing and improves member retention.

p. The SWOT analysis outlined the Scheme's strengths, weaknesses, opportunities, and threats.

q. The SALGA membership currently stands at 12,000, while non-SALGA members are approximately 48,000, and the claims ratio for SALGA members is higher than that for non-SALGA members.

r. Considerations are underway to transition the SALGA members to other Schemes.

s. The claims ratio is currently 99.65%, the solvency ratio is 6.54%, non-healthcare costs are 10.15%, and the average age has increased to 35.9%.

t. Part of the turnaround strategy entails the following:
   - » Recruitment of new members.
   - » Possible merger with complementary Schemes.
   - » Repositioning of the Scheme,
   - » Effecting contribution increases.
   - » Product rationalization.
   - » Competitor analysis.
   - » Monitoring of SLA and severe penalties to be imposed for non-performance.
   - » Non-healthcare costs containment.
   - » Sub-committee's rationalization.
   - » Access the effectiveness of value chains for service providers.
   - » Improve claims risk management and;
   - » Tariff reductions through negotiations.

u. Other initiatives include implementing the recommendations of the KPMG forensic investigation report, adopting value-based contracting, improving underwriting, strategically aligning investments, and developing a new organogram.

v. From a financial performance perspective, the Gold Ascend option remains the most favorable option.

w. Netcare currently charges higher costs than other hospital groups, as well as Life Heath Care; however, tariff negotiations are underway, and the admin costs with the Administrator are to be negotiated down.

x. The urgent issues include recovering funds from the Administrator and other service providers, implementing the new system, and the possibility of a new merger.

y. Some of the proposed recommendations entail focusing on SALGA membership, retention, and recruitment, considering all possible options, short, medium, and long-term, to improve solvency, increase membership, and cut costs.

Comments and questions

The Chairperson opened the floor to members for comments and questions on the Provisional Curator's report as presented. The members raised the following salient points:

a. Mr. E Masenamela indicated that the Scheme will not turn around by October 2025, noting that the litigation processes will not be completed within 30 days.

b. Secondly, pricing adjustments cannot be effected by October 2025, as there have been no negotiations with the members and are most likely to be effected in January 2026.

c. Thirdly, he questioned whether stakeholder engagements would positively contribute to the reserves, thereby achieving the required solvency ratio of 25%.

d. Furthermore, he queried who mandated the Scheme to register for curatorship and is championing the proposed merger.

e. The Provisional Curator indicated that her role is not to shut down but to turn the Scheme around, hence the proposed recommendations to address the current challenges.

f. She assured the members that curatorship is there to protect the members, ensure there are sufficient reserves to cover claims, and consider other alternatives outside the Scheme where necessary.

g. Furthermore, pricing adjustments will take place in consultation with members to ensure the Scheme's sustainability.

h. Engagements with stakeholders commenced before curatorship without success; however, the court ordered that all decision-making powers be vested in the Provisional Curator to ensure that stringent agreements are monitored and that stakeholders comply with and deliver services in accordance with the Scheme Rules.

i. Mr. J Mokgonyana enquired whether SALGABC received the Scheme's financial statements and what the Scheme intends to do to protect members from other Schemes and brokers from possible poaching.

j. In addition, it was noted that the members are using their own funds to pay for some of the hospital claims.

k. Mr. I Jim indicated that members are in a crisis and proposed that KPMG present its report so that members can have a holistic view of the challenges at hand, emphasizing that the Scheme's funds are for members and that consideration should be given to whether another Scheme can assist the Scheme.

l. Mr. A Bloko withdrew his proposal and seconded the motion to have KPMG present its report.

m. Noting that the service providers do want to accommodate the Sizwe Hosmed members, Mr. P. Matsatsa indicated that the members are not interested in partnering with Bonitas or any other Schemes.

n. Furthermore, he expressed his frustration that the Scheme did not engage its members regarding the dissolvement of the Board of Trustees and only heard the news from the media and inquired regarding the whereabouts of Mr. Joe Seoloane.

o. Mr. M Maqungo suggested that KPMG and Deloitte present their reports, and Mr. A Bloko seconded that the financials be presented in tandem, after which questions can be posed.

MINUTES OF THE 2025 SPECIAL GENERAL MEETING ("SGM")

10. KPMG REPORT

Ms. Shirley Ivason-Wagener (KPMG) presented the KPMG report and highlighted the following salient points:

a. Emphasis was made that the contents of the report should not be shared outside of the SGM and any third parties for the best interests of the Scheme, its members, and other stakeholders.

b. KPMG was mandated to identify the factors contributing to an increase in estimated claims from R87m to R249m. This included evaluating whether adequate information was disclosed pre-merger and whether external circumstances emerged post-merger.

c. The work entailed assessing the validity of pre-merger claims against the Scheme Rules, claims not disclosed prior to the merger, and determining whether actuarial review was required for estimates based on historical assumptions.

d. The extended scope included assessing claims submitted in 2022 to determine whether they complied with the Scheme Rules, identifying fraudulent and duplicate claims, and conducting a high-level review of the system.

e. The initial scope covered the Hosmed claims settled prior to the merger and paid after the merger; it was later extended to include post-merger claims and to take into account major events.

f. Based on the independent testing, the Hosmed disclosed claims were considered adequate.

g. The Scheme was under-priced, duplicate claims affected its reserves, and implementing cost-containment measures can improve financial sustainability.

h. In terms of the system security review, the key findings relate to inadequate access controls, no segregation of duties, and reliance on manual log reviews rather than automated systems.

i. There were claims processing inefficiencies, identified duplicate claims caused by system interruptions, validation rules overrides, inadequate checks, and a lack of unique identifiers.

j. KPMG recommended that the Scheme consider appropriate recourse to address the inadequacies of the system and the controls identified.

k. In terms of the claims analysis, the Scheme paid R4.8m in 2022 and R8.6m in 2023 towards duplicate claims.

l. One of the proposed recommendations is for the Scheme to recover the amounts paid to the service providers.

m. The settlement of claims was contrary to the agreed terms with the Administrator, and a reversal of claims was identified, with no clear reasons provided for the reversal.

n. Fictitious claims indicative of fraud amounted to R1.7m, of which R1.4m was paid out to the Scheme.

o. A further exposure of R1.4m was identified and paid out to six service providers. Recommendations were made to report these matters to SARS and to determine internal remedial actions to address these findings.

Comments and Questions

a. Mr. M Maqungo commented that the members now understand why the Scheme has been going down and inquired whether the KPMG report was presented to the previous leadership, if so, what action was taken to recover the highlighted funds.

b. He flagged the increasing non-healthcare expenditure and inquired what these costs entail.

c. In addition, he inquired about the reversal of claims R75m for 2024 and R15m for 2023, and about quantifying the total loss before the merger and now.

d. Mr. A Bloko highlighted that the members are to bear the brunt of all these findings and inquired why the members should pay for all the identified challenges.

e. He inquired about the stale claims disclosed by former Hosmed only after the merger, about benefits to be aligned with the private sector, and about the lack of stipulated timeframes for the turnaround, to allow the Administrator to account for any mishaps.

f. Mr. R. Swarts raised concerns regarding the findings against the Administrator and requested that the Administrator respond to the comments.

g. He indicated that brokers have been discussing an expedited merger with Bonitas, emphasizing the need for the Scheme to be transformed rather than reformed.

h. Noting that SALGA members' claims exceed 100%, he further inquired whether the loss of SALGA members will increase the Scheme's reserves, the whereabouts of Mr. Joe Seoloane, who should have turned the Scheme around, and which turnaround strategy has been approved by CMS.

i. Noting the increase in Netcare costs, Mr. R. Swarts asked who negotiated the new contract.

j. He highlighted that the GEMS experienced a similar decline in reserves; however, CMS never placed them under curatorship, and asked whether CMS was in attendance.

k. Ms. Z Motha raised queries regarding the impact of recoveries for duplicate payments on members, the effect of high NetCare costs, and the proposed merger with Bonitas.

l. The online members inquired why the Scheme's external auditors could not identify the issues stemming from the KPMG report, whether the Scheme has the capacity to address KPMG's recommendations, and whether any staff members are involved in the fictitious claims; the steps being undertaken to address these findings.

m. KPMG responded that the 2021 Hosmed pre-merger reserves disclosed in the financial statements were accurate.

n. The KPMG report was tabled to the Board of Trustees, the ARC, and CMS for consideration.

o. Non-healthcare expenses refer to costs unrelated to the payment of claims, such as salaries, marketing, and brokerage fees.

p. No staff member has been identified for any wrongdoing yet; however, this needs to be further reviewed through appropriate criminal investigations.

q. The total loss amounts to R70m (duplicate claims) and an exposure of R3.2m (fraudulent claims).

r. Mr. L Tarr reported that a communication was sent to all service providers regarding duplicate claims, and that the majority of service providers have submitted information indicating that the claims are not duplicates.

s. The duplicate claims would have impacted the Scheme's solvency by 0.2%.

t. A syndicate was identified in respect of the fictitious claims, and a criminal case has been opened to date.

u. Dr. O Mahanjana provided a historical background regarding the merger, appointment of the Turnaround Strategist, and pricing.

v. He reported that the Scheme mandated the Administrator to process the stale claims.

w. Furthermore, under-pricing was observed before the merger, and the Scheme's contributions have been way below market inflation; however, the members declined contribution increases.

x. Mr. M Maqungo explained that the members did not vote for a 5-year non-contribution increase in 2022 because the reserves were high.

y. He flagged that the Schemes should not be mirrored against other Schemes, raised his concerns regarding the initial appointment of Mr. Joe Seoloane, who submitted his report to CMS, and the increasing non-healthcare costs.

z. He highlighted that there is no syndicate, and if there is, he queried the measures that have been taken against it.

aa. Mr. A Bloko emphasized that the members will not accept a 20% increase in contributions and indicated that the members are not being informed of the changes in hospital groups.

ab. He observed that the Board of Trustees failed the members, disputed the notion that the Scheme was under-priced, argued that the Administrator should work with the Scheme as well as with the Provisional Curator to turn things around, and that the R70m should be repaid.

ac. He inquired if the proposal to merge with Bonitas was proposed by the regulator .

ad. Regarding the SALGA membership, the Provisional Curator responded that the accreditation was declined due to the non-submission of annual financial statements and a low solvency ratio.

ae. Efforts are underway to schedule a meeting with the SALGA Bargaining Council to further deliberate on the matter, and the effective date of the transition is January 2026.

af. It was noted that CMS decided to place the Scheme under curatorship due to non-compliance, as it carries the key responsibility of protecting the members.

ag. Work is underway to address outstanding claims with the various service providers. The Provisional Curator has not engaged Bonitas regarding a potential merger; however, this remains an option for consideration.

ah. The Scheme's key focus remains on cutting costs and prioritizing members by ensuring that they obtain the services they require.

ai. A contribution increase was proposed to CMS but was not approved. The GLM actuaries confirm that the Scheme is underpriced, and a further contribution increase was submitted to CMS and subsequently approved, effective 1 November 2025.

aj. The Scheme has proceeded to open criminal cases against affected parties from a fraudulent claims perspective.

ak. Furthermore, the Provisional Curator explained that the Board of Trustees would have ratified any decisions made by the Statutory Manager

11. ANNUAL FINANCIAL STATEMENTS 2023 AND ARC REPORT

Ms. Nozibele Tshobeni (Principal Officer), Ms. Penny Malavi, and Mr. Thomas Kgokolo presented the annual financial statements for the year ended 2023 and the ARC report. The following salient points were highlighted:

a. Ms. P Malavi reported that Deloitte was appointed as the Scheme's external auditors in FY2023.

b. The key responsibilities of external auditors are to identify material misstatements, issue an audit opinion, consider accounting policies, conduct a going-concern assessment, and present the annual financial statements.

c. The 2023 annual financial statements sign-off was delayed by the delay in finalizing the KPMG report, which was only finalized in May 2025.

d. Some of the key issues relate to the Scheme continuing as a going concern, given its declining solvency.

e. The PO reported that 2023 audit is in its final stages.

f. The Scheme adopted IFRS 17, which relates to insurance contracts, and the numbers were restated.

g. From an insurance revenue perspective, the Scheme collected R3.9bn and paid out R4.2bn.

h. The cost of running the Scheme was noted as R232m, the asset management fee was R4.2m, and the net result was R383.6m for FY2023, which was a loss-making year.

i. The Balance Sheet and cash flow statements were noted, highlighting that the Scheme closed out at R154m as of year-end 2023.

j. From an ARC report perspective, Mr. T Kgokolo reported that Deloitte was responsible for the 2023 audit and signed off on the annual financial statements.

k. The annual financial statements should have been signed in August 2025, but were held back to take the KPMG forensic report into account.

l. The final annual financial statements will be circulated to members once they are signed off.

m. Due to the complexity of the audit, Deloitte has declined to audit the 2024 audit year, and ARC commenced a procurement process to appoint an alternative service provider.

n. Having followed due process, ARC and the Provisional Curator recommend the appointment of Nexia SAB&T as the Scheme's external auditors for FY2024.

o. The FY2024 audit will commence only after the FY2023 annual financial statements have been signed off.

p. The internal control environment remains a key concern, and a request was made for a turnaround action to monitor progress on the KPMG recommendations every quarter.

q. Furthermore, ARC remains committed to working with the Provisional Curator regarding the turnaround plan

Comments and questions

a. There were comments that the information is now outdated, and a request for 2024 numbers was made.

b. Mr. M Maqungo flagged the change in numbers in respect of Notes 5 and 10 for 2022, the increase in the non-healthcare expenses, and the high number of Asset Managers, particularly if their mandate is aligned with the Scheme's investment strategy.

MINUTES OF THE 2025 SPECIAL GENERAL MEETING ("SGM")

c. Mr. A Bloko indicated that, in the future, presenters must present in person rather than online, as he struggled to understand the Deloitte presentation.

d. He asked why the Scheme had appointed KPMG to undertake a forensic investigation when it had already appointed Deloitte.

e. He indicated that, though not familiar with Nexis SAB&T, the members will adopt the appointment on the premise that ARC has been appropriately advised and will account for any mishaps.

f. Mr. A Bloko inquired regarding the 2024 numbers and raised concerns that the Scheme is closing at R154m while approximately R4bn has been paid out to service providers.

g. Having observed that some ARC members hold only NQF Level 3 qualifications, Mr. Bloko proposed that this be re-examined to ensure that the committee has competent members with the necessary qualifications, tighten financial management, and empower members accordingly.

h. The PO responded that the 2023 numbers are being presented because the Scheme could not do so in the prior year, and the 2024 numbers are not yet ready, as Deloitte has not yet closed the 2023 audit.

i. She further explained that there were no delays in the 2023 financial statements, as they were ready for sign-off in May 2025; however, Deloitte requested to defer the sign-off on the day set for sign-off.

j. From an investment strategy perspective, the majority of investments are in the short-term basket to improve the solvency position, and the Scheme's mandate return is CPI+3. At the same time, the Scheme delivered a 16.7% return in 2024.

k. Mr. Kgokolo highlighted that ARC approached various accredited external auditors service providers, received two proposals, and recommended the preferred service provider to the Provisional Curator for approval.

l. The non-health care expenses are constantly under monitoring by ARC and will continue to work closely with the Provisional Curator to curb these costs.

m. The ARC was urged to work closely with Nexia SAB&T to avoid recurring findings.

RESOLUTION 3 OF 27 SEPTEMBER 2025

IT WAS RESOLVED THAT the appointment of Nexia SAB&T as Sizwe Hosmed Medical Scheme external auditors for the next audit year be approved.

Mr. M Maqungo moved for the re-appointment of the external auditors, seconded by Mr. Zondi.

Questions and Answers

a. Mr. N Mlambo highlighted that the challenges faced by members are causing them to leave the Scheme.

b. He indicated that the members require assurance of services and need someone who will assist in turning the situation around, as Mr. Seoloane had failed to do so.

c. Mr. P Matlala concurred with the same sentiments, highlighting that the Scheme is for everybody, is open to all, that members should be well serviced, and that authorizations should be approved.

d. The Provisional Curator noted that all members are passionate about the Scheme's survival and assured them that she will do her best to implement the turnaround strategy to enable the Scheme to exit curatorship.

e. The Scheme and the Administrator are attending to hospitals, service providers, and members' queries. Some service providers have requested hefty retainers, and the Scheme has assured them that it will honor payment within the required timeframes.

f. All queries to the Provisional Curator are to be sent to curator@sizwehosmed.co.za.

g. The Chairperson concurred that the Scheme has been working tirelessly to stabilize relationships with hospital groups and service providers and urged the members to bear with the Scheme as they endeavor to turn things around.

MINUTES OF THE 2025 SPECIAL GENERAL MEETING ("SGM")

12. CLOSURE

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

Adopted as a true reflection of proceeding at the meeting.

Chairperson	**Date**

MATTERS ARISING

Tracking Register – Action Items Arising from The ASpecial General Meeting Held On 27 September 2025

Item No	Minute Ref	Action	Responsible Person/Entity	Due Date	Status
1.	11.	**ANNUAL FINANCIAL STATEMENTS FY2023 AND ARC REPORT** Share the final annual financial statements with members once they are signed off.	CURATOR	Immediate	Completed: Included in the 2026 SGM submission

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023



STATEMENT OF RESPONSIBILITY
BY THE 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 International Financial Reporting Standards (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 March 2026: R525 million), the current ratio is 1.53 for 2023 (31 March 2026: 1.30), 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 2025 and latest (March 2026) performance indicators and ratios are unaudited.

The annual financial statements set out on pages 53 to 114 were approved by the board of trustees and were signed on (date to be confirmed) on their behalf by

Signed by:



CEA31F495E5C48F...

Mr Ian Fleming
Curator

STATEMENT OF RESPONSIBILITY
BY THE CURATOR

The Council for Medical Schemes placed the scheme under provisional curatorship on 4 September 2025 pursuant to a provisional curatorship order of the High Court. Ms Lebogang Mpakati was appointed as the curator. The curatorship was made permanent on 09 October 2025.

The appointment of Ms Lebogang Mpakati as curator was cancelled by order of the court and Mr Ian Fleming appointed effective 11 February 2026.

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 his 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 RESPONSIBILITY
BY THE 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.

Signed by:



CEA31F495E5C48F...

Mr Ian Fleming

Curator

REPORT OF THE CURATOR



REPORT OF THE CURATOR

INTRODUCTION

The Council for Medical Schemes placed the scheme under provisional curatorship on 4 September 2025 pursuant to a provisional curatorship order of the High Court. Ms Lebogang Mpakati was appointed as the curator. The order vests full control of the business, assets, and governance of the Scheme in the Curator and suspends the powers of the Board of Trustees for the duration of the curatorship. This intervention was deemed necessary by the Court to protect members' interests and preserve the Scheme's financial stability. The curatorship was made permanent on 09 October 2025.

The appointment of Ms Lebogang Mpakati as curator was cancelled by order of the court and Mr Ian Fleming appointed effective 11 February 2026.

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).

REPORT OF THE CURATOR

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)		(REMCO)		(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	-	-	-	-

A: Number of meetings that could be attended
B: Number of meetings attended

BOT: Board of Trustees
REMCO: 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

REPORT OF THE CURATOR

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

At the time of publishing the annual financial statements, the Curator was still evaluating the relevance of the sub-committees with the objective of identifying committees that would continue to exist during the term of the curatorship.

Following this initial assessment, the Curator was advised to ensure that all governance structures required in terms of the Medical Schemes Act ("MSA"), together with any other applicable legislative and regulatory requirements, are formally established and maintained. Accordingly, the Curator has resolved to prioritise the implementation of those committees that are statutorily mandated, in order to ensure adequate oversight, governance, and regulatory compliance.

The Curator, in conjunction with management, will convene to formally constitute the requisite governance structures, including sub-committees as prescribed by the MSA and other relevant frameworks. This process will include the formalisation of committee mandates, composition, and reporting lines to ensure alignment with leading governance practices and regulatory expectations.

Pending the formal establishment of these structures, governance oversight and decision making authority reside with the Curator, who is responsible for ensuring that the Scheme is managed in a prudent, controlled, and compliant manner throughout the curatorship.

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 assisted the then 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 then 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	Resigned 26 February 2024
Ms Z. Matikinca	Trustee representative	Appointed 17 September 2024
Mr T Ramawa	Independent member	Appointed 13 January 2023
Mr T. Kgokolo	Chairperson & Independent member	Appointed 17 September 2024 as a chairperson
Ms N. Nkosi	Trustee representative	Appointed 17 September 2024, Resigned 01 June 2025
Ms D. Masooa	Independent member	Appointed 11 November 2024

A report of the Audit and Risk Committee is presented on pages 44 to 47.

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 was established in order to give power to the then BOT to appoint and delegate authority to a sub-committee consisting of such BOT members and other experts as it deemed necessary. The Committee reviewed and monitored all initiatives to reduce unnecessary healthcare costs without negatively impacting on the quality of care. The Committee met five (5) times during the year and comprised the following members:

REPORT OF THE CURATOR

Members		
Dr B.Z. Limba	Chairperson and Trustee representative	Term ended 24 August 2024 and she was reappointed as a chairperson from 17 September 2024
Mr N. Erasmus	Trustee representative	Term ended 24 August 2024
Mr Z. King	Tru stee representative	Term ended 24 August 2024 re-appointed 17 September 2024
Mr L. Pokomela	Trustee representative	Term ended 24 August 2024 re-appointed 17 September 2024
Mr A. Phikani	Trustee representative	Term ended 24 August 2024 re-appointed 17 September 2024
Ms Z. Maseko	Trustee representative	Resigned 6 July 2024
Mr P. Shikwane	Trustee representative	Term ended 24 August 2024
Ms C. Rensburg	Trustee representative	Term ended 24 August 2024 re-appointed 17 September 2024
Mr T. Madiba	Trustee representative	Appointed 17 September 2024
Mr M. Hennig	Independent member	Term ended 24 August 2024

Complaints and Dispute Resolution Committee

The role of the Complaints and Dispute Resolution Committee was to adjudicate disputes that arose between a member, prospective member, or person claiming against the Scheme. The Committee was mandated by the then BOT by means of formal terms of reference as to its membership, authority, and duties. The Committee met once (1) during the year and was comprised of the following members:

Members		
Ms N. Maseko	Chairperson and Independent member	Term ended 24 August 2024 re-appointed 17 September 2024
Dr E. Ngwenya	Independent member	Appointed 23 August 2023
Dr K. van den Berg	Independent member	Resigned 13 January 2024

Investment Committee

The role of the Committee was to advise the then 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 possible steps that may be considered in respect of the investment of available funds. The Committee was mandated by the then BOT by means of 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	Term ended 24 August 2024
Ms N. Matebese	Chairperson and Trustee representative	13 September 2021 and appointment as chair on 17 September 2024
Ms M. Maubane	Independent member	13 September 2021 and resigned 12 June 2024
Mr L. Makwabe	Trustee representative	Term ended 24 August 2024
Mr M. Shamase	Trustee representative	Term ended 24 August 2024 and re-appointed 17 September 2024
Mr N. Erasmus	Trustee representative	Resigned 24 August 2024
Mr A. Nhlapo	Trustee representative	Term ended 24 August 2024 and re-appointed 17 September 2024
Mr D. Langa	Trustee representative	Resigned 10 May 2024
Mr P. Siswana	Trustee representative	Appointed 17 September 2024
Mr T. Kgokolo	Trustee Representative	Term ended 24 August 2024 and re-appointed 17 September 2024

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	Term ended 24 August 2024
Ms Z. Matikinca	Trustee representative	Term ended 24 August 2024
Ms P. Dumelakgosi	Trustee representative	Resigned 25 June 2024
Mr M. Shamase	Trustee representative	Term ended 24 August 2024
Mr L. Makwabe	Trustee representative	Term ended 24 August 2024 but re-appointed 17 September 2024
Ms Z. Maseko	Trustee representative	Resigned 6 July 2024
Ms L. Gxasheka	Trustee representative	Appointed 17 September 2024
Ms N. Mhlungu	Trustee representative	Appointed 11 November 2024
Mr M. Monei	Trustee representative	Term ended 24 August 2024
Dr B.Z. Limba	Independent member	Term ended 24 August 2024 but re-appointed 17 September 2024

REPORT OF THE CURATOR

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 reflects the names of the management team which was in the employment of the Scheme during the 2023 financial year, as well as their 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. 01 October 2025, suspended pending the outcome of a disciplinary process.
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
2090

Private Bag X6
Gallo Manor
2052

2.5 Internal Auditor

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

SM Xulu Inc
4 Peltier Dr
Sunninghill
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

REPORT OF THE CURATOR

Sanlam Investment Management (Proprietary) Limited

55 Willie van Schoor Avenue
Bellville
7530
FSP 579

Private Bag X8
Tygervalley
7536

RH Managers (Proprietary) Limited

3rd Floor, 18 Melrose Boulevard
Melrose Arch
2076
FSP 4481

Postnet Suite 510
Private Bag X 1
Melrose Arch
2076

Aeon Investment Management (Propriety) Limited

4th Floor, The Citadel
15 Cavendish Street
Claremont
7708
FSP 27126

P.O. Box 24020
Claremont
7735

Sesfikile Capital

30 Melrose Boulevard
Melrose Arch
Johannesburg
2076
FSP 39946

Suite 334
Private Bag X1
Melrose Arch
2076

Prescient Investment Management (Proprietary) Limited

Prescient House
Westlake Business Park
Otto Close
Cape Town
7945
FSP 612

P. O Box 31142
Tokai
Cape Town
7966

Visio Fund Management (Proprietary) Limited

92 Rivonia Road
Wierda Valley
Sandton
2146
FSP 49566

92 Rivonia Road
Wierda Valley
Sandton
2146

Perpetua Investment Managers

5th Floor, The Citadel
15 Cavendish Street
Claremont
7708
FSP 29977

PO Box 44367
Claremont
7735

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
Pierre van Ryneveld

PO Box 60010
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
Rivonia Campus
135 Rivonia Road
Sandown
Sandton

P.O. Box 1144
Johannesburg
2000

REPORT OF THE CURATOR

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 then Board of Trustees. The monitoring and implementation of the strategy are delegated to the 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.

REPORT OF THE CURATOR

5. OPERATIONAL STATISTICS PER BENEFIT PLAN

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

The Curator has also reviewed the operational statistics.

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	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 sevice expense (DAE) per average member per month (R)	612	617	617	617	547	636	616	616	618
14	Directly attributable insurance sevice expense (DAE) per average beneficiary per month (R)	257	251	341	270	290	351	290	236	253
15	Amount paid to administrator (R)	360,189,410	136,354,039	12,503,199	74,598,213	18,229,020	2,166,699	13,887,288	80,566,801	21,884,150
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 (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

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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	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)	6,142	4,903	9,489	6,576	4,965	3,049	9,642	7,504	3,473
12	Insurance service expense (ISE) per average beneficiary per month (R)	2,562	1,965	5,214	2,874	2,525	1,696	4,372	2,821	1,491
13	Directly attributable insurance sevice expense (DAE) per average member per month (R)	586	592	591	592	523	579	592	593	599
14	Directly attributable insurance sevice expense (DAE) per average beneficiary per month (R)	245	237	325	259	266	322	268	223	257
15	Amount paid to administrator (R)	360,932,117	137,987,345	13,903,807	75,444,422	23,677,411	2,136,932	15,148,575	81,777,989	10,855,636
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 (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)	2,227	1,742	5,063	2,571	1,691	1,324	4,107	2,397	1,164
20	Relevant healthcare expenditure ratio	98.91%	93.60%	94.31%	97.40%	126.51%	89.78%	97.14%	104.46%	95.93%
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	4.10%	4.75%	2.26%	3.65%	8.43%	8.32%	2.38%	3.64%	7.89%
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.

REPORT OF THE CURATOR

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		
Administration Fees	163,718,256	166,754,762
Managed Care Fees	190,418,740	192,321,463
Maternity Programme	1,637,106	1,855,891
Back & Neck Programme	4,415,308	-
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 Curator 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	676,652,002	1,060,038,254
Gross contributions	4,301,705,163	4,142,609,981
Solvency ratio	**15.73%**	**25.59%**

The then Board was 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 personal medical savings accounts utilised (transferred from the liability for remaining coverage). The calculation and movements on the liability for incurred claims is set out in note 11 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 as disclosed in the AFS.

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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 under-pricing and provisioning gaps, exacerbating the solvency decline.

The then BOT has 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 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 April 2026.
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 April 2026
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.

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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 Seloane to work closely with the then BOT to turnaround the solvency position of the Scheme.

Following the Scheme's placement under provisional curatorship on 04 September 2025, and the subsequent confirmation of curatorship on 09 October 2025, Mr Seloane no longer holds the position of statutory manager.

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 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 curatorship was made permanent on 09 October 2025. The appointment of Ms Lebogang Grace Mpakati as curator was cancelled by order of the court and Mr Ian Fleming appointed effective 11 February 2026.

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 IRFS 17, the implementation process required significant effort hence the then 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 then Trustees, jointly with the Audit and Risk Committee assessed the impact of IFRS17 and are satisfied that the Scheme has in all material respects complied with and disclosed all relevant IFRS17 disclosures.

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9. RELATED PARTY TRANSACTIONS

Related party transactions are set out in Note 25 to the annual financial statements.

10. GOING CONCERN

The 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% at 31 December 2023, below the required 25% minimum under Regulation 29 of the Medical Schemes Act. In 2024, an independent forensic investigation by KPMG was commissioned to understand the root causes of the solvency decline. The report, finalised in May 2025, confirmed under-provisioning and associated under-pricing as primary drivers of the solvency deterioration. It further identified material control deficiencies during 2023, including:

- Inadequate segregation of duties and approval workflows
- Lapses in system access management
- Gaps in financial reconciliations and reporting
- Insufficient oversight of outsourced functions and service providers

In response, a comprehensive remediation framework has been implemented and is under ongoing monitoring. Key interventions include:

- A formal control remediation tracker reviewed quarterly
- A revised risk-based internal audit plan for 2024/2025
- Strengthened oversight of benefit design, pricing, claims provisioning and budgeting, supported by actuarial peer reviews
- Expanded fraud prevention controls and post-payment claims validation
- Active consequence management and recovery processes linked to KPMG findings
- Strengthened cost containment measures and procurement reform to preserve reserves
- Ongoing engagement with the Council for Medical Schemes (CMS) with transparent reporting on turnaround progress

Despite the below-minimum solvency ratio, the Scheme demonstrates financial viability supported by:

- 2025 solvency outcome of 14.07%, which was 4.01% above budget
- CMS-approved Business Plan providing for incremental solvency recovery of approximately 5% per annum, with statutory compliance projected by 2028
- A current ratio of 1,32
- Absence of material contingent liabilities

The most recent performance indicators as at the end of March 2026 are detailed below:

- Year to Date March 2026 results, which put the solvency ratio at 38.18%, 7.38% above the budget.
- The latest actuarial projections for the 2026 financial year, which is part of the 2026 benefit design and pricing, puts the 2026 solvency ratio at 30.04%, supported by internal control improvements.
- 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 R524 million against the budget of R471 million.
- A current ratio of 1.30.
- Absence of material contingent liabilities.

The 2025 and latest (March 2026) performance indicators and ratios are unaudited.

REPORT OF THE CURATOR

While the KPMG forensic report was finalised after the reporting date, its findings confirm and expand on control and governance weaknesses present during the 2023 financial year. These conclusions have been considered in evaluating the going concern assumption and post-balance sheet disclosures.

Following a comprehensive review of the Scheme's budgets and actuarial reports for the upcoming 12-month period, alongside the current liquidity and solvency position, the Curator has concluded that the Scheme holds sufficient cash reserves to sustain operations over the next financial year.

Key cost pressures remain, notably elevated hospital utilisation and high non-healthcare expenditure. In response, the Scheme is implementing targeted interventions to effectively manage both hospital-related costs and non-healthcare overheads

Based on the above evaluation and the mitigation measures in place, the Curator is satisfied that the Scheme remains 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 enrols 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, this 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 such that the three days is increased 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.

REPORT OF THE CURATOR

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 is required to 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	31,404,275	(14,219,227)
Titanium	1,938	(3,811,248)	(7,556,627)
Platinum Enhanced	11,826	(98,142,571)	(122,593,963)
Essential Copper	3,781	(31,060,240)	(45,210,790)
Silver Saver	353	(4,963,875)	(6,309,893)
Plus	2,202	(22,860,852)	(27,617,960)
Value	12,936	(121,738,985)	(148,975,443)
Access	3,852	(4,392,565)	(11,138,688)

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 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

A combination of causes resulted in claims being paid after 30 days of receipt. The leading causes were:

1. Partial payment of claims with the balance paid after 30 days.
2. Pending of claims for periods longer than what is allowed by the claims' payment process.

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, mostly as a result of incorrect coding by service providers. Remittance advice with 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 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.

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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.

12.5.4 Scheme Rules 20.1, 20.2, 20.4, and 20.8 and Section 32 of the MSA - internal control weaknesses highlighted by KPMG Nature

Section 32 of the MSA states that the rules of the medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers, and any person who claims any benefit under the rules or whose claim is derived from a person so claiming. Furthermore, scheme rules:

- Scheme Rule 20.1 – the Board is responsible for the proper and sound management of the Scheme.
- Scheme Rule 20.2 – the Board must act with due care, diligence, skill and good faith.
- Scheme Rule 20.4 – the Board must apply sound business principles and ensure the financial soundness of the scheme.
- Scheme Rule 20.8 - states that the Board must ensure that proper controls are employed by and on behalf of the scheme.

Cause of non-compliance

The Scheme operates an outsourced model, necessitating that the Board through its delegated authority to sub-committees and management continuously monitor the internal control environment of the contracted service providers. Lapses in continuous monitoring of the internal control environment at the service provider resulted in weaknesses in internal controls going undetected.

Possible impact

- Non-compliance with Scheme Rules.
- Non-compliance with the MSA.
- Financial loss.

Corrective course of action

The Scheme has adopted the findings of the KPMG forensic audit and put in place a control remediation programme that includes but 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

12.5.5 Non-compliance with the Scheme Rules 22.2.1 and Section 32 of the MSA - material breach in fiduciary duty

Nature

Section 32 of the MSA states that the rules of the medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers, and any person who claims any benefit under the rules or whose claim is derived from a person so claiming. Furthermore, scheme rules:

- Scheme Rule 22.2.1 – The principal officer is the executive officer of the Scheme and as such shall ensure that:
- he/she acts in the best interests of the members of the Scheme at all times.

Cause of non-compliance

The lack of leadership oversight by the Principal Officer resulted in the weakening of the Scheme's internal controls, poor management of Scheme's legal matters, and bringing the Scheme into disrepute.

Possible impact

- Non-compliance with Scheme Rules.
- Non-compliance with the MSA.
- Bring the Scheme into disrepute.
- Financial loss.

Corrective course of action

The Scheme has adopted the findings of the Neledi Advisory forensic audit and suspended the Principal Officer pending the outcome of a disciplinary process. Furthermore, the suspected falsified resolution has been reported to the South African Police Services.

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.

12.7 Contravention of Section 35(8) of the Act – Investment in medical administrators and employer groups Nature

Section 35(8) of the MSA requires that:

A medical scheme shall not invest any of its assets in the business of or grant loans to:

a. An employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme;

b. Any other medical scheme;

c. Any administrator; and

d. Any person associated with any of the abovementioned.

Cause of non-compliance

The Scheme invests in a pool of funds through its investment managers which are invested in various portfolios. This makes it difficult to manage the scheme's investment requirements.

Possible impact

- Non-compliance with the MSA.
- Members may perceive the other medical schemes to be better and may consider leaving the Scheme.

Corrective course of action

The Investment Committee reviewed this matter previously after having looked at the Sizwe Hosmed Investment Portfolios as well as the performance of the affected stocks. The Scheme has consequently applied for exemption in terms of Section 35(8) of the Act from the Regulator (CMS) in respect of the non-compliance noted and such exemption has been granted. It is also the intention of the Fund to continue renewing such exemption on an annual basis as required.

REPORT OF THE CURATOR

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 Mokoditoa).

13.3 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 then Board of Trustees 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.

The matter was resolved and settled in April 2024 with the Scheme recovering R250,000 from the former Principal Officer.

13.4 Interactive Brand Solutions (Pty) Ltd ("IBS")

In March 2024, IBS instituted action proceedings in the high court of South Africa, Gauteng Division, against the Scheme on the basis that the Scheme breached an agreement entered into between the Scheme and IBS on or about 24 October 2019 ("the agreement") by failing to pay IBS invoices for the months of October 2023 to December 2023 in the amount of R6,242,755. The Scheme has filed its plea and counterclaims against IBS on the basis of the invalidity of the contract and the lack of evidence that the services were rendered. The matter was settled out of court without prejudice for an amount of R2,000,000 paid by the Scheme to IBS in November 2025.

13.5 Irregular changes made to service providers' banking details

Under Section 34 of PRECCA the Scheme has an obligation to report any fraudulent activities taking place within the Scheme to the South African Police Services (SAPS).

The KPMG report identified instances where service providers' banking details were altered without proper supporting documents and without valid instructions from the service providers. The total financial loss suffered by the Scheme as a result of the irregular bank account changes amounted to R1 438 736.70.

The Scheme has duly reported the matter to the South African Police Services for further investigations.

REPORT OF THE CURATOR

14. Reportable Irregularity (RI)

The scheme was notified by the external auditors that as required by Section 45 of the Auditing Profession Act, a reportable irregularity was filed with the Independent Regulatory Board for Auditors (IRBA).

The RI relate to material weaknesses in the internal controls of the Scheme. The RI came from the findings of the KPMG forensic investigation. The material weakness in internal controls resulted in the non-compliance with Section 32 of the Medical Schemes Act and the rules of the Scheme as well as Regulation 29(2) subject to sub-regulation (3), (3A) and (4) of the Medical Schemes Act which requires the medical scheme to maintain accumulated funds expressed as a percentage of gross annual contributions for the accounting period under review which may not be less than 25%.

The statutory auditors noted that the weaknesses in internal controls have contributed to the decline in the solvency ratio.

The scheme has provided a comprehensive response to the RI raised by the auditors. Management has taken the following actions to remedial the material weaknesses in internal control:

- The then BOT instructed the scheme administrator (3Sixty Health) to recover the duplicate payments from the service providers. R5 million had been recovered at the end of April 2026.
- 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 April 2026.
- 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 state 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.

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 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 53 to 114 (which have been prepared on the going concern basis) were approved and signed by the Curator on (Date to be confirmed).

Signed by:



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Mr Ian Fleming

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 the 2024 evaluation commenced in the fourth quarter of 2024 and will conclude before the end of 2025.

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	04 September 2025	8	8
Mr T Ramawa (Independent Member)	CA(SA)	13 January 2023	04 September 2025	8	8
Mr T. Kgokolo (Appointed Trustee and Chairman)	MBA, CA(SA)	13 September 2021	04 September 2025	8	7
Mr L. Kubheka (Independent Member)	National Diploma-Financial Information Systems	13 September 2021	04 September 2025	8	8
Ms Dibabatso Masooa (Independent Member)	B.Sc. Mathematical Sciences	11 November 2024	04 September 2025		

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

REPORT OF THE AUDIT AND RISK COMMITTEE

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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), 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.

REPORT OF THE AUDIT AND RISK COMMITTEE

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 to incorporate the findings and recommendations of the forensic investigation conducted by KPMG. 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.

The Committee has requested management to implement a detailed action plan, with clear timelines, to remediate the weaknesses in internal controls and strengthen the risk environment. The Committee is committed to ongoing oversight of risk management and to ensuring that the control environment is progressively strengthened to protect members' interest and restore confidence in the Scheme's governance.

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, an independent forensic investigation by KPMG was commissioned to understand the root causes of the solvency decline. The report, finalised in May 2025, confirmed under-provisioning and associated under-pricing as primary drivers of the solvency deterioration. It further identified material control deficiencies during 2023, including:

- Inadequate segregation of duties and approval workflows
- Lapses in system access management
- Gaps in financial reconciliations and reporting
- Insufficient oversight of outsourced functions and service providers

In response, a comprehensive remediation framework has been implemented and is under ongoing monitoring. Key interventions include:

- A formal control remediation tracker reviewed quarterly
- A revised risk-based internal audit plan for 2024/2025
- Strengthened oversight of benefit design, pricing, claims provisioning and budgeting, supported by actuarial peer reviews
- Expanded fraud prevention controls and post-payment claims validation
- Active consequence management and recovery processes linked to KPMG findings
- Strengthened cost containment measures and procurement reform to preserve reserves
- Ongoing engagement with the Council for Medical Schemes (CMS) with transparent reporting on turnaround progress

Despite the below-minimum solvency ratio, the Scheme demonstrates financial viability supported by:

- 2025 solvency outcome of 14.07%, which was 4.10% above budget
- CMS-approved Business Plan providing for incremental solvency recovery of approximately 5% per annum, with statutory compliance projected by 2028
- A current ratio of 1.32
- Absence of material contingent liabilities

REPORT OF THE AUDIT AND RISK COMMITTEE

The most recent performance indicators as at the end of March 2026 are detailed below:

- Year to Date March 2026 results, which put the solvency ratio at 38.18%, 7.38% above the budget.
- The latest actuarial projections for the 2026 financial year, which is part of the 2026 benefit design and pricing, puts the 2026 solvency ratio at 30.04%, supported by internal control improvements.
- 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 R524 million against the budget of R471 million.
- A current ratio of 1.30.
- Absence of material contingent liabilities.

The 2025 and latest (March 2026) performance indicators and ratios are unaudited.

While the KPMG forensic report was finalised after the reporting date, its findings confirm and expand on control and governance weaknesses present during the 2023 financial year. These conclusions have been considered in evaluating the going concern assumption and post-balance sheet disclosures.

Following a comprehensive review of the Scheme's budgets and actuarial reports for the upcoming 12-month period, alongside the current liquidity and solvency position, the Curator has concluded that the Scheme holds sufficient cash reserves to sustain operations over the next financial year.

Key cost pressures remain, notably elevated hospital utilisation and high non-healthcare expenditure. In response, the Scheme is implementing targeted interventions to effectively manage both hospital-related costs and non-healthcare overheads

Based on the above evaluation and the mitigation measures in place, the Audit and Risk Committee is satisfied that the Scheme remains a going concern for the foreseeable future.

11. CURATORSHIP

The Committee has noted the placement of the medical scheme under 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, the KPMG forensic audit team, and discussions with the independent External Auditor, the Committee acknowledges that there was material breakdown in internal controls during the reporting period. The Committee is actively monitoring the implementation of the KPMG remediation plan and has increased the frequency and depth of its oversight over financial and operational controls.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

The Committee has recommended the AFS to the Curator for approval, which will be presented to the members at the forthcoming Annual General Meeting.

Signed by:

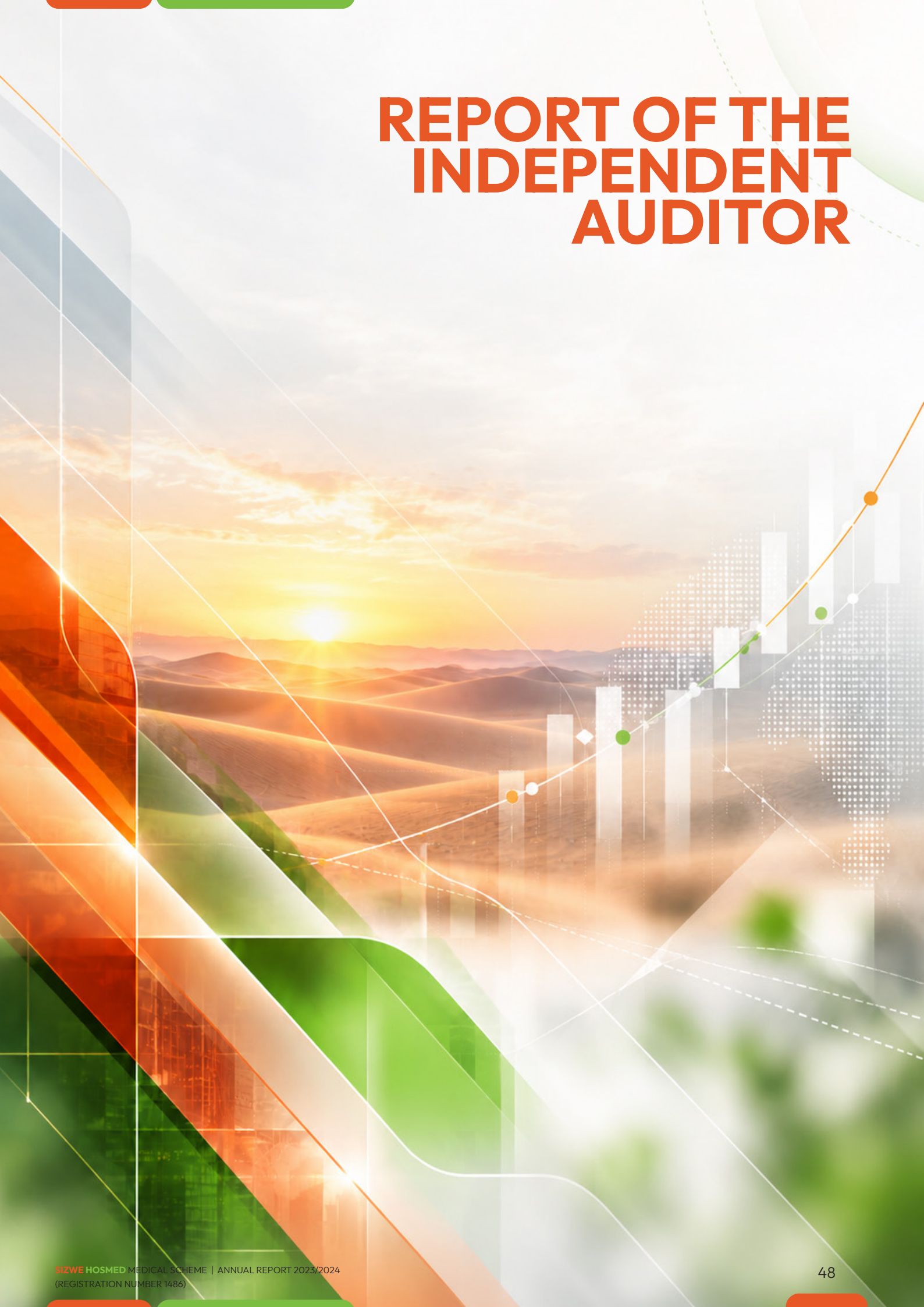


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Mr Ian Fleming

Curator

REPORT OF THE INDEPENDENT AUDITOR



INDEPENDENT AUDITOR'S REPORT

To the Members of Sizwe Hosmed Medical Scheme

Report on the Annual Financial Statements Disclaimer of Opinion

We were engaged to audit the financial statements of Sizwe Hosmed Medical Scheme (the Scheme), set out on pages 42 to 130, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in members' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

We do not express an opinion on the financial statements of Sizwe Hosmed Medical Scheme. Because of the significance and pervasive nature of the matters described in the basis of the Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Claims and Provision for Outstanding Claims (Component of Insurance Contract Liability)

As detailed in Note 37.3 of the annual financial statements, in 2024 the scheme engaged an independent forensic firm to perform a forensic investigation to establish the validity of the claims against scheme rules and potential duplications and/or fraud, review the disclosures of the incurred but not reported claims estimate made by Hosmed Medical Aid Scheme pre-merger (pre-November 2021), determine the root cause of the solvency decline from 2021/22 onwards and to conduct a systems security review.

The forensic investigation report highlighted several material and significant findings which contributed to historical weaknesses in provisioning and pricing assumptions including:

- Paid duplicated and fictitious claims.
- Paid stale claims.
- Potential under/over reserving of the Outstanding Claims Reserve.
- System weaknesses and control gaps in the administration and processing of claims.



Managing Partner: ML Tshabalala

A full list of partners and directors is available on request
B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice
Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

- Discrepancies with regards to bank changes.
- Post year end reversal of claims to the value of R16 million potentially impacting the 2023 financial year and prior.

As a result of the deficiencies and findings identified and described above, and lack of additional investigation procedures by management to conclude on the validity of payments and claims, we were unable to determine the extent of the impact of these matters on the claims and provision for outstanding claims disclosed in Note 11 of the annual financial statements stated at R3.78 billion and R297 million respectively as the Scheme is still in the process of investigating and remediating the identified findings.

Insurance Revenue

We were unable to obtain sufficient and appropriate audit evidence to confirm the occurrence, completeness and accuracy of the system information (benefit options, dependents, registration date, termination dates, membership ID numbers, late joiner penalties, income bands and member and dependant personal details), and the validity and completeness of the members in respect of the contributions to the value of R4.3 billion as disclosed in Note 14 of the annual financial statements.

As a result, we were unable to determine whether any adjustments to contributions and insurance revenue disclosed were necessary.

REPORT OF THE INDEPENDENT AUDITOR

Non-healthcare Expenditure

The non-healthcare expenditure in Note 21 of the annual financial statements includes marketing, consulting and printing costs amounting to R20.9 million, R4.7 million and R13.1 million respectively where we inspected certain supporting evidence but considered the evidence to be insufficient to confirm whether the costs were validly incurred by the Scheme.

As a result, we were unable to determine whether any adjustments to the marketing expenditure, consulting fees and printing fees disclosed were necessary.

Going Concern

As indicated in Note 26 to the annual financial statements, the regulatory solvency of the Scheme is reported at 15.73% on 31 December 2023, below the required 25% minimum under Regulation 29 of the Medical Schemes Act. As disclosed in Note 37.3, the then Board of Trustees commissioned an independent forensic investigation to understand the root causes of the solvency decline and were overseeing the implementation of a comprehensive remediation programme.

The Curator has provided us with the cash flow forecast for the next 12 months following the date of the approval of the annual financial statements, however there are various uncertain and judgemental assumptions relating to business strategies which are yet to be implemented that are used to support the appropriateness of the financial statements being prepared using the going concern basis of accounting. Due to these prevailing uncertainties, we have not been able to obtain sufficient and appropriate audit evidence to support The Curator's assumption that the Scheme is a going concern. Consequently, we were unable to confirm or dispel whether it is appropriate to prepare the financial statements using the going concern basis of accounting.

Other Matters

Other Information

The Curator is responsible for the other information. The other information comprises of the Statement of Responsibility by the Curator, Statement of Corporate Governance by the Curator, Report of the Curator as required by the Medical Schemes Act No 131 of 1998 and the Report of the Audit and Risk Committee which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

We have read the other information and, in doing so, considered whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. However, due to the disclaimer of opinion in terms of the International Standard on

Auditing (ISA) 705 (Revised), Modifications to the Opinion in the Independent Auditor's Report, we are unable to report further on this other information.

Predecessor Auditor

The financial statements of the Scheme for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 7 July 2023.

Responsibilities of the Scheme's Curator for the Financial Statements

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

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

REPORT OF THE INDEPENDENT AUDITOR

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Scheme's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

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

Non-compliance with Section 33 (2) of the Act:

All benefit options were not self-supporting in terms of financial performance.

Non-compliance with Regulation 29(2) of the Act:

Accumulated funds ratio of 25% not maintained by the scheme during the year.

Reportable Irregularity

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Profession Act. We have reported such matters to the Independent Regulatory Board of Auditors. The matters pertaining to the reportable irregularities have been described in Note 35 to the annual financial statements.

Audit Tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that Deloitte & Touche has been the auditor of the Scheme for one year.

The engagement partner, Mpho Penelope Malavi, has been responsible for the Scheme audit for one year.

Deloitte & Touche
Registered Auditor
Per: Mpho Penelope Malavi Partner
08 May 2026

5 Magwa Crescent, Waterfall City, Johannesburg, 2090

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023



STATEMENT OF FINANCIAL POSITION

Figures in R	Notes	2023	2022 Restated	2021 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	235,832,445	570,162,861	685,200,769
Total non-current assets		**787,008,588**	**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	86,248,852	127,890,557	293,755,676
Cash and cash equivalents	8	154,651,846	120,126,713	108,527,250
Total current assets		**292,975,544**	**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	54,405,455	64,218,873	18,326,097
Insurance contract liabilities	11	348,926,675	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**

STATEMENT OF COMPREHENSIVE INCOME

Figures in R	Notes	2023	2022
			Restated
Insurance revenue	**14**	**3,964,746,561**	**4,118,616,357**
Insurance service expenses		**(4,220,312,623)**	**(4,317,448,092)**
Claims incurred		(3,783,302,306)	(3,876,488,230)
Insurance acquisition cash flows (broker fees)	15	(72,758,701)	(73,399,349)
Attributable expenses incurred	15	(163,718,256)	(168,690,780)
Accredited managed healthcare services (no risk transfer)	15	(204,818,261)	(205,246,676)
Third-party claims recoveries		4,284,901	6,376,943
Net income from reinsurance contracts held	**17**	**-**	**1,660,788**
Reinsurance expenses from reinsurance contracts held	17	-	(20,913,577)
Reinsurance income from reinsurance contracts held	17	-	22,574,365
Insurance service result		**(255,566,062)**	**(197,170,947)**
Other income		**99,650,273**	**77,542,932**
Sundry income	18	13,359,658	1,315,538
Investment income	20	86,290,615	76,227,394
Other expenses		**(227,706,803)**	**(250,534,323)**
Administration fees and other operative expenses	21	(223,456,222)	(244,332,405)
Asset management fees		(4,229,922)	(6,054,940)
Finance costs	22	(20,659)	(146,978)
Loss before amounts attributable to future members		(383,622,592)	(370,162,338)
Amounts attributable to future members		383,622,592	370,162,338
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		236,340	(13,357,327)
Debt instrument at fair value through OCI- net change in fair value transferred to liability for future members		(236,340)	13,357,327
Other comprehensive income for the year		-	-

Circular 6 of 2025 issued by the CMS requires medical schemes to present 'Amounts attributable to future members' separate from the "Insurance service expenses" and the "Insurance service result". Amounts attributable to future members to the value of R383,622,592 (R379,307,109: 2022), has been disclosed as a separate line item on the Statement of comprehensive income before the loss/profit for the year.

Insurance Service Expense in accordance with IFRS 17 includes amounts attributable to future members, the total value of insurance expense therefore amounts to R3,836,690,031 (R3,947,285,755: 2022).

STATEMENT OF CASH FLOWS

Figures in R	Notes	2023	2022
Cashflows from operating activities			
Cash receipts from members and providers		4,298,239,082	4,129,197,868
Cash receipts from members and providers – others		(2,982,928)	(11,469,523)
Cash paid to providers and employees – Claims		(4,386,477,724)	(4,348,498,347)
Cash paid to providers and employees – non-healthcare expenditure		(236,042,402)	(202,295,383)
Interest paid on lease liabilities		(20,659)	(146,978)
Interest received on bank account	19		
Interest paid on lease liabilities			
Net cash used in operating activities		**(327,284,631)**	**(433,212,363)**
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		81,702,154	75,498,921
Net cash generated from investing activities		**362,737,887**	**446,710,758**
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**

ACCOUNTING POLICIES



ACCOUNTING POLICIES

1. General information

Sizwe Hosmed Medical Scheme (the Scheme) is a not-for-profit open medical scheme registered in terms of the Medical Schemes Act no. 131 of 1998, as amended. The address of its registered office and principal place of business are disclosed in the Board of Trustees report. The Scheme is administered by 3Sixty Health (Pty) Ltd.

Statement of Compliance

The AFS have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act no. 131 of 1998. In addition, the Statement of Comprehensive Income is prepared in accordance with circular 41 of 2012 of the Council for Medical Schemes which sets out their interpretation of International Financial Reporting Standards (IFRS) as it relates to the Statement of Comprehensive Income for Medical Schemes in South Africa.

1.1 Summary of material accounting policies

The principal accounting policies applied in the preparation of these Annual Financial Statements (AFS) are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 Basis of preparation

The AFS are prepared on the going concern principle and using the historical cost convention, except for financial instruments which are carried at fair value. Information contained in the annual financial statements is presented in South African Rand, which is the Scheme's functional currency. All financial information is rounded off to the nearest Rand.

1.3 Business Combination

The Scheme accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed, and funds instruments issued. Costs directly attributable to the business combination are expensed as incurred.

When an entity is amalgamated into the Scheme, all identifiable assets, liabilities, and members' funds are accounted for at their fair values at the acquisition date. No consideration is paid for these transactions, and they are recognised from the transaction date.

The Scheme recognises the net assets from amalgamated schemes as a direct addition to reserves in its Statement of Financial Position. Section 63(14) of the Act prescribes those relevant assets and liabilities of the party effecting the transfer shall vest in – and become binding upon – the party to which the transfer is effected. In the year following the amalgamation, the Scheme transfers the amalgamated reserves to its accumulated funds in the Statement of Changes in Members' Funds and Reserves.

No goodwill is recognised on the amalgamation of schemes.

1.4 Critical accounting judgments and areas of key sources of estimation uncertainty

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

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

Certain critical accounting judgments in applying the Scheme's accounting policies and key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year) are disclosed below. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Liability for incurred claims

There are some sources of uncertainty that need to be considered in the estimate of the liability that the Scheme will ultimately pay for such claims. Initial estimates are made by the actuary relating to the best calculations on reported claims and derived as the claims process develops. All the estimates are revised and adjusted at the year-end on the recommendation of the Scheme's actuary.

ACCOUNTING POLICIES

General information continued...

Sources of these unreported provisions payments include:

- Unknown and hence unreported claims;
- Closed claims that later become reopened and have additional payments; and
- Notified claims that are not yet settled claims.

If no or insufficient allowance is made for these claims, the result is that the Scheme may not hold sufficient funds to honour members' claims.

The provision – known as provision for claims incurred but not reported (IBNR) – is determined as accurately as possible based on a number of factors which include previous experience in claims patterns, claims settlement patterns, changes, and the 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 and net of PMSA.

The Scheme does not discount provision for outstanding claims (i.e. there is no allowance for investment returns to be earned) given that the cash outflows are largely expected to occur within 12 months from the calculation date.

The IBNR provision is estimated using the Basic Chain Ladder method (BCL method). The BCL method assumes stability in the delay pattern of settlement of claims from the claim origin period to the claim payment period. The BCL method also assumes that the claims that are known to have developed at the time of the calculation are a reasonable reflection of claims that would emanate from the origin period. Given the need to lodge medical scheme claims within three months, the BCL method is relevant for claim origin periods that are three months old or more. For claim origin periods within three months, there is a possibility for the lodging and settlement of claims to be interrupted and the claims that are known to have developed at the time of the calculation may not the best indicator of future claims from the origin period.

The IBNR provision is monitored and adjusted monthly by the Scheme's management and actuaries. For the annual financial statements, an estimate of the IBNR provision for the current accounting period is set and adjusted at year-end by management.

Provision for impairment of receivables

The carrying amount of the Scheme's non-financial assets is reviewed at each reporting date to determine whether there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, then the affected asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

The Scheme's receivables are not discounted due to the short-term nature of their recoverability.

Expected credit losses

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

- call accounts and term deposits measured at amortised cost
- bonds and money market instruments measured at FVOCI.

Assessment as to whether the Scheme is a mutual entity

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

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

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

ACCOUNTING POLICIES

General information continued...

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

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

Sizwe Hosmed has therefore developed an accounting policy in terms of the IFRS 17 guidance for mutual entities and the educational material as issued by the IASB and the Scheme recognises any cumulative profit or losses as part of the insurance liability attributable to future members (which forms part of the insurance contract liabilities on the face of the statement of financial position). Consequently the statement of profit or loss and other comprehensive income reflects no total comprehensive income for the year. The movement in the insurance liability attributable to future members are included in the insurance service expenses line.

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

Level of aggregation (Unit of account)

For insurance contracts issued each benefit option exposes Sizwe Hosmed to morbidity risk relating to it's members. All insurance contracts within each option represent a portfolio of contracts, therefore all options form one portfolio. Each option is managed similarly in that on an annual basis, each option is reviewed and priced seperately during the benefit design phase. Each option is managed the same irrespective of a savings account being included in the option or not. Each option is exposed to the risk that members will seek healthcare services. These healthcare services span across a wide range, e.g., hospitalisation, dentistry, optometry etc for various diseases. Although the maximum amount that may be claimed differs between the benefit options, the underlying insurance risk is the same. The portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

(i) contracts that are onerous at initial recognition;

(ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or

(iii) a group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. These groups are not subsequently reconsidered.

The annual cohorts are determined with reference to the benefit year. The profitability of groups of insurance contracts issued is assessed by actuarial valuation models that take into consideration existing and new business written. Contracts that are onerous at initial recognition are grouped separately from contracts that at initial recognition have no significant possibility of becoming onerous subsequently. The board has determined that the scheme as a whole is not onerous.

Recognition and Derecognition

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

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

The scheme recognises groups of insurance contracts it issues from the earliest of the beginning of the coverage period of the group of contracts, the date when the first payment from a member in the group is due or when the first payment is received if there is no due date, or for a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The scheme recognises reinsurance contracts held from the earliest of the following:

- the beginning of the coverage period of the group of reinsurance contracts held; and
- the date the entity recognises an onerous group of underlying insurance contracts

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups.

"The scheme will derecognise a contract when the rights and obligations relating to the contract are extinguished, i.e., expired, discharged, or cancelled.

If a contract modification results in derecognition, a new contract is recognised on the modified terms."

ACCOUNTING POLICIES

General information continued...

Measurement

a. Contract boundary

The scheme uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period. The scheme includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the scheme can compel the member to pay the premiums, or in which the scheme has a substantive obligation to provide the member with insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- The scheme has the practical ability to reassess the risks of the member and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:

a) The scheme has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio

b) The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria. Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some operating expenses, are recognised in other operating expenses as incurred.

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

The scheme has determined the contract boundary for insurance contracts issued to be 12 months with reference to its substantive obligations, and 12 months or less in respect of reinsurance contracts held, with reference to its substantive obligations.

b. Initial and subsequent measurement

The scheme determined that the coverage period for each of the insurance contracts it issues is 12 months or less. The scheme applies the Premium Allocation Approach (PAA), measurement of these contracts under the PAA qualifies by virtue of these contracts having the coverage period of one year or less .

For insurance contracts issued, on initial recognition, the scheme measures the Liability for Remaining Coverage (LRC) at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset. For reinsurance contracts held, on initial recognition, the scheme measures the remaining coverage at the amount of ceding premiums paid.

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

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is increased for premiums received in the period; decreased for insurance acquisition cash flows paid in the period; decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period; and increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is increased for ceding premiums paid in the period; and decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The scheme does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

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

ACCOUNTING POLICIES

General information continued...

c. Fulfilment cash flows within contract boundary

The fulfilment cash flows are the current estimates of the future cash flows within the contract boundary of a group of contracts that the scheme expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts. The scheme estimates fulfilment cash flows at the portfolio level and then allocates such estimates to groups of contracts.

The scheme assessed the following future cash flows to arise:

- Premiums (cash inflow)
- Policy administration and maintenance costs (cash outflow)
- Payments from incurred claims (cash outflow)
- Directly attributable costs (cash outflow)
- Recoveries from the Road Accident Fund (RAF) (cash inflow)
- Premiums allocated to Personal Medical Savings Account (PMSA) (cash inflow)

The cash flows will be further split into the following for determining the Liability for Incurred Claims ('LIC') and Liability for Remaining Coverage (LRC):

- Incurred claims (reported and unreported)
- Claims handling costs
- Premiums
- Attributable expenses
- Expected claims pay-outs
- VAT

The estimates of future cash flows are based on a probability weighted mean of the full range of possible outcomes; are determined from the perspective of the scheme, provided the estimates are consistent with observable market prices for market variables; and reflect conditions existing at the measurement date. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. As the contracts are measured under the PAA, the explicit risk adjustment for non-financial risk (except for those contracts that are onerous) is only estimated for the measurement of the LIC.

The following method/ technique of estimation for the identified cash flows in computing LIC are expected (based on an analysis of historical payment patters):

- A combination of apriori/ FNOL (first notification of loss) estimates as well as case estimates (based on claims assessors' feedback) depending on the stage at which each claim is.
- Based on traditional actuarial triangulation methods as well as management input on the expectations of claims experience.

In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer. The scheme uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

d. Insurance acquisition costs

The scheme includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

- costs directly attributable to individual contracts and groups of contracts; and
- costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

For insurance contracts issued, insurance acquisition cash flows are expensed in profit and loss.

e. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the scheme requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the scheme fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the scheme to the reinsurer.

Refer to the significant judgements and estimates in applying IFRS 17 note on the risk adjustment for non-financial risk methodology.

ACCOUNTING POLICIES

General information continued...

Amounts recognised on comprehensive income

Insurance revenue

As the scheme provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the expected consideration to be received over the coverage period of the contracts.

Insurance revenue comprises of the amounts relating to the changes in LRC; and Insurance acquisition cash flows recovery, determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

Insurance service expenses

Insurance service expenses include other incurred directly attributable insurance service expenses; insurance acquisition cash flows; changes that relate to past service (i.e. changes in the fulfilment cash flows relating to the LIC); and changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components). The scheme does not issue insurance contracts or hold reinsurance contracts that include investment components.

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

Net income (expenses) from reinsurance contracts held

The scheme presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising of the reinsurance expenses; incurred claims recovery; other incurred directly attributable insurance service expenses; effect of changes in risk of reinsurer non-performance; changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the scheme expects to pay in exchange for those services. The scheme recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of financial risk and changes in financial risk, the scheme does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less. Insurance finance income or expenses is impacted by interest accreted on the LIC; and the effect of changes in interest rates and other financial assumptions.

The scheme does not disaggregate risk adjustment movement into insurance service results and finance results for all contracts for operational simplicity.

Significant judgements and estimates in applying IFRS 17

Areas of judgement	Applicable to the scheme
Definition and classification	
a) Whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk.	Applicable to the scheme in classification of contracts and assessing whether significant insurance risk transfers. Refer to Note 1.1.
a) Whether contracts within the scope of IFRS 17 meet the definition of insurance contracts with direct participation features.	The scheme does not issue insurance contracts with investment components. In assessing this, the scheme considered all terms and conditions within contracts identified to be in the scope of IFRS 17.
b) For insurance contracts with a coverage period of more than one year and for which the entity applies the PAA, the eligibility assessment as required by IFRS 17(53)(a),(54),(69)(a),(70) and may involve significant judgement.	All insurance contracts issued measured by the scheme under the PAA have a coverage period of one year or less. Thus, no assessment for is performed for insurance contracts issued the PAA is separately required and no judgement was involved.

ACCOUNTING POLICIES

General information continued...

Level of aggregation (Unit of account)	
a) Combination of insurance contracts - whether the contracts with the same or related counterparty achieve or are designed to achieve an overall commercial effect and require combination.	No judgement is applicable to the scheme.
b) Separation - whether components in IFRS 17(11)-(12) are distinct (i.e. meet the separation criteria).	No judgement is applicable to the scheme. The contracts do not contain distinct components.
c) Separation of contracts with multiple insurance coverage - whether there are facts and circumstances where the legal form of an insurance contract does not reflect the substance and separation is required.	No judgement is applicable to the scheme.
d) Judgements involved in the identification of portfolios of contracts as required by IFRS 17(14) (i.e. having similar risks and being managed together).	The scheme provides medical aid insurance, all contracts within each product line (scheme) exposes the scheme to the same risks and options are managed together.
e) For insurance contracts issued measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate any changes in the onerous group's profitability and whether any loss component remeasurement is required.	
f) The determination of whether laws or regulations constrain the Group's practical ability to set a different price or level of benefits for policyholders with different risk profiles so the Group may include such contracts in the same group, disregarding the aggregation requirements set in IFRS 17(14)-(19), is an area of judgement.	"In making the pricing recommendations, the consulting actuaries are referring to the guidance in the Actuarial Society of South Africa's Advisory Practice Note APN303: Advice to South African Medical Scheme on Adequacy of Contributions. The guidance in APN202 followings the general guidance in the annual circular (e.g., Circular 44 of 2022: Guidance on benefit changes and contribution increases for 2023) issued by the Council for Medical Schemes (CMS) that includes specific considerations with regards to establishing the contributions (i.e. pricing). From this annual circular it is clear that the focus are on financial indicators such as headline inflation and consumer price inflation, as well as utilisation increases (with no specific reference to the underlying reason for such change, i.e. it is not broken down into the various sub-risk categories) and the single exist price (SEP) for medicines that are applicable across benefit options. The overall focus is on maintaining solvency of the scheme as a whole, rather than pricing for specific individual health risks per benefit option. Medical schemes in South Africa are legally required to provide certain prescribed minimum benefits, regardless of the risk profile of its members and are limited in how these benefits are incorporated into the pricing of the benefits. In addition, no person may be prohibited from becoming a member of a medical scheme based on the underwriting risk associated with the prospective member. At most a scheme may apply late joiner penalties and/or waiting periods. Medical scheme are further prohibited from discriminating based on age. Given these legal / regulatory restrictions, there is a possibility that onerous contracts may be caused by these limitations."
Recognition and derecognition	
a) When contracts are modified, judgement might be applied to establish if the modification meets the criteria for derecognition.	No judgement is applicable to the scheme in 2022 and 2023, there were no contract modifications.

ACCOUNTING POLICIES

General information continued...

Measurement	
a) The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract in the scope of IFRS 17. Judgements might be involved to determine when the scheme is capable of repricing the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums and when premiums reflect risks beyond the coverage period.	No judgement involved as the contract boundary for insurance contracts issued are 12 months or less.
b) An entity may use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts	The scheme performs expense studies on a continuous basis and uses judgement to determine the extent to expenses are directly attributable to fulfilling insurance contracts.
Financial performance	
a) The determination of what constitutes an investment component might be an area of judgement significantly affecting amounts of recognised insurance revenue and insurance service expenses as investment components should be excluded from those.	The scheme does not issue insurance contracts with investment components.

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

The scheme has adopted IFRS 17 retrospectively. The full retrospective approach was applied to the insurance contracts in force at the transition date that were originated less than two years prior to transition. There are no contracts in force at transition date that were originated from more than two years prior to transition. The scheme has determined that reasonable and supportable information was available for all contracts in force at the transition date to apply IFRS 17 fully retrospectively.

The scheme has recognised and measured each group of insurance contracts within the scope of IFRS 17 as if IFRS 17 had applied; derecognised any existing balances that would not exist had IFRS 17 always applied; and recognised any resulting net difference in equity.

Estimates and assumptions

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

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

Discount rates:

Discounting is not applicable as the cashflows fall within 12 months.

Estimates of future cash flows to fulfil insurance contracts:

Where estimates of expenses related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis. These expenses have been allocated in terms of activity, the scheme has determined that this method results in a systematic and rational allocation. Acquisition cash flows are expensed directly into profit and loss.

Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force (policy count). Claims settlement related expenses are allocated based on the number of claims.

The scheme applies judgement in assessing whether there are facts and circumstances indicating that insurance contracts may be onerous. During the year 2022, there were facts and circumstances indicating that some groups of insurance contracts are onerous. During the year 2023, these groups have subsequently become profitable.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

ACCOUNTING POLICIES

General information continued...

Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. The scheme calculates the risk adjustment using the Value-at-Risk (VaR) method for both LIC and LRC, where two factors are required, namely, the estimated cash flows (the BEL) and the standard deviation of the emerging estimated liabilities. The parameters required for the VaR have been determined as follows:

- the confidence level has been set between the 80th and 90th percentile;
- the distribution of the cash flows is assumed to be normal, calibrated to reflect the confidence level of between the 80th and
- the time horizon has been set between the 80th and 90th percentile.

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

Right of use assets

Right of use assets are recognised as an asset when it is probable that the future economic benefits that are associated with the right of use assets will flow to the enterprise, and the cost of the right of use assets can be measured reliably.

Right of use assets are initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the right of use assets, the carrying amount of the replaced part is derecognised. At the inception of a contract, the Scheme assesses whether such contract is (or contains) a lease. A contract is (or contains) a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Scheme assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not considered to be an identified asset;
- the Scheme has the right to substantially obtain all of the economic benefits from the use of the asset throughout the period of use, and;
- the Scheme has the right to the direct use of the asset. The Scheme has this right when it has the decision-making rights that are most relevant to changing how, and for what purpose, the asset is used. In rare cases where all the decisions about how and for what purposes the asset is used are predetermined, the Scheme has the right to direct the use of the asset if either:
- the Scheme has the right to operate the asset; or
- the Scheme designed the asset in a way that predetermines how and for what purpose it will be used.

At inception, or on the reassessment of a contract that contains a lease component, the Scheme allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

All assets are accounted for by recognising a right of use asset and a lease liability, except for:

- leases of low-value assets; and
- leases with a duration of twelve months or less.
- The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for:
- any lease payments made at or before the commencement of the lease; and
- any initial direct costs incurred.

Subsequent to initial measurement, the right of use asset is depreciated using the straight-line method over the remaining term of the lease or the remaining useful life of the asset. The estimated useful life of the right of use asset is determined on the same basis as that of property.

The useful life of the item of right of use assets has been assessed as follows:

Asset class	Average useful life	Depreciation method
Land and buildings	5 years	Straight line

ACCOUNTING POLICIES

General information continued...

Nature of leasing activities

The Scheme leases land and buildings in Irene, Gauteng, to house its personnel and in Lephalale to provide a walk-in centre for the servicing of Scheme members. The lease for the office space in Gauteng is effective from 01 August 2018 with a duration of five years. The lease expired on 31 July 2023 and the scheme has currently opted for a month-to-month contract. The lease for the walk-in centre in Lephalale is effective 01 September 2019 with a duration of three years. At the expiration of the lease contract in August 2022, the scheme opted for a month-to-month contract. The lease agreements include non-lease components and provide for the payment by the Scheme of operational costs incurred by the lessor and rates and taxes levied on the lessor. These amounts are determined monthly and are recognised as an expense in the period incurred.

1.5 Property, plant and equipment

Property, plant, and equipment are tangible assets that the Scheme holds for its own use, and which are expected to be used for more than one year.

Property, plant and equipment are reflected at historical cost less accumulated depreciation and accumulated impairments. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets after taking into consideration the asset's residual value.

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

Asset class	Average useful life	Depreciation method
Leasehold improvements	3 years	Straight line
Motor vehicles	5 years	Straight line
Fixtures and fittings	6 years	Straight line
Office equipment	6 years	Straight line
Computer equipment	3 years	Straight line

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in the statement of comprehensive income to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds (if any) and the carrying amount of the item, is included in the Statement of Comprehensive Income when the item is derecognised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Scheme, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to dispose and value-in-use. Gains or losses on disposals are determined by comparing the proceeds with the carrying amount. These are recorded in the surplus or deficit.

1.6 Financial instruments

Financial Assets

The Scheme classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through other comprehensive income.
- Financial assets at fair value through profit or loss.

ACCOUNTING POLICIES

General information continued...

Initial Recognition

Financial instruments are initially measured at fair value plus (in the case of financial instruments not at fair value through profit or loss) transaction costs that are directly attributable to the acquisition or issue of the financial asset. Instruments that are classified under this category comprise of listed and unlisted equites and unitised investments. Upon initial recognition transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss. Subsequent to initial recognition, these instruments are measured as set out below:

Financial Assets at fair value through profit or loss

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

Financial Assets at Fair value through other comprehensive income

An instrument is classified at fair value through other comprehensive income (OCI) if it is held to collect contractual cash flows and with the intention to sell the debt securities before maturity. Instruments that fall under this classification comprise of portfolios whose underlying investments include investments in bonds, cash balances, on-call accounts and money market investments. The Scheme has debt securities whose objective is achieved by holding these securities. The contractual terms of the debt securities give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial instruments classified at fair value through OCI are measured at fair value. Changes in the fair value are recognised in other comprehensive income.

Interest income is recognised in profit or loss when earned. The movement in unrealised gains and losses is recognised in OCI and transferred to Insurance contract liabilities. On sale, the accumulated gains and losses in OCI are derecognised by releasing them to profit or loss.

Financial assets at amortised cost

- Insurance receivables and other receivables

Insurance receivables are insurance contracts and other receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Insurance and other receivables are measured on initial recognition at fair value (plus directly attributable transaction costs) and are subsequently measured at amortised cost using the effective interest method.

The Scheme assesses at each reporting date whether there is objective evidence that an insurance receivable is impaired. Evidence of impairment may include indications that members and or providers are experiencing significant financial difficulty, defaulted or delinquent payment. This allowance is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest computed at initial recognition.

Impairment losses are written off against allowance for impairment losses in the statement of financial position.

- For each monthly contribution, it was established whether the contribution was received in the current month or in a later month.
- Receipts were allocated to the oldest amount outstanding.
- Where there were overpayments, these were allocated to the next contribution.
- Cumulative collection percentages were computed for each contribution. Members in credit were noted, where the collection rates for these members were then set to 100% (fully collected). No offset against other members were allowed.

Cash and cash equivalents

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

Financial liabilities

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

ACCOUNTING POLICIES

General information continued...

Offset

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

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Derecognition of financial liabilities

The Scheme derecognises financial liabilities when, and only when, the Scheme's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

1.7 Lease liability

The Scheme adopted IFRS 16 with an initial application date of 01 January 2019. The Scheme applied the modified retrospective transition method. It also elected to apply the practical expedient that allows entities to rely on its assessment of whether leases were onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. The Scheme also elected to apply the practical expedient for short-term leases to leases for which the lease term ends within 12 months of the date of initial application.

The lease liability is initially measured at the present value of the lease payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Scheme's incremental borrowing rate on commencement of the lease is used. Lease payments included in the measurement of the lease liability comprise fixed payments, increasing annually at a rate set out in the lease agreement.

The lease liability is measured at amortised cost using the effective interest method. The lease liability is remeasured by discounting the revised lease payments using a revised discount rate if there is a change in the lease term, or if the Scheme changes its assessment of whether it will exercise an extension option. When the lease liability is measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in the surplus or deficit if the carrying amount of the right of use asset has been reduced to zero.

ACCOUNTING POLICIES

General information continued...

Leases of low-value assets

The Scheme has elected not to recognise short-term leases and leases of low-value assets.

1.8 Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factors in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some, or all, of the following features or attributes:

a) restricted activities;

b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;

c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and

d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

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

1.9 Impairment of financial assets

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

Assets carried at amortised cost

The Scheme considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

If there is objective evidence that an impairment loss on other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed on initial recognition). The carrying amount of the asset is reduced through the use of an allowance account.

The amount of the loss is recognised in profit or loss. Insurance receivables impairment is still applied using the simplified Expected Credit Loss (ECL) model. A forward-looking ECL model will be considered in respect of insurance receivables when the requirements of IFRS 17, insurance contracts, are implemented in 2023.

Debt securities at fair value through other comprehensive income

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

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

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

Reversals of impairment

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

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

ACCOUNTING POLICIES

General information continued...

Impairment of non-financial assets

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

Reversals of impairment

An assessment is made at reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or have decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. The reversal is recognised in profit or loss.

Leases as lessee

Identification of a lease

The Scheme adopted IFRS 16 with an initial application date of 01 January 2019. The Scheme applied the modified retrospective transition method. It also elected to apply the practical expedient that allows entities to rely on its assessment of whether leases were onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. The Scheme also elected to apply the practical expedient for short-term leases to leases for which the lease term ends within 12 months of the date of initial application.

The lease liability is initially measured at the present value of the lease payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Scheme's incremental borrowing rate on commencement of the lease is used. Lease payments included in the measurement of the lease liability comprise fixed payments, increasing annually at a rate set out in the lease agreement.

The lease liability is measured at amortised cost using the effective interest method. The lease liability is remeasured by discounting the revised lease payments using a revised discount rate if there is a change in the lease term, or if the Scheme changes its assessment of whether it will exercise an extension option. When the lease liability is measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in the surplus or deficit if the carrying amount of the right of use asset has been reduced to zero.

Leases of low-value assets

The Scheme has elected not to recognise short-term leases and leases of low-value assets.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the effective interest rate at the end of the period under consideration.

The lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Income for leases is disclosed under revenue in profit or loss.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

ACCOUNTING POLICIES

General information continued...

1.10 Employee benefits

Short-term employee benefits

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

1.11 Provisions

Provisions are recognised when:

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

Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Provisions are measured as the present value of management's best estimate of the expenditure expected to settle the obligation at the reporting date.

1.12 Contingent Liabilities

The Scheme will disclose a contingent liability if one of the following conditions are met:

- A possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Scheme.
- A present obligation that arises from past events is not recognised because:
- It is not possible that an outflow of resources will be required to settle an obligation.
- The amount of the obligation cannot be measured with sufficient reliability.

1.13 Insurance service expenses

Insurance service expenses consists of claims incurred and attributable expenses.

1.14 Liabilities and related assets under the liability adequacy test

The liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows, including related cash flows such as claims handling costs, and comparing this amount to the carrying value of the liability net of any related assets i.e., the value of business acquired. Where a shortfall is identified, an additional provision is made, and the Scheme recognises the deficiency in income for the year.

Liability adequacy tests are performed to ensure the adequacy of the member insurance contract liabilities as at the reporting date. In performing these tests, current estimates of future cash flows under the Scheme's insurance contracts are used. Any deficiency is immediately recognised in the Scheme's surplus or deficit for the year.

1.15 Reimbursement from the Road Accident Fund (RAF)

The Scheme grants assistance to its members in defraying expenditure incurred in connection with the rendering of any health service. Such expenditure may be in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act No 56 benefits of 1996. If the member is reimbursed by the RAF, they are obliged contractually to cede that payment to the Scheme to the extent that they have already been compensated.

Reimbursement from the RAF is a possible asset that arises from claims submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more certain future events not wholly within the control of the Scheme. The contingent assets are assessed continually to ensure that developments are appropriately reflected in the annual financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the annual financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Scheme discloses the contingent asset. Recoveries from the RAF are reflected as third-party claim recoveries in the statement of comprehensive income.

1.16 Managed care: management services expenses

Accredited managed healthcare services comprise fees paid or payable to a third party for managing the utilisation, costs, and quality of healthcare services to the members of the Scheme and are expensed as incurred. These are recognised as an expense when incurred. Accredited managed healthcare services are part of healthcare expenditure as they directly impact the delivery of cost-effective and appropriate healthcare benefits to beneficiaries of the Scheme.

ACCOUNTING POLICIES

General information continued...

1.17 Broker service fees

Broker service fees are fees paid as acquisition costs for the introduction and provision of ongoing services to members and are expensed as incurred.

1.18 Investment income

Interest is recognised using the effective interest method when it is determined that such income will accrue to the Scheme. Interest received includes interest received on investments at fair value through profit or loss, as well as cash and cash equivalents. Dividend income is recognised in profit or loss on the date that the Scheme's right to receive payment is established. Income from collective investment schemes is recognised when entitlement to the investment income is established.

1.19 Realised and unrealised gains and losses

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

1.20 Prescribed Income

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

1.21 Administration expenditure

Fees paid to the Scheme's administrator are included in administration expenditure and are expensed as incurred. Other operating expenses other than administration fees are also included in administration expenditure and are expensed as incurred.

1.22 Allocation of income and expenditure to benefit options

Revenue and expenditure are allocated to benefit options on a direct basis where this is determinable. Where the revenue and expenditure are not directly attributable to a specific benefit option, the revenue or expenditure is allocated based on the benefit option's membership proportionate to the Scheme's overall membership base.

The following items are directly allocated to benefit options:

- Contribution income
- Claims incurred
- Net income/expense on risk transfer arrangements
- Broker Service Fees
- Provision for impairment
- RAF recoupment

The remaining items are apportioned based on the number of members on each option:

- Other income
- Other expenditure
- Other administrative expenditure
- Managed care: management services
- Administration fees

1.23 Personal Medical Savings Accounts

The personal medical savings account (which is managed by the Scheme on behalf of its members) represents savings contributions (which are a deposit component of the insurance contracts) in terms of the rules of the Scheme, net of any savings claims paid on behalf of members in terms of the Scheme's registered rules.

The investment component and the insurance component are highly interrelated where the one component cannot be measured without considering the other. For benefit plan options offering PMSAs, the PMSA can be measured separately; however, under certain benefit plan options, there is a risk component that is available once the PMSA has been exhausted and once certain conditions are met. This indicates that the level of certain risk benefits available is dependent on the PMSA, meaning that the value of risk benefits cannot be measured without considering the PMSA resulting in the two components being highly interrelated

The second indicator that the two components are highly interrelated is that the member is unable to benefit from one component unless the other component is also present. Under benefit options that offer PMSAs, the PMSA and the risk portion of the plan cannot be bifurcated and the member, if electing a benefit plan with a PMSA, has to take both the PMSA and risk component. To cancel a component of the contract, the member has to cancel the entire contract (both components).

The condition whereby an investment component can be separated from the insurance component if not highly interrelated is not met when considering the PMSA component.

Where the above condition apply, PMSAs cannot be separated from the insurance component, and IFRS 17 shall be applied to the entire contract including the PMSA.

The PMSA is a non-distinct investment component with the balances included in Insurance Contract Liabilities in the Statement of Financial Position.

Unspent savings at year-end are carried forward to meet future expenses for which the members are responsible. In terms of the Medical Schemes Act no. 131 of 1998 (as amended), balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act.

1.24 Related parties

A related party is a person or entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to a reporting entity if that person:
  - » has control or joint control of the reporting entity;
  - » has significant influence over the reporting entity; or
  - » is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - » The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - » One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - » Both entities are joint ventures of the same third party;
  - » One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - » The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - » The entity is controlled or jointly controlled by a person identified as a related party;

1.25 IFRS 17 - Insurance contracts

The Scheme applies IFRS 17 Insurance Contracts to insurance contracts issued or acquired and reinsurance contracts issued or held. Under these contracts, the scheme accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. The scheme was previously applying IFRS 4 to its insurance contracts, the accounting policies illustrated below have been adopted in accordance with IFRS 17 transitional provisions.

Transition approach

IFRS 17 permits early adoption of the Standard. The scheme did not early adopt IFRS 17. The scheme applies IFRS 17 as of 1 January 2023 on a full retrospective approach. Any adjustments to carrying amounts of insurance and reinsurance assets and liabilities at the date of transition, have been recognised in the opening retained earnings and other reserves at 1 January 2022 (the comparative period).

The table below illustrates the impact on opening reserves on transition to IFRS 17

Members funds

Balance as at 31 December 2021	Impact on equity on transition to IFRS 17		Restated balance as at 31 December 2022
	Restatement due to IFRS 17	Restated balance at 1 January 2022	
1,446,831,276	3,273,357	1,443,557,919	1,060,038,254

ACCOUNTING POLICIES

General information continued...

The table below illustrates original categories under IFRS 4 and the reclassification thereof to IFRS 17 as at 1 January 2022:

Insurance contracts

31 December 2021 - IFRS 4 balances			Classification to IFRS 17 - Balances 1 January 2022		
Assets	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
1,841,958,712	395,127,436	1,446,831,276	1,668,439,871	224,881,952	1,443,557,919
1,841,958,712	**395,127,436**	**1,446,831,276**	**1,668,439,871**	**224,881,952**	**1,443,557,919**

Definition, classification and separation of components

Insurance contracts are contracts under which the scheme accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The scheme applies judgment in assessing whether a contracts transfers significant insurance risk.

Sizwe Hosmed is a registered Medical Aid Scheme in South Africa that issues contracts which stipulate that Sizwe Hosmed will compensate the policyholder should the policyholder claim due to a specified uncertain event occurring. This compensation is in the form of settling claims on medical expenses.

The scheme offers 8 options to its members. Insurance risk is significant if, and only if, an insured event could cause the issuer to pay additional amounts that are significant in any single scenario, excluding scenarios that have no commercial substance (i.e., no discernible effect on the economics of the transaction). The Scheme accepts significant insurance risk from the member by agreeing to compensate the member should a specified uncertain event adversely affects the member, for example, providing hospitalization services should a member become ill. These services provided far exceed the premiums paid by the member.

Therefore, Sizwe Hosmed is accepting significant insurance risk.

To be eligible for the Premium Allocation Approach (PAA) under IFRS 17, the following conditions must be met:

- The coverage period for the group of insurance contracts is one year or less; or
- The PAA would result in a "reasonable approximation" to the General Measurement Model (GMM).

Insurance contract liabilities

The Insurance contract liabilities represent the liability attributable to future members of the Scheme. The funds are mainly held as statutory reserves in lieu of the solvency requirements as required by the Act.

Insurance revenue

Contributions on members' insurance contracts are accounted for monthly when their collection in terms of an insurance contract is reasonably certain. Risk contributions represent contributions net of the savings contribution. The earned portion of the risk contributions received is recognised as revenue. Risk contributions are earned from the date of attached risk, over the indemnity period on a straight-line basis. Risk contributions are shown before the deduction of broker services fees and other similar costs.

Insurance service expenses

Insurance service expenses consists of claims incurred and attributable expenses.

Liability for incurred claims (LIC)

The outstanding claims provision is a provision made for the 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. The provision is determined as accurately as possible based on several 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.

Estimated co-payments and payments from personal medical savings accounts are deducted in calculating the outstanding claims provision. The Scheme does not discount its provision for outstanding risk claims, since the effect of the time value of money is not considered material.

ACCOUNTING POLICIES

General information continued...

1.26 Administration expenditure

The following items are directly allocated to benefit options:

- Contribution income
- Claims incurred
- Net income/expense on risk transfer arrangements
- Broker Service Fees
- Provision for impairment
- RAF recoupment

The remaining items are apportioned based on the number of members on each option:

- Investment income
- Other income
- Other expenditure
- Other administrative expenditure
- Managed care: management services
- Administration fees

1.27 Managed care: management services expenses

Accredited managed healthcare services comprise fees paid or payable to a third party for managing the utilisation, costs, and quality of healthcare services to the members of the Scheme and are expensed as incurred. These are recognised as an expense when incurred. Accredited managed healthcare services are part of healthcare expenditure as they directly impact the delivery of cost effective and appropriate healthcare benefits to beneficiaries of the Scheme.

Allocation of income and expenditure to benefit options:

Revenue and expenditure are allocated to benefit options on a direct basis where this is determinable. Where the revenue and expenditure are not directly attributable to a specific benefit option, the revenue or expenditure is allocated based on the benefit option's membership proportionate to the Scheme's overall membership base.

1.28 Reimbursement from the Road Accident Fund (RAF)

The Scheme grants assistance to its members in defraying expenditure incurred in connection with the rendering of any health service. Such expenditure may be in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act No 56 benefits of 1996. If the member is reimbursed by the RAF, they are obliged contractually to cede that payment to the Scheme to the extent that they have already been compensated.

Reimbursement from the RAF is a possible asset that arises from claims submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more certain future events not wholly within the control of the Scheme. The contingent assets are assessed continually to ensure that developments are appropriately reflected in the annual financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the annual financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Scheme discloses the contingent asset. Recoveries from the RAF are reflected as third-party claim recoveries in the statement of comprehensive income.

2. New standards and interpretations

2.1 Standards and Interpretations effective and adopted in the current year

Annual improvements cycle 2018-2020

IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. The Scheme is not a subsidiary, thus the amendment would have no impact on the financial statements.

IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.

The Scheme has not acquired any loan, thus the amendment would have no impact on the financial statements.

ACCOUNTING POLICIES

New standards and interpretations continued...

Amendments to IAS 16 - Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

This amendment has no impact on the financial statements.

IAS 37: Onerous Contracts: Cost of Fulfilling a Contract

The amendment clarifies that the direct costs of fulfilling a contract, when assessing whether a contract is onerous, include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The effective date of the standard is for years beginning on or after 01 January 2022. The amendment would have no impact on the financial statements. The Scheme has not entered into any onerous contracts.

Amendments to IFRS 16: Covid-19 Related Rent Concessions

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient. The effective date of the standard is for years beginning on or after 01 April 2021. The amendment has no impact on the financial statements.

IFRS 17 - Insurance contracts

IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts for annual periods 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

- explanation of recognised amounts;
- significant judgements in applying IFRS 17; and
- nature and extent of risks that arise from contracts within the scope of IFRS 17.

The objective of IFRS 17 disclosures is to allow users of the financial statements to assess the impact that insurance contracts and reinsurance contracts within the scope of IFRS 17 have on the entity's financial position, financial performance and cash flows.

The scheme applies IFRS 17 to insurance contracts it issues. References made to insurance contracts shall deem to imply insurance contracts issued or acquired.

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

Amendments to IAS 1 and IFRS Practice Statement 2

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

The effective date of the standard is for years beginning on or after 01 January 2023. The impact of this standard is currently being assessed.

IFRS 17: Insurance Contracts

IFRS 17 will impact the measurement of the contracts with members in the Scheme's financial statements. The Scheme will qualify for the premium allocation approach which requires the Scheme to recognise a liability for remaining coverage (with reference to the premiums received) and a liability for incurred claims (calculated as the expected cash outflows and a risk adjustment). The Scheme expects that the boundary of the contracts with members will be one year. The Scheme will be required to assess for onerous contracts at the point members elect the benefit option for the following year.

The effective date of the standard has been deferred by two years to annual reporting periods beginning on or after 1 January 2023. The Scheme adopted the standard for the first time in the 2023 annual financial statements.

ACCOUNTING POLICIES

New standards and interpretations continued...

IAS 1: Presentation of Financial Statements

Classification of Liabilities as Current or Non Current

Under existing IAS1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. As part of its amendments, the board has removed the requirements and, instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

The effective date of the standard is 1 January 2023. The Scheme adopted the standard in the 2023 annual financial statements.

IAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting remain unchanged.

The effective date of the standard is 1 January 2023. The Scheme adopted the standard in the 2023 annual financial statements.

There has been no impact on the Scheme as a result of adopting this change.

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendment updates a reference to IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Reporting, in order to determine what constitutes an asset or a liability in a business combination.

In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.

The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The effective date of the standard is 1 January 2023. This will be applicable to the Scheme's possible future business combinations.

There has been no impact on the Scheme as a result of adopting this change.

2.2 Standards and Interpretations issued but not yet effective

IFRS 16 - Leases

Amendment to IFRS 16 - Leases on sale and leaseback

The amendment requires an entity to explain how the entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all of the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

The effective date of the standard is for years beginning on or after 01 January 2024. The impact of this standard is currently being assessed.

IFRS 18 Presentation and Disclosures in Financial Statements.

IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.

The effective date of the standard is for years beginning on or after 01 January 2027.

NOTES TO THE FINANCIAL STATEMENTS



NOTES TO THE FINANCIAL STATEMENTS

Figures in R

3. Property, plant and equipment

3.1 Balances at year end and movements for the year

Reconciliation for the year ended 31 December 2023	Leasehold improvements	Motor vehicles	Fixtures and fittings	Office equipment	Computer equipment	Total
Balance at 1 January 2023						
At cost	1,220,081	1,110,628	3,410,639	1,953,180	2,771,616	**10,466,144**
Accumulated depreciation	(1,220,081)	(963,975)	(1,943,031)	(1,653,295)	(2,329,339)	**(8,109,721)**
Carrying amount	**-**	**146,653**	**1,467,608**	**299,885**	**442,277**	**2,356,423**
Movements for the year ended 31 December 2023						
Additions	-	-	-	31,200	73,375	**104,575**
Depreciation	-	(123,501)	(294,336)	(71,767)	(203,348)	**(692,952)**
Property, plant and equipment at the end of the year	**-**	**23,152**	**1,173,272**	**259,318**	**312,304**	**1,768,046**
Closing balance at 31 December 2023						
At cost	1,220,081	1,110,628	3,410,640	1,984,382	2,844,991	**10,570,722**
Accumulated depreciation	(1,220,081)	(1,087,476)	(2,237,368)	(1,725,064)	(2,532,687)	**(8,802,676)**
Carrying amount	**-**	**23,152**	**1,173,272**	**259,318**	**312,304**	**1,768,046**

Reconciliation for the year ended 31 December 2022	Leasehold improvements	Motor vehicles	Fixtures and fittings	Office equipment	Computer equipment	Total
Balance at 1 January 2022						
At cost	1,220,081	1,110,628	3,275,332	1,655,660	2,382,625	**9,644,326**
Accumulated depreciation	(1,221,415)	(840,767)	(1,634,618)	(1,594,344)	(2,120,945)	**(7,412,089)**
Carrying amount	**(1,334)**	**269,861**	**1,640,714**	**61,316**	**261,680**	**2,232,237**
Movements for the year ended 31 December 2022						
Additions	-	-	225,975	297,520	388,991	**912,486**
Depreciation	1,334	(123,208)	(308,413)	(58,952)	(208,394)	**(697,633)**
Disposals	-	-	(90,667)	-	-	**(90,667)**
Property, plant and equipment at the end of the year	**-**	**146,653**	**1,467,609**	**299,884**	**442,277**	**2,356,423**
Closing balance at 31 December 2022						
At cost	1,220,081	1,110,628	3,410,639	1,953,180	2,771,616	**10,466,144**
Accumulated depreciation	(1,220,081)	(963,975)	(1,943,031)	(1,653,295)	(2,329,339)	**(8,109,721)**
Carrying amount	**-**	**146,653**	**1,467,608**	**299,885**	**442,277**	**2,356,423**

4. Right-of-use asset

The Scheme leases the building from which it operates its head office. The lease expired in July 2023 and continued on a month to month basis.

Figures in R	2023	2022
Reconciliation for the year	**Land and Buildings**	**Total**
Balance as at 1 January 2022	2,265,763	2,265,763
Depreciation charge for the year Leasehold expenses	(1,501,552)	(1,501,552)
Balance as at 31 December 2022	764,211	764,211
Movements for 2023:		
Depreciation charge for the year	(764,211)	(764,211)
Balance as at 31 December 2023	-	-

Figures in R

	2023	2022
5. Other receivables		
Prepayment	31,097,312	21,747,530
Diners Club	406,550	-
Sparrow FET Enterprises (Pty) Ltd	176,000	-
Malatjie & Co Attorneys	5,000,000	-
3Sixty Marketing	25,104,500	21,275,000
Old Mutual t/a RemChannel	59,709	19,454
Other	350,553	453,076
Risk transfer debtor		141,485
Interest receivables	464,447	584,736
Sundry debtors	20,444,604	13,258,509
PMSA receivables	3,984,164	1,380,543
Isoleso	5,000,000	5,000,000
3Sixty Marketing Services (Pty) Ltd	7,552,000	4,303,000
Other	3,908,441	2,574,966
Fund payroll control	68,482	-
Other receivables	**52,074,846**	**35,732,260**

6. Financial assets at Fair value through profit or loss		
Listed equity investments	68,536,716	183,690,575
Unlisted equity investments	21,230,025	23,496,965
Unitised investments	459,641,356	242,563,948
	549,408,097	449,751,488
Non-current assets	549,408,097	449,751,488
	549,408,097	**449,751,488**
Fair value of financial assets at FVTPL		
Fair value at the beginning of the year	449,751,488	553,510,977
Purchases of investments	2,444,951,377	1,793,163,009
Proceeds on disposal of investments	(2,372,192,321)	(1,910,268,374)
Interest received	15,033,151	7,045,166
Dividends received	5,571,592	17,441,081
Portfolio Management Fees	(1,447,844)	(1,981,310)
Realised Profit / (Loss)	13,678,567	24,587,227
Fair value through profit or loss (unrealized gains)	(5,937,913)	(33,746,288)
Fair value at the end of the year	**549,408,097**	**449,751,488**

Figures in R

7. Financial assets at fair value through OCI

	2023	2022
Bonds	292,250,127	510,297,197
Money market	29,831,170	187,756,221
	322,081,297	698,053,418
Non-current assets at FVTOCI		
Bonds and money market	235,832,445	570,162,861
Current assets at FVTOCI		
Bonds and money market	86,248,852	127,890,557
Total	**322,081,297**	**698,053,418**
Fair value of financial assets at FVTOCI		
Fair value at the beginning of the year	698,053,418	978,956,445
Purchases of investments	346,101,762	224,678,084
Proceeds on disposal of investments	(773,550,440)	(547,176,235)
Interest received	61,719,515	65,838,815
Portfolio Management Fees	(1,755,509)	(3,332,816)
Realised Profit	(8,723,785)	(7,553,548)
Fair Value through OCI (Unrealised Gains / (Losses))	236,338	(13,357,327)
Fair value at the end of the year	**322,081,297**	**698,053,418**
For the purpose of the Statement of Cash Flows:		
Purchase of investments (FVTOCI)	346,101,762	224,678,084
Purchase of investments (FVTPL)	2,444,951,377	1,793,163,009
Total	**2,791,053,139**	**2,017,841,093**
Less: Unsettled trades	(24,367,238)	(33,121,081)
Purchases unsettled trades	33,121,081	5,307,775
Movement between portfolios	(1,618,045)	(107,434,171)
Purchases of investment as per statement of cashflow	**2,798,188,938**	**1,882,593,616**

8. Cash and cash equivalents

Cash and cash equivalents included in current assets:		
Cash on hand	20,988	8,164
Balances with banks	147,866,299	109,412,419
Call accounts	4,019,529	4,539,416
Investment current accounts	2,745,030	6,166,714
Total cash and cash equivalents	**154,651,846**	**120,126,713**

The overall weighted average effective interest rate on call accounts, current accounts and investment current accounts for the year was 6.84% , 3.30% and 9.43% respectively.

Figures in R

	2023	2022

9. Reconciliation of the insurance liability attributable to future members

Opening balance	**1,060,038,254**	**1,443,557,919**
Movement in insurance liability attributable to future members	(383,386,252)	(383,519,665)
Amount settled in the current year	-	-
Closing balance	**676,652,002**	**1,060,038,254**
Liability to current members	**-**	**-**
Non-current liability	676,652,002	1,060,038,254
Current liability	**676,652,002**	**1,060,038,254**

The Scheme classifies the Insurance Contract Liability to Future Members as a current liability as required by IAS 1, paragraph 69 (d), which states that the entity shall classify a liability as current when it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

10. Trade and other payables

Sundry provisions / accruals	2,360,840	4,710,393
Creditors	48,339,261	57,419,308
Provision for leave pay	833,617	869,185
Provision for bonus	2,849,271	1,203,020
Provision for WCI	22,457	16,966
Total	**54,405,445**	**64,218,873**

Reconciliation of leave pay provision

Balance at the beginning of the year	869,185	1,465,146
Utilised for the year	(204,842)	(594,047)
Provision for the year	169,273	(1,914)
Balance at the end of the year	**833,616**	**869,185**

Reconciliation of bonus provision

Balance at the beginning of the year	**1,203,020**	**-**
Amount paid out during the year	(1,203,020)	-
Provision for the year	2,849,271	1,203,020
Balance at the end of the year	**2,849,271**	**1,203,020**

11. Reconciliation of insurance contracts - All contracts (aggregate)

	2023				2022 - Restated			
	LFRC	LIC			LFRC	LIC		
	Excluding loss component	BEL	RA	Total	Excluding loss component	BEL	RA	Total
Net asset/(liability) as at 1 January	**182,130,067**	**(342,592,812)**	**(21,136,518)**	**(181,599,264)**	**173,518,843**	**(356,070,916)**	**(21,176,727)**	**(203,728,801)**
Insurance revenue	3,964,746,561			3,964,746,561	4,118,616,357			4,118,616,357
Insurance service expenses: with accrual								
Incurred claims		(3,703,760,986)		(3,703,760,986)		(3,861,536,274)		(3,861,536,274)
Directly attributable expenses		(441,295,218)		(441,295,218)		(447,336,805)		(447,336,805)
Changes that relate to past service - adjustments to LIC		(71,280,898)		(71,280,898)		(8,615,217)		(8,615,217)
Changes in the risk adjustment for non financial risk			(3,975,513)	(3,975,513)			40,209	40,209
Insurance service result	**3,964,746,561**	**(4,216,337,102)**	**(3,975,513)**	**(255,566,054)**	**4,118,616,357**	**(4,317,488,296)**	**40,209**	**(198,831,730)**
Total amount recognised in statement of comprehensive income	**3,964,746,561**	**(4,216,337,102)**	**(3,975,513)**	**(255,566,054)**	**4,118,616,357**	**(4,317,488,296)**	**40,209**	**(198,831,730)**
Investment component (PMSA premiums received)	317,640,776	(317,640,776)		-	19,192,735	(19,192,735)		-
Cash flows - actual income statement								
Premiums received	(4,298,239,082)			(4,298,239,082)	(4,129,197,868)			(4,129,197,868)
Claims paid		3,717,049,667		3,717,049,667		3,867,138,644		3,867,138,644
Directly attributable expenses paid		453,755,537		453,755,537		466,836,810		466,836,810
PMSA claims and PMSA refunds		215,672,520		215,672,520		16,183,681		16,183,681
Total cash flows	**(4,298,239,082)**	**4,386,477,724**	**-**	**88,238,642**	**(4,129,197,868)**	**4,350,159,135**	**-**	**220,961,266**
Net asset/(liability) as at 31 December	**166,278,322**	**(490,092,966)**	**(25,112,031)**	**(348,926,675)**	**182,130,067**	**(342,592,812)**	**(21,136,518)**	**(181,599,264)**

Breakdown of Insurance contract liabilities

Contributions outstanding	182,453,491			182,453,491	184,055,139			184,055,139
ECL Receivables	(32,338,153)			(32,338,153)	(12,919,630)			(12,919,630)
Sundry Debtors - PMSA Advances	3,512,695			3,512,695	909,075			909,075
Member claims receivables	6,437,540			6,437,540	6,437,540			6,437,540
Provider claims receivables	1,641,346			1,641,346	1,641,346			1,641,346
Forensic receivables	4,571,403			4,571,403	2,006,598			2,006,598
Claims payables		(11,491,877)		(11,491,877)		(24,780,558)		(24,780,558)
Attributable Expenses		(63,867,415)		(63,867,415)		(76,327,735)		(76,327,735)
Provision for outstanding claims		(297,001,061)		(297,001,061)		(225,720,162)		(225,720,162)
Personal Medical Savings Accounts liability		(117,732,613)		(117,732,613)		(15,764,357)		(15,764,357)
Risk adjustment			(25,112,031)	(25,112,031)			(21,136,518)	(21,136,518)
	166,278,322	**(490,092,966)**	**(25,112,031)**	**(348,926,675)**	**182,130,067**	**(342,592,812)**	**(21,136,518)**	**(181,599,264)**

Figures in R

	2023	2022

12. Lease liability

12.1 Lease liability comprise:

Lease obligation	-	928,122

12.2 Amounts recognised in the statement of financial position

Lease Liability	**Land and Buildings**	**Total**
Balance as at 1 January 2022	2,827,054	2,827,054
Interest expense	146,978	146,978
Lease payment	(2,045,910)	(2,045,910)
Balance as at 31 December 2022	**928,122**	**928,122**
Interest expense	20,659	20,659
Lease payment	(948,782)	(948,782)
Balance as at 31 December 2023	-	-
Maturity analysis - Contractual undiscounted Cashflows		
Less than one year	948,782	948,782
	948,782	**948,782**

12.3 Amounts recognised in the statement of comprehensive income

Depreciation	764,210	764,210
Interest expense	20,659	20,659
	784,870	**784,870**

12.4 Amounts recognised in the statement of cash flows

Lease liability - capital payment	928,122	928,122
Lease liability - interest paid	20,659	20,659
Total cash outflow for leases	**948,782**	**948,782**

13. NET (DEFICIT) / SURPLUS PER BENEFIT OPTION

	2023								
	Gold Ascend	Titanium	Platinum Enhanced	Essential Copper	Silver Saver	Plus	Value	Access	Total
	R	R	R	R	R	R	R	R	R
Insurance revenue	**1,366,696,016**	**212,968,569**	**754,138,045**	**142,022,592**	**12,781,649**	**278,052,848**	**1,061,405,449**	**136,681,394**	**3,964,746,561**
Insurance service expenses	**(1,335,291,742)**	**(216,779,817)**	**(852,280,615)**	**(173,082,832)**	**(17,745,524)**	**(300,913,700)**	**(1,183,144,433)**	**(141,073,959)**	**(4,220,312,623)**
Insurance service result	**31,404,275**	**(3,811,248)**	**(98,142,571)**	**(31,060,240)**	**(4,963,875)**	**(22,860,852)**	**(121,738,985)**	**(4,392,565)**	**(255,566,061)**
Other income	**39,262,402**	**4,457,488**	**21,886,750**	**877,375**	**78,980**	**3,964,304**	**23,014,100**	**6,108,874**	**99,650,273**
Investment income	34,325,197	3,877,815	19,211,042	-	-	3,466,519	20,110,642	5,299,401	86,290,615
Sundry income	4,937,206	579,673	2,675,708	877,375	78,980	497,786	2,903,458	809,473	13,359,658
Other operating expenses	(84,885,903)	(8,202,867)	(46,338,142)	(15,027,925)	(1,424,997)	(8,721,413)	(50,250,559)	(12,854,997)	(227,706,803)
Net (deficit)/ surplus for the year	**(14,219,227)**	**(7,556,627)**	**(122,593,963)**	**(45,210,790)**	**(6,309,893)**	**(27,617,960)**	**(148,975,443)**	**(11,138,688)**	**(383,622,592)**

	2022 - Restated								
	Gold Ascend	Titanium	Platinum Enhanced	Essential Copper	Silver Saver	Plus	Value	Access	Total
	R	R	R	R	R	R	R	R	R
Insurance revenue	**1,321,963,861**	**280,751,851**	**940,851,199**	**174,067,484**	**11,790,861**	**292,602,034**	**1,033,476,944**	**63,112,123**	**4,118,616,357**
Insurance service expenses	**(1,327,792,656)**	**(273,860,582)**	**(965,723,449)**	**(241,062,446)**	**(11,954,312)**	**(294,185,597)**	**(1,133,418,118)**	**(67,790,143)**	**(4,315,787,303)**
Insurance service result	**(5,828,794)**	**6,891,269**	**(24,872,250)**	**(66,994,962)**	**(163,451)**	**(1,583,563)**	**(99,941,174)**	**(4,678,020)**	**(197,170,946)**
Other income	**31,427,261**	**4,103,923**	**17,547,262**	**128,019**	**6,032**	**3,431,527**	**18,343,681**	**2,555,226**	**77,542,932**
Investment income	31,049,902	3,784,920	17,383,324	-	-	3,386,549	18,099,911	2,522,788	76,227,394
Sundry income	377,359	319,003	163,938	128,019	6,032	44,978	243,770	32,438	1,315,538
Other expenditure	(94,018,142)	(9,834,856)	(51,319,872)	(20,909,083)	(1,455,147)	(10,204,926)	(55,123,433)	(7,668,864)	(250,534,323)
Net (deficit)/ surplus for the year	**(68,419,675)**	**1,160,336**	**(58,644,860)**	**(87,776,026)**	**(1,612,566)**	**(8,356,962)**	**(136,720,926)**	**(9,791,658)**	**(370,162,338)**

Figures in R

	2023	2022

14. Insurance Revenue

Insurance revenue from contracts measured under the PAA		
Gross contributions	4,301,705,163	4,142,609,982
Personal Medical Savings Accounts contributions	(317,640,776)	(19,192,735)
Expected Credit Loss	(19,317,825)	(4,800,889)
	3,964,746,561	**4,118,616,357**

15. Attributable expenses incurred

Administration fees	163,718,256	168,690,780
Accredited managed	204,818,260	205,246,676
Insurance acquisition cash	72,758,701	73,399,349
	441,295,217	**447,336,805**

16. Analysis of Insurance Contracts Assets and Liabilities

Description	**2023**		**2022 - Restated**	
	Liabilities	**Assets**	**Liabilities**	**Assets**
	(515,204,997)	166,278,322	(363,729,330)	182,130,067
	(515,204,997)	**166,278,322**	**(363,729,330)**	**182,130,067**

17. Healthcare Risk - Reinsurance contracts held

	2023			2022		
	ARC	**AIC**	**Total**	**ARC**	**AIC**	**Total**
Net opening balance	-	-	-	-	-	-
Net income/(expense from reinsurance contract held						
Reinsurance expenses	-		-	(20,913,577)		(20,913,577)
Claims recovered		-	-		22,574,365	22,574,365
Total changes in the statement of profit or loss and OCI	-	-	-	(20,913,577)	22,574,365	1,660,788
Cash flows						
Premiums paid		-		20,913,577		20,913,577
Amounts recovered		-			(22,574,365)	(22,574,365)
Total cash flows				**20,913,577**	**(22,574,365)**	**(1,660,788)**
Net closing balance	**-**	**-**	**-**	**-**	**-**	**-**

Figures in R

	2023	2022

18. Sundry Income

Europe Assist	3,713,053	-
Claims liability prescribed	974,003	871,886
Contribution Debtors Write back	4,130,956	-
Unidentified deposit prescribed	73,637	132,878
Marketing Recoupment Penalty	3,249,000	-
Other income	1,219,008	310,774
	13,359,658	**1,315,538**

19. Accredited managed healthcare services (no risk transfer)

Disease management	50,970,876	50,828,946
Dental management	4,932,503	5,474,739
Centre for Diabetes	6,150,040	2,966,080
Network Management Costs	6,960,906	8,409,892
Managed hospital care	69,962,833	70,443,763
Pharmacy benefit management	65,841,102	67,123,256
	204,818,260	**205,246,676**

Fees for managed care services are based on a fixed rate per member per month.

20. Investment income

Investment income comprises:

Investment income from financial assets at fair value through profit or loss

Dividends income	5,571,592	17,441,081
Interest	15,033,151	7,045,165
Realised gains	13,678,567	24,587,227
Fair value movement (unrealised gains)	(5,937,913)	(33,746,287)
Interest on bank account	4,949,488	2,614,941
	33,294,885	**17,942,127**

Investment income from financial assets at fair value through other comprehensive income

Interest on Investment	61,719,515	65,838,815
Realised gains	(8,723,785)	(7,553,548)
	52,995,729	**58,285,267**
Total investment income	**86,290,615**	**76,227,394**

Figures in R

21. Administration fees and other operative expenses

	2023	2022
Ambulatory services	2,829,837	3,980,522
Actuarial fees	3,597,019	5,898,132
Audit committee honorarium	689,031	627,153
Auditors remuneration - Fees	1,698,049	4,538,345
Audit fees prior year	1,679,184	3,041,557
Audit fees under provision	-	331,821
Audit fees current year	-	1,111,410
Non-audit services - SALGA	-	46,000
Disbursements	18,866	7,557
AGM costs	3,493,711	6,807,984
Auditors' remuneration – internal audit	2,117,143	2,106,340
Bad debts written off	(8,643,292)	-
Bank charges	3,932,512	3,677,217
BBBEE costs	6,632,624	-
Computer expenses	1,098,583	997,637
Consulting fees	14,622,438	7,291,591
Conferences/Seminars	1,147,256	2,422,027
Depreciation	692,952	697,633
Depreciation on leased assets	764,210	1,501,552
Employee cost	31,353,589	28,228,019
Fidelity guarantee and insurance	1,143,464	1,094,644
Investigation costs	3,135,527	1,124,213
Legal expense	3,057,420	1,800,942
Marketing costs	79,863,987	92,193,711
Medicine processing fees	7,736,018	7,327,795
Meeting costs and other expenses	813,175	1,207,876
Network Management Costs	4,415,308	3,925,498
Optical benefit management	2,701,279	2,083,241
Other operating cost	12,463,606	9,991,371
Postage and telephone	11,244,543	12,006,230
Printing and stationery	13,242,500	23,016,077
Statutory costs	2,888,261	-
Sub-Committee honoraria	863,669	397,333
Subscriptions	1,250,511	4,774,598
Travel and accommodation	1,437,294	2,765,646
Trustees remuneration	11,173,998	11,849,078
Total	**223,456,222**	**244,332,405**

Administrative expenses comprise:

Accredited services		
Member management	15,749,298	26,826,025
Contribution Management	15,749,298	22,035,664
Claims management	20,474,088	41,198,390
Financial management	9,449,579	20,876,396
Broker Management	6,225,271	6,343,431
Information management and data	31,498,597	-
Customer Services	64,572,124	49,474,855
Total	**163,718,256**	**166,754,762**

Figures in R

	2023	2022

22. Finance costs

Lease obligations	20,659	146,978

23. Personal medical savings account liability

Personal medical savings account liability comprise:

The Scheme Rules for Personal Medical Savings Accounts (PMSAs) effective 1 January 2019 were amended. The effect of the amendment establishes that a trust relationship no longer exists. Following the rule amendment, PMSA assets are no longer defined and treated as trust assets and now form part of the Scheme's assets. In addition, PMSAs are no longer disclosed as trust liabilities and instead form part of the Scheme's liabilities.

Members' personal medical savings accounts represent a financial liability of funds due to members by the Scheme. The savings account facility assists members in managing cash flow for costs to be borne by them during the year and meeting provider service expenses not covered by the Scheme's approved benefits.

Balance on Personal Medical Savings Accounts at the beginning of the year	15,764,356	12,755,302
Personal Medical Savings Accounts contributions received or receivable	317,640,776	19,192,735
(Over)/Under used savings claim balances	2,603,620	(661,892)
Claims paid to or on behalf of members	(217,754,770)	(14,440,507)
Refunds on death or resignation	(521,370)	(1,081,282)
Balance due to members on Personal Medical Savings Accounts	**117,732,613**	**15,764,356**

24. INSURANCE RISK MANAGEMENT

24.1Risk management objectives, policies, processes, and methods for mitigating 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 the scheme members. As such, the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and investment activities

The BOT had developed and documented a policy for the acceptance and management of insurance risks to which the Scheme is exposed. This policy had been approved by the BOT. Reference has also been made to the requirements of the Medical Schemes Act in compiling the insurance risk management policy. The BOT is responsible for recommending any changes to the benefit options to ensure that the Scheme's insurance risk remains within the specified levels. The insurance risk management policy is incorporated in the annual business plan.

The health risk-management policy is reviewed annually and amended for changes in the Medical Schemes Act (if any) and/or changes in the Scheme's ability to accept insurance risk.

The BOT ultimately decides on whether or not to enter into risk transfer arrangements or commercial reinsurance contracts.

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, as well as the monitoring of emerging issues. Certain risks are mitigated by entering into risk transfer arrangements.

NOTES TO THE FINANCIAL STATEMENTS

INSURANCE RISK MANAGEMENT continued...

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks, as well as insured and overall risks. The Scheme analyses the distribution of claims per category of claim, the average age of members per option group, average age per benefit option, the actual number of members per benefit option, and the geographic distribution of members.

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 nature, random and the actual number and size of events during any one year may vary from those estimated with established statistical techniques.

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

Factors that aggravate insurance risk include lack of risk diversification in terms of types and amounts of risks, geographic location, and demographics of members covered.

Factors that aggravate insurance risk include lack of risk diversification in terms of types and amounts of risks, geographic location, and demographics of members covered.

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

- General practitioner benefits cover the cost of all visits by members to the general practitioner and the procedures performed by them, subject to the Scheme rules and a prescribed annual limit per member.
- Specialist benefits cover the cost of all visits by members to the specialists and for out-of-hospital procedures performed by specialists (subject to Scheme rules and a prescribed annual limit per member). Specialist benefits also include radiology and pathology benefits provided to members.
- Dentistry benefits cover the cost of all visits of members to the dental practitioner and the procedures performed by them (subject to Scheme rules and a prescribed annual limit per member).
- Optometry benefits cover the cost of all visits by members to optometrists, the cost of prescribed glasses and contact lenses and the cost of procedures performed by optometrists (subject to Scheme rules and a prescribed annual limit per member).
- Medicine benefits cover the cost of all medicines prescribed to members subject to Scheme rules and a prescribed annual limit per member.
- Hospital benefits cover costs incurred by members while they are in hospital to receive treatment for medical conditions (subject to Scheme rules and a prescribed annual limit per member).

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

All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal. Management information including contribution income, claims ratio per option, target markets, and the demographic split is reviewed monthly.

NOTES TO THE FINANCIAL STATEMENTS

INSURANCE RISK MANAGEMENT continued...

24.2 Risk in terms of risk transfer arrangements

The Scheme cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks, or defined blocks of business on a co-insurance, yearly renewable term, excess, or catastrophe excess basis. These risk transfer arrangements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Scheme's evaluation of the specific risk (subject to certain circumstances) to maximum limits based on characteristics of coverage. According to the terms of the risk transfer arrangements, the third party agrees to reimburse the ceded amount in the event that the claim is paid out.

According to the terms of the capitation agreements, the suppliers provide certain minimum benefits to all scheme members, as and when required by the members.

The Scheme does, however, remain liable to its members with respect to ceded insurance if any reinsurer (or supplier) fails to meet the obligations it assumes.

When selecting a reinsurer (or supplier), the Scheme considers its relative security. The security of the reinsurer (or supplier) is assessed from public rating information and from internal investigations (such as considering capital adequacy, solvency, capacity, and appropriate resources). In addition, the Scheme monitors the performance of the reinsurer and checks the quality of service provided.

The following tables summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred (before and after risk transfer arrangements) by age group and in relation to the type of risk covered/benefits provided.

24.3 For the year ended 31 December 2023

	General Practitioner	**Specialist**	**Dentistry**	**Optometry**	**Medicines**	**Hospitals**	**Other**	**Total**
Services								
Age grouping Insured claims (in years)	R'000	R'000	R'000	R'000	R'000	R'000	R'000	**R'000**
<26 Gross	52,738	77,511	771	11,950	99,295	205,625	101,981	**549,871**
Net	48,754	66,461	741	10,984	94,465	202,358	97,850	**521,613**
26-35 Gross	18,729	42,655	7,566	4,023	46,107	74,051	49,664	**242,797**
Net	17,148	36,502	7,176	3,505	43,488	70,828	47,125	**225,771**
36-50 Gross	58,676	145,641	41,786	22,085	212,998	254,425	194,201	**929,812**
Net	54,325	125,452	39,100	20,191	204,197	245,109	185,826	**874,199**
51-65 Gross	48,687	246,718	36,469	25,566	319,304	374,726	224,382	**1,275,852**
Net	44,946	219,012	33,804	23,713	301,743	362,682	212,706	**1,198,606**
Over 65 Gross	21,914	200,754	13,484	8,835	244,830	350,478	185,452	**1,025,748**
Net	19,621	176,930	11,723	8,023	230,891	341,702	174,222	**963,112**
Total Gross	**200,744**	**713,279**	**100,076**	**72,460**	**922,536**	**1,259,306**	**755,681**	**4,024,080**
Net	**184,794**	**624,356**	**92,545**	**66,415**	**874,785**	**1,222,679**	**717,729**	**3,783,302**

NOTES TO THE FINANCIAL STATEMENTS

INSURANCE RISK MANAGEMENT continued...

24.4 For the year ended 31 December 2022

	General Practitioner	Specialist	Dentistry	Optometry	Medicines	Hospitals	Other	Total
Services								
Age grouping Insured claims (in years)	R'000	R'000	R'000	R'000	R'000	R'000	R'000	**R'000**
<26 Gross	70,447	78,919	36,759	11,663	106,665	214,087	96,887	**615,427**
Net	68,280	72,990	25,324	10,957	101,203	211,974	94,980	**585,707**
26-35 Gross	26,621	44,324	9,964	4,342	49,520	83,565	47,791	**266,127**
Net	25,809	41,033	7,229	3,949	47,337	82,466	46,456	**254,279**
36-50 Gross	80,414	149,843	32,226	20,822	223,327	277,657	198,722	**983,011**
Net	78,171	139,122	23,365	19,375	214,101	274,945	194,282	**943,362**
51-65 Gross	63,834	220,084	34,153	23,990	303,841	358,194	222,899	**1,226,995**
Net	61,763	205,861	22,043	22,564	290,598	355,316	217,365	**1,175,508**
Over 65 Gross	25,903	171,404	19,825	7,680	226,372	337,610	177,260	**966,052**
Net	24,828	160,496	10,723	7,153	215,747	334,539	173,290	**926,778**
Total Gross	**267,217**	**664,574**	**132,927**	**68,497**	**909,726**	**1,271,113**	**743,559**	**4,057,613**
Net	**258,851**	**619,502**	**88,684**	**63,998**	**868,985**	**1,259,240**	**726,372**	**3,885,633**

Claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within one year and the majority of cases within four months. At year-end, a provision is made for those claims outstanding that are not yet reported at that date. Details regarding subsequent claims development in respect thereof have been disclosed in note 13.

24.5 Sensitivity analysis to insurance risk variables

The following tables provide sensitivity tests on the insurance risk associated with the liability for claims incurred in 2022 and 2023. Should the number of total claims incurred vary, there is a commensurate change in the outstanding provisions which impacts the level of risk faced at year-end. Should there be a change in the speed at which claims run off then there is an additional change in outstanding claims reserves and ultimately, insurance risk.

Scenario - 2023	Claims for 2023 service paid from January 2023 to December 2023	Total expected claims for 2023 services	Liability for incurred claims	Risk adjustment	Outstanding Claims Provision	Change in outstanding claims provision
LIC plus risk adjustment	3,668,485,966	3,919,095,577	225,497,571	25,112,040	250,609,611	
10% increase in amount	3,668,485,966	3,941,645,334	248,047,328	25,112,040	273,159,368	22,549,757
10% decrease in amount	3,668,485,966	3,896,545,820	202,947,814	25,112,040	228,059,854	(22,549,757)
10% decrease in run-off speed	3,668,485,966	3,950,084,009	256,486,003	25,112,040	281,598,043	30,988,432
10% increase in run-off speed	3,668,485,966	3,891,588,039	197,990,033	25,112,040	223,102,073	(27,507,538)

Scenario - 2022	Claims for 2022 service paid from January 2022 to December 2022	Total expected claims for 2022 services	Liability for incurred claims	Risk adjustment	Outstanding Claims Provision	Change in outstanding claims provision
LIC plus risk adjustment	3,847,136,957	4,096,741,568	225,497,571	24,107,040	249,604,611	
10% increase in amount	3,847,136,957	4,119,291,325	248,047,328	24,107,040	272,154,368	21,544,757
10% decrease in amount	3,847,136,957	4,074,191,811	202,947,814	24,107,040	227,054,854	(23,554,757)
10% decrease in run-off speed	3,847,136,957	4,126,348,904	255,104,907	24,107,040	279,211,947	28,602,336
10% increase in run-off speed	3,847,136,957	4,068,008,071	196,764,074	24,107,040	220,871,114	(29,738,497)

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

NOTES TO THE FINANCIAL STATEMENTS

25. Related parties

Key management personnel (Board of Trustees, Principal Officer, and executive committee) and their close family members

Key management personnel are those people who have authority and responsibility for planning, directing, and controlling the activities of the Scheme. Neither the Trustees nor their dependents and immediate family members were party to or had any interest in, any of the Scheme's agreements in existence during the current or previous year (except for their individual membership agreements with the Scheme and healthcare services provided and contributions). These membership agreements and healthcare services were on normal terms as offered to all members of the Scheme. No impairment of any balances owing during the year occurred.

Contributions received:

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

Claims:

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

The following table provides the total number of transactions that have been entered into with related parties for the relevant financial year.

Compensation paid to key management personnel

	2023	2022
Short-term employee benefits	10,029,011	12,078,519
Termination benefits	2,426,294	307,550
Total compensation paid to key management personnel	**12,455,304**	**12,386,070**

Statement of comprehensive income		
Risk contribution income received	1,606,034	1,616,818
Claims incurred	840,931	935,239
	2,446,965	**2,552,057**

Transaction	Nature of transaction and terms and conditions thereof
Contributions received	This constitutes contributions paid by related parties as members of the Scheme, in their individual capacities. All contributions were on the same terms as applicable to third parties.
Claims incurred	This constitutes amounts claimed by the related parties, in their individual capacities as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to third parties.
Contribution debtor	This constitutes the outstanding contributions payable. The amounts are due immediately. No provisions for doubtful debts have been raised on these amounts.
Claims reported not yet paid	These are claims that have been reported but not yet paid due to the fact that the scheme does a payment run every week. All claims are settled within 30 days of being received.
Personal medical savings accounts	These amounts owing to the related parties relate to medical scheme savings balances. In line with the terms applied to third parties and in terms of the rules of the scheme, the balances earn interest at the effective interest rate, which accrues to the member. The amounts are all current and would need to be payable on demand should an appropriate claim be issued, or the member exit the scheme.
Healthcare provider fees paid/ payable	Fees are paid to a healthcare provider (medical practitioner). Fees are paid on the same basis as applicable to third parties.

Related parties continued...

Transactions with parties that have significant influence over the Scheme

The administrator and managed care organisations do not fall within the definition of related party. The information below has been included due to significant influence, but the administrator does not control the Scheme.

Administration and managed care organisations

3Sixty Health (Pty) Ltd provides administration and managed care services to the Scheme.

3Sixty Health (Pty) Ltd

Statement of comprehensive income		
Administration fees paid	163,718,256	166,754,762
Managed care fees	190,418,740	192,321,463
Maternity programme management	1,637,106	1,855,891
Back & Neck Programme	4,415,308	-

Statement of financial position		
Administration fees due	15,021,384	14,758,188
Managed care fees due	16,285,586	16,416,186
Receivable due to membership updates-Managed care	(620,346)	(466,385)
Receivable due to membership updates-Administration fees	(565,162)	(443,500)

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

Terms and conditions of the administration and managed care agreements

The administration and managed care agreements are in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees. The agreements are automatically renewed each year (unless notice of termination is received). Administration and managed care fees are payable monthly in arrears by the seventh of each month.

3Sixty Marketing Services (Pty) Ltd

Terms and conditions

The Scheme entered into a three-year contract with 3Sixty Marketing Services (Pty) Ltd in accordance with instructions given by the Board of Trustees. The agreement commenced on 01 April 2022 and was set to expire on 31 March 2025, the Board of Trustees resolved to renew the contract for a further thirty - six months effective 01 April 2025.

Statement of comprehensive income		
Marketing fees incurred	49,450,000	41,883,000
Marketing fees recouped	(3,249,000)	
Statement of financial position		
Marketing services fees due	6,900,000	
Marketing fees prepaid	(25,104,500)	(21,275,000)
Marketing fees recouped	(7,552,000)	(4,303,000)

NOTES TO THE FINANCIAL STATEMENTS

Related parties continued...

25.1 Compensation paid to board of trustees and prescribed officers 2023

Name	Retainer Fees	Meeting Attendance Fees	Meeting Attendance Fees (Committees)	Other Disbursements & Reimbursements	Travel and Accommodation	Telephone Costs	Total remuneration
Mr S.D. Langa	166,296	158,928	415,958	31,055	10,670	34,942	817,849
Mr L. Makwabe	140,526	165,337	345,313	45,000	128,423	26,493	851,092
Ms Z. Matikinca	140,526	165,337	258,339	78,000	61,040	26,174	729,416
Mr V.M. Shamase	140,526	165,337	248,005	10,334	60,368	45,697	670,267
Ms C. Rensburg	140,526	165,337	237,672	4,876	67,043	29,132	644,586
Mr T. Kgokolo	97,467	103,336	113,669	-	1,922	-	316,394
Dr B.Z. Limba	97,467	103,336	181,054	58,000	49,889	32,896	522,641
Mr A.K. Nhlapo	140,526	165,337	279,006	51,619	71,207	40,788	748,483
Mr A.A. Phikani	140,526	165,337	237,672	-	89,523	27,729	660,787
Mr Z. King	140,526	165,337	237,672	36,800	101,913	26,326	708,574
Mr L.N. Pokomela	140,526	165,337	196,338	-	45,081	36,010	583,292
Ms B. Maseko	140,526	165,337	196,338	16,571	7,876	38,208	564,856
Mr M. Hennig	97,467	124,003	127,285	-	34,810	34,936	418,500
Mr N. Erasmus	140,526	165,337	186,004	37,192	-	40,027	569,087
Mr P. Shikwane	140,526	165,337	229,369	10,877	9,650	46,676	602,435
Ms P. Dumelakgosi	140,526	165,337	268,673	12,967	7,723	41,838	637,064
Mr W. Monei	140,526	165,337	268,673	13,402	6,952	36,052	630,941
Mr A. Greyling	97,467	93,002	227,853	17,734	25,309	36,367	497,733
	2,383,007	**2,731,984**	**4,254,892**	**424,426**	**779,399**	**600,290**	**11,173,998**

Compensation paid to board of trustees and prescribed officers 2022

Name	Retainer Fees	Meeting Attendance Fees	Meeting Attendance Fees (Committees)	Other Disbursements & Reimbursements	Travel and Accommodation	Telephone Costs	Total remuneration
Mr S.D. Langa	148,707	304,281	322,381	27,552	81,250	22,979	907,150
Mr L. Makwabe	136,476	188,658	304,319	116,500	221,268	18,760	1,002,564
Ms Z. Matikinca	136,476	157,658	288,681	94,801	107,824	19,740	821,764
Mr P.A. Jacobs							-
Mr S. Daweti							-
Mr V.M. Shamase	136,476	188,668	264,566	47,002	64,800	20,869	722,382
Ms C. Rensburg	136,476	177,531	153,020	22,141	96,611	21,161	623,523
Mr M. Moyeni							-
Mr T. Kgokolo	158,997	151,033	90,620	7,002	18,330	-	425,983
Dr B.Z. Limba	136,476	157,658	93,278	68,001	116,270	31,881	627,509
Mr A.K. Nhlapo	136,476	157,658	172,685	16,067	116,578	16,403	615,866
Mr A.A. Phikani	136,476	151,033	222,765	15,401	118,080	33,183	693,521
Mr Z. King	136,476	157,658	202,097	7,001	142,166	15,476	692,964
Mr L.N. Pokomela	136,476	151,033	101,145	7,001	77,776	25,556	498,986
Ms B. Maseko	136,476	167,594	197,185	7,636	18,215	23,760	550,867
Mr M. Hennig	136,476	177,928	267,608	7,001	22,480	21,431	632,924
Mr N. Erasmus	136,476	157,658	170,702	21,301	9,375	23,199	518,712
Mr P. Shikwane	136,476	167,594	263,435	14,461	26,808	28,437	637,211
Ms P. Dumelakgosi	136,476	188,261	218,866	23,791	20,493	22,563	610,450
Mr W. Monei	136,476	167,594	242,010	19,961	18,996	21,610	606,648
Mr A. Greyling	125,216	202,023	239,796	11,629	59,591	21,799	660,054
	2,480,065	**3,171,521**	**3,815,160**	**534,249**	**1,336,912**	**388,806**	**11,849,078**

NOTES TO THE FINANCIAL STATEMENTS

26. Going concern

The 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% at 31 December 2023, below the required 25% minimum under Regulation 29 of the Medical Schemes Act. In 2024, an independent forensic investigation by KPMG was commissioned to understand the root causes of the solvency decline. The report, finalised in May 2025, confirmed under-provisioning and associated under-pricing as primary drivers of the solvency deterioration. It further identified material control deficiencies during 2023, including:

- Inadequate segregation of duties and approval workflows
- Lapses in system access management
- Gaps in financial reconciliations and reporting
- Insufficient oversight of outsourced functions and service providers

In response, a comprehensive remediation framework has been implemented and is under ongoing monitoring. Key interventions include:

- A formal control remediation tracker reviewed quarterly
- A revised risk-based internal audit plan for 2024/2025
- Strengthened oversight of benefit design, pricing, claims provisioning and budgeting, supported by actuarial peer reviews
- Expanded fraud prevention controls and post-payment claims validation
- Active consequence management and recovery processes linked to KPMG findings
- Strengthened cost containment measures and procurement reform to preserve reserves
- Ongoing engagement with the Council for Medical Schemes (CMS) with transparent reporting on turnaround progress

Despite the below-minimum solvency ratio, the Scheme demonstrates financial viability supported by:

- 2025 solvency outcome of 14.07%, which was 4.01% above budget
- CMS-approved Business Plan providing for incremental solvency recovery of approximately 5% per annum, with statutory compliance projected by 2028
- A current ratio of 1,32
- Absence of material contingent liabilities

The most recent performance indicators as at the end of March 2026 are detailed below:

- Year to Date March 2026 results, which put the solvency ratio at 38.18%, 7.38% above the budget.
- The latest actuarial projections for the 2026 financial year, which is part of the 2026 benefit design and pricing, puts the 2026 solvency ratio at 30.04%, supported by internal control improvements.
- 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 R524 million against the budget of R471 million.
- A current ratio of 1.30.
- Absence of material contingent liabilities.

The 2025 and latest (March 2026) performance indicators and ratios are unaudited.

While the KPMG forensic report was finalised after the reporting date, its findings confirm and expand on control and governance weaknesses present during the 2023 financial year. These conclusions have been considered in evaluating the going concern assumption and post-balance sheet disclosures.

Following a comprehensive review of the Scheme's budgets and actuarial reports for the upcoming 12-month period, alongside the current liquidity and solvency position, the Curator has concluded that the Scheme holds sufficient cash reserves to sustain operations over the next financial year.

Key cost pressures remain, notably elevated hospital utilisation and high non-healthcare expenditure. In response, the Scheme is implementing targeted interventions to effectively manage both hospital-related costs and non-healthcare overheads

Based on the above evaluation and the mitigation measures in place, the Curator is satisfied that the Scheme remains a going concern for the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

2023

	Total	Credit risk	Liquidity risk	Equity Price	Market risk interest rate
Investments					
- Listed equities	68,536,716			x	x
- Unlisted equities	21,230,025			x	x
- Unitised equities	459,641,356			x	x
- Money market	29,831,170		x		x
- Bonds	292,250,127	x			x
Cash and cash equivalents	154,651,846	x	x		
Other receivables	52,074,846	x	x		
Other payables	54,405,455		x		
Insurance contract liability	348,926,675		x		

2022

	Total	Credit risk	Liquidity risk	Equity Price	Market risk interest rate
Investments					
- Listed equities	183,690,576				x
- Unlisted equities	23,496,965			x	
- Unitised equities	242,563,948		x	x	x
- Money market	187,756,221			x	
- Bonds	510,297,197	x	x		x
Cash and cash equivalents	120,126,713	x	x		
Other receivables	35,732,260	x			
Other payables	64,218,873		x		
Insurance contract liability	181,599,264		x		

The Scheme is exposed to financial risks through the Scheme's financial assets, financial liabilities, and insurance liabilities. The key financial risk is that proceeds from the Scheme's financial assets may not be sufficient to fund the obligations arising from its insurance contracts. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performances of the investments that the Scheme holds to meet its obligations to its members.

Risk management and investment decisions are recommended to the Board of Trustees by the Investment Committee for consideration. The Board of Trustees makes the final decision regarding risk management and investment decisions. The Board of Trustees provides principles for overall risk management, as well as written policies covering specific areas such as market risk, interest rate risk, liquidity risk, and credit risk.

The Scheme manages the financial risks as follows:

The Investment Committee (a Sub-Committee of the BOT) recommends the Scheme's investment policy to the BOT for approval. The Investment Committee meets five times during the year and reports back to the BOT on matters included in its terms of reference.

The Scheme has appointed external asset managers to manage its investments and their performance is monitored regularly.

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued...

Market risk management

Market risk is the risk that changes in market prices, such as interest rates, and funds prices will affect the Scheme's income or the value of its holding in financial assets. The objectives of the Scheme's market risk management are to manage and control exposures within acceptable parameters, whilst optimising return on investments.

The Scheme's insurance liabilities are settled within four months and are therefore not discounted. Consequently, changes in market interest rates would not affect the Scheme's financial position.

Equity price risk management

The Scheme is exposed to equity securities price risk because of investments held by the Scheme that are classified on the statement of financial position as fair value through profit and loss. The Scheme is not exposed to commodity price risk. To manage its price risk arising from investments in funds securities, the Scheme diversifies its portfolio. Diversification of the portfolio is done in accordance with the mandate set by the Scheme.

The sensitivity analysis below has been determined based on the exposure to the fund's price at the reporting date. If the fund's prices had been 1% higher/lower:

	2023	2022
Fair value adjustment on investment would increase/(decrease) by:	5,494,080	4,497,514

Interest rate risk management

The Scheme's investment policy is to hold the majority of its investments in interest-bearing instruments. This causes a significant portion of the Scheme's investments to be exposed to changes in market interest rates.

A sensitivity analysis is provided on the assumption of a 100 bps increase/decrease in interest rates with all other variables held constant. Only cash and cash equivalents are directly exposed to fluctuations in the interest rate.

	2023	2022
Cash and cash equivalents at 31 December 2022 would have increased/decreased by:	1,546,518	1,201,267

Credit risk management

Credit risk is the risk of financial loss to the Scheme if a counterparty to an insurance contract or financial instrument fails to meet its contractual obligations and arises principally from the Scheme's receivables. Key areas where the Scheme is exposed to credit risk are through its investments, cash and cash equivalents and other receivables. The carrying amounts of these financial assets represent the maximum credit exposure.

The Scheme manages credit risk by:

- Actively pursuing all contributions not received after 3 days of becoming due, as required by Section 26(7) of the Act;
- Monthly reconciliations between the Administrator and the Employer are discussed for possible suspensions of memberships.

IFRS9 allows entities to apply the simplified approach for trade receivables, contract assets and lease receivables. The simplified approach was applied for the Scheme's other receivables. The approach effectively is a life-time expected credit loss calculation.

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued...

Loans and receivables disclosed by class, including the quantitative analysis and maximum credit exposure at the end of the year.

Employer	Current	More than 30 days	More than 60 days	More than 90 days	From 121	Total
	R	R	R	R	R	R
Estimated total gross carrying amount	227,364,243	19,769,075	4,061,781	2,768,092	19,337,124	273,300,315
Expected credit loss rate	0.31%	19.32%	33.32%	50.14%	96.15%	
Expected Credit Loss	**696,764**	**3,820,144**	**1,353,387**	**1,388,015**	**18,592,321**	**25,850,631**

Direct	Current	More than 30 days	More than 60 days	More than 90 days	From 121	Total
	R	R	R	R	R	R
Estimated total gross carrying amount	720,512	174,325	128,343	108,313	1,697,579	2,829,072
Expected credit loss rate	0.02%	0.21%	1.76%	100.00%	100.00%	
Expected Credit Loss	**152**	**373**	**2,256**	**108,313**	**1,697,579**	**1,808,673**

SAPO	Current	More than 30 days	More than 60 days	More than 90 days	From 121	Total
	R	R	R	R	R	R
Estimated total gross carrying amount	3,261,060	1,210,002	1,494,713	1,532,161	15,896,306	23,394,242
Expected credit loss rate	20.00%	20.00%	20.00%	20.00%	20.00%	
Expected Credit Loss	**652,212**	**242,000**	**298,943**	**306,432**	**3,179,261**	**4,678,848**

The table below shows balances of investments and cash and cash equivalents held at 11 major counterparties at the end of the reporting period.

		Carrying amount	
Counterparty	**Location**	**2023**	**2022**
Argon Asset Management	South Africa	-	7,876,280
Aluwani Capital Partners	South Africa	188,916,525	322,449,424
Sanlam Investment Management	South Africa	-	375,523,975
Taquanta Asset Managers	South Africa	131,504,419	105,076,143
Razorite Healthcare and Rehabilitation Fund	South Africa	21,230,025	23,496,965
Aeon Investment Managers	South Africa	34,710,846	28,934,759
Prescient Investment Managers	South Africa	235,849,779	125,377,202
Sesfikile BCI Property Fund	South Africa	15,233,512	13,756,795
Stanlib Index Fund	South Africa	-	-
Perpetua Investment Managers	South Africa	34,857,686	29,110,901
Umthombo Wealth Management	South Africa	184,819,364	82,952,600
Visio Fund Management	South Africa	-	128,780

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued...

Asset Class	Top Holdings – December 2023	Ratings (long term)	% of Portfolio
Cash	NEDBANK LIMITED	AA	15.00%
	HSBC BANK PLC - JHB BRANCH	AA	0.40%
	YIELDX	AA	0.02%
	FIRSTRAND BANK LIMITED	AA	(2.95%)
Bonds	REPUBLIC OF SOUTH AFRICA	AAA	16.30%
	FIRSTRAND BANK LIMITED	A+	2.49%
	STANDARD BANK OF SOUTH AFRICA LIMITED	AA+	1.78%
	ABSA BANK LIMITED	AA	1.54%
	DEVELOPMENT BANK OF SOUTHERN AFRICA	AA-	1.18%
Property	NEPI ROCKCASTLE N.V.		0.06%
	RESILIENT REIT LIMITED		0.02%
	GROWTHPOINT PROPERTIES LTD		0.01%
Equity	STANDARD BANK GROUP LTD		0.48%
	NASPERS LTD - N SHARES		0.47%
	FIRSTRAND LIMITED		0.43%
	PROSUS		0.43%
	BRITISH AMERICAN TOBACCO PLC		0.38%

Asset Class	Top Holdings – December 2023	Ratings (long term)	% of Portfolio
Cash	NEDBANK LIMITED	AA	0.85%
	HSBC BANK PLC - JHB BRANCH	AAA	0.19%
	INVESTEC BANK LIMITED	AA+	0.00%
	THE STANDARD BANK OF SOUTH AFRICA LIMITED	AA+	0.00%
	FIRSTRAND BANK LIMITED	AA	(2.92%)
Bonds	REPUBLIC OF SOUTH AFRICA	AAA	32.31%
	FIRSTRAND BANK LIMITED	AA	1.33%
	STANDARD BANK OF SOUTH AFRICA LIMITED	AA+	1.45%
	ABSA BANK LIMITED	AA	1.13%
	STANDARD BANK GROUP LIMITED	AA+	0.81%
Property	NEPI ROCKCASTLE N.V.		0.02%
	INDLUPLACE PROPERTIES LTD		0.01%
Equity	STANDARD BANK GROUP LTD		0.73%
	NASPERS LTD - N SHARES		1.38%
	ANGLO AMERICAN PLC		0.85%
	PROSUS		0.93%
	BRITISH AMERICAN TOBACCO PLC		0.71%

NOTES TO THE FINANCIAL STATEMENTS

Liquidity risk management

Liquidity risk is the risk that the Scheme will not be able to meet its short-term financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Scheme has the ability to fund its day-to-day operation.

The table below is a maturity analysis of the Scheme's financial liabilities. The amounts disclosed represent undiscounted contractual cash flows as all balances are due within 12 months. Consequently, the amounts disclosed equal their carrying amounts as the impact of discounting is not significant.

As at 31 December 2023	**Up to 1 month**	**1 - 4 Months**	**5 - 12 Months**	**Over 12 months**	**Total**
	R	**R**	**R**	**R**	**R**
Insurance contract liability	77,833,461	147,988,919	59,702,973	63,401,322	348,926,675
Trade and other payables	5,666,093	1,768,520	1,741,287	45,229,555	54,405,455
Liability to future members					
Total	**83,499,554**	**149,757,439**	**61,444,260**	**785,282,879**	**1,079,984,132**

As at 31 December 2022	**Up to 1 month**	**1 - 4 Months**	**5 - 12 Months**	**Over 12 months**	**Total**
	R	**R**	**R**	**R**	**R**
Insurance contract liability	38,277,638	83,912,489	-9,883,617	69,292,754	181,599,264
Trade and other payables	27,641,979	1,398,383	289,982	34,888,531	64,218,874
Liability to future members	-	-	-	1,060,038,254	1,060,038,254
Lease liability				928,122	928,122
Total	**65,919,617**	**85,310,872**	**-9,593,635**	**1,165,147,661**	**1,306,784,514**

NOTES TO THE FINANCIAL STATEMENTS

28. ANALYSIS OF CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES PER CATEGORY

28.1 For financial assets recognised at fair value, disclosure is required of a fair value hierarchy that reflects the significance of the inputs used to make the measurements.

- Level 1 represents those assets that are measured using unadjusted quoted prices for identical assets.
- Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).
- Level 3 applies inputs that are not based on observable market data.

The following table compares the fair value and carrying amounts of assets and liabilities per class of assets and liabilities.

2023	Fair value of Financial Assets		Amortised Costs				Fair value of financial instruments			
	Financial Assets at Fair Value through P/L	Financial Assets at Fair Value through OCI	Financial Assets at amortised costs	Financial liabilities at amortised costs	Insurance receivables & payables	Total carrying amount	Level 1	Level 2	Level 3	Total
Investments										
Listed Equities	68,536,716					68,536,716	68,536,716			68,536,716
Unlisted equities	21,230,025					21,230,025			21,230,025	21,230,025
Unitised investments	459,641,356					459,641,356		459,641,356		459,641,356
Bonds		292,250,127				292,250,127	266,320,344	25,929,783		292,250,127
Money Market		29,831,170				29,831,170		29,831,170		29,831,170
Cash and Cash Equivalents			154,651,845			154,651,845				-
Other receivables			52,074,846			52,074,846				-
Other payables				(54,405,455)		(54,405,455)				-
Liability for remaining coverage					166,278,322	166,278,322				-
Liability for incurred claims					(515,204,997)	(515,204,997)				-
	549,408,098	**322,081,297**	**206,726,691**	**(54,405,455)**	**(348,926,675)**	**674,883,955**	**334,857,060**	**515,402,309**	**21,230,025**	**871,489,394**

2022	Fair value of Financial Assets		Amortised Costs				Fair value of financial instruments			
	Financial Assets at Fair Value through P/L	Financial Assets at Fair Value through OCI	Financial Assets at amortised costs	Financial liabilities at amortised costs	Insurance receivables & payables	Total carrying amount	Level 1	Level 2	Level 3	Total
Investments										
Listed Equities	183,690,575					183,690,575	183,690,575			183,690,575
Unlisted equities	23,496,965					23,496,965			23,496,965	23,496,965
Unitised investments	242,563,948					242,563,948		242,563,948		242,563,948
Bonds		510,297,197				510,297,197	496,434,593	13,862,604		510,297,197
Money Market		187,756,221				187,756,221	74,134,789	113,621,432		187,756,221
Cash and Cash Equivalents			120,126,715			120,126,715				-
Other receivables			35,732,260			35,732,260				-
Other payables				(64,218,873)		(64,218,873)				-
Liability for remaining coverage					182,130,067	182,130,067				-
Liability for incurred claims					(363,729,330)	(363,729,330)				-
	449,751,488	**698,053,418**	**155,858,975**	**(64,218,873)**	**(181,599,263)**	**1,057,845,745**	**754,259,957**	**370,047,984**	**23,496,965**	**1,147,804,906**

NOTES TO THE FINANCIAL STATEMENTS

ANALYSIS OF CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES PER CATEGORY continued...

28.2 Credit risk management analysis

Credit risk in respect of trade and other receivables is controlled through the application of credit monitoring procedures. Section 26(7) of the Medical Schemes Act requires all contributions to be paid to the Scheme within three days of becoming due. Whilst every effort is made to enforce this requirement, the onus is on the member/employer group to ensure compliance. The rules of the Scheme provide for suspension and ultimately termination of membership after specified periods of arrears. The amounts presented in the statement of financial position are net of impairment allowances. In general, most employer groups pay contributions by the seventh of the following month. This is in line with the rules of the Scheme as approved by the Council for Medical Schemes (CMS).

2023	Total	Neither past due nor impaired	30 days	60 days	90 days	120 days	Impaired
Other receivables	**52,074,846**	4,193,321	3,895,113	37,947	641,434	43,307,030	-
Insurance receivables	**166,278,323**	128,832,037	19,080,048	6,296,431	5,565,387	38,842,572	(32,338,153)
	218,353,169	**133,025,358**	**22,975,161**	**6,334,378**	**6,206,821**	**82,149,602**	**(32,338,153)**

2022	Total	Neither past due nor impaired	30 days	60 days	90 days	120 days	Impaired
Other receivables	**35,732,260**	1,156,867	-	525	18,059	34,556,809	-
Insurance receivables	**182,130,068**	156,142,985	9,799,903	8,535,923	1,488,202	19,082,685	(12,919,630)
	217,862,328	**157,299,852**	**9,799,903**	**8,536,448**	**1,506,261**	**53,639,494**	**(12,919,630)**

28.3 Reconciliation of Level 3 fair values

	Equity investments	Total
Opening Balance	23,496,965	**23,496,965**
Change in fair value (unrealised/realised)	(2,657,364)	**(2,657,364)**
Purchases	390,424	**390,424**
Closing Balance	21,230,025	**21,230,025**

NOTES TO THE FINANCIAL STATEMENTS

29. FAIR VALUE ESTIMATION

The fair value of the publicly traded financial instruments held as financial assets at fair value through profit and loss is based on quoted market prices.

In assessing the fair value of other financial instruments, the Scheme uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques (such as the estimated discounted value of future cash flows) are used to determine the fair value of the remaining financial instruments.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the scheme for similar financial instruments.

Capital adequacy risk management

The Scheme is subject to the capital requirement as stipulated in Regulation 29(2) of the Medical Schemes Act no. 131 of 1998, which requires a minimum solvency ratio of 25%. The solvency ratio is calculated as accumulated funds expressed as a percentage of gross contributions.

The Scheme's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide benefits for its stakeholders.

The principal risk would be if the frequency and severity of claims are greater than expected and there are insufficient reserves to provide for their settlement. The Scheme is not exposed to this risk at this stage.

The Scheme's objective is to manage its capital in such a manner that the annual contribution increase to members is as low as possible and to remain a going concern. The Scheme, therefore, uses investment income to fund any possible deficit that might occur as a result of operational losses.

The Scheme's solvency ratio has decreased from 25.59% in 2022 to 15.73% in 2023.

Structured Entities

The Scheme has determined that some of its investments in pooled funds and collective investment schemes (funds) are investments in unconsolidated structured entities. The Scheme invests in these funds, whose objectives range from achieving medium to long-term capital growth and whose investment strategy does not include the use of leverage. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

The change in fair value of each fund is included in the statement of comprehensive income in 'Net gains/losses on financial instruments held at fair value through profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

FAIR VALUE ESTIMATION continued...

The exposure to investments in the funds at fair value, by the strategy employed, is disclosed in the following tables.

2023	Net asset value of investee fund (R)	Fair value of Scheme's assets of investment (R)	% of net assets attributable to Sizwe Hosmed
Prescient Yield Quantplus Fund B	7,335,532,400	128,202,660	1.75%
Razorite	1,302,125,590	21,230,025	1.63%
Total Sesfikile Fund in Unit Trust	2,813,903,512	15,233,512	0.54%
Total Taquanta Fund in Life Pooled Policy	2,968,910,604	131,385,819	4.43%
UW Institutional Active Bond Prescient Fund A1	184,819,364	184,819,364	100.00%

2022	Net asset value of investee fund (R)	Fair value of Scheme's assets of investment (R)	% of net assets attributable to Sizwe Hosmed
Prescient Yield Quantplus Fund B	4,900,098,510	45,206,221	0,92%
Razorite	1,438,415,141	23,946,965	1,66%
SIM Property Fund B2	3,100,000,000	5,734,074	0,18%
Sanlam Inst Special Opportunities Fund	599,816,821	2,605,570	0,43%
Total Sesfikile Fund in Unit Trust	2,843,209,523	13,756,794	0,48%
Total Taquanta Fund in Life Pooled Policy	2,845,843,654	105,076,143	3,69%
UW Institutional Active Bond Prescient Fund A1	82,952,600	82,952,600	100%

30. FIDELITY COVER

Section 26 (1) of the Medical Schemes Act no. 131 of 1998 states that medical schemes need to have fidelity cover. The Scheme has taken out fidelity cover in accordance with the Act. The annual premium in respect of the fidelity cover as at 31 December 2023 was R1 143 464. The total value of the cover is R125 000 000.

31. NON-COMPLIANCE WITH THE ACT

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

31.1 Contravention of Section 26(7) of the Act - Contributions not being 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 the payment of members and employer contributions, this 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.

NON-COMPLIANCE WITH THE ACT continued...

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 three days of becoming due, thus contravening Section 26(7).

c. The Scheme has amended its rules such that the three days is increased to seven days and these rules have been approved accordingly by the Regulator (CMS). The Fund actively pursues contributions not received within seven days, furthermore, apply credit control processes including the suspension and termination of membership for non-payment.

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

Nature

Regulation 29 (2) subject to sub regulations (3), (3A) and (4) of the Medical Schemes Act requires, the medical scheme to maintain 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

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	31,404,275	(14,219,227)
Titanium	1,938	(3,811,248)	(7,556,627)
Platinum Enhanced	11,826	(98,142,571)	(122,593,963)
Essential Copper	3,781	(31,060,240)	(45,210,790)
Silver Saver	353	(4,963,875)	(6,309,893)
Plus	2,202	(22,860,852)	(27,617,960)
Value	12,936	(121,738,985)	(148,975,443)
Access	3,852	(4,392,565)	(11,138,688)

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 point of service
8. Benefit design to include option rationalisation, currently being reviewed by actuaries
9. Contribution alignment.

NON-COMPLIANCE WITH THE ACT continued...

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.

31.3 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

A combination of causes resulted in claims being paid after 30 days of receipt. The leading causes were:

1. Partial payment of claims with the balance paid after 30 days.
2. Pending of claims for periods longer than what is allowed by the claims payment process.

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, mostly as a result of incorrect coding by service providers. Remittance advice with 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 stipulated conditions of the MSA.

31.4 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

NON-COMPLIANCE WITH THE ACT continued...

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.

31.5 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.

31.5.1 Scheme rule paragraph 12.3.1 - Non-paying members not terminated timeously nature

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.

31.5.2 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.

NON-COMPLIANCE WITH THE ACT continued...

Corrective course of action

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

31.5.3 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.

31.5.4 Scheme Rules 20.1, 20.2, 20.4, and 20.8 and Section 32 of the MSA - internal control weaknesses highlighted by KPMG Nature

Section 32 of the MSA states that the rules of the medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers, and any person who claims any benefit under the rules or whose claim is derived from a person so claiming. Furthermore, scheme rules:

- Scheme Rule 20.1 – the Board is responsible for the proper and sound management of the Scheme.
- Scheme Rule 20.2 – the Board must act with due care, diligence, skill and good faith.
- Scheme Rule 20.4 – the Board must apply sound business principles and ensure the financial soundness of the scheme.
- Scheme Rule 20.8 - states that the Board must ensure that proper controls are employed by and on behalf of the scheme.

Cause of non-compliance

The Scheme operates an outsourced model, necessitating that the Board through its delegated authority to sub-committees and management continuously monitor the internal control environment of the contracted service providers. Lapses in continuous monitoring of the internal control environment at the service provider resulted in weaknesses in internal controls going undetected.

Possible impact

- Non-compliance with Scheme Rules.
- Non-compliance with the MSA.
- Financial loss.

NON-COMPLIANCE WITH THE ACT continued...

Corrective course of action

The Scheme has adopted the findings of the KPMG forensic audit and put in place a control remediation programme that includes but 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

31.5.5 Non-compliance with the Scheme Rules 22.2.1 and Section 32 of the MSA - material breach in fiduciary duty Nature

Section 32 of the MSA states that the rules of the medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers, and any person who claims any benefit under the rules or whose claim is derived from a person so claiming. Furthermore, scheme rules:

- Scheme Rule 22.2.1 – The principal officer is the executive officer of the Scheme and as such shall ensure that:
- he/she acts in the best interests of the members of the Scheme at all times.

Cause of non-compliance

The lack of leadership oversight by the Principal Officer resulted in the weakening of the Scheme's internal controls, poor management of Scheme's legal matters, and bringing the Scheme into disrepute.

Possible impact

- Non-compliance with Scheme Rules.
- Non-compliance with the MSA.
- Bring the Scheme into disrepute.
- Financial loss.

Corrective course of action

The Scheme has adopted the findings of the Neledi Advisory forensic audit and suspended the Principal Officer pending the outcome of a disciplinary process. Furthermore, the suspected falsified resolution has been reported to the South African Police Services.

31.6 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 BOT decision to institute a forensic investigation into the solvency decline.

Possible impact

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

NOTES TO THE FINANCIAL STATEMENTS

NON-COMPLIANCE WITH THE ACT continued...

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.

Contravention of Section 35(8) of the Act – Investment in medical administrators and employer groups Nature

Section 35(8) of the MSA requires that:

a. An employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme;

b. Any other medical scheme;

c. Any administrator; and

d. Any person associated with any of the abovementioned.

Cause of non-compliance

The Scheme invests in a pool of funds through its investment managers which are invested in various portfolios. This makes it difficult to manage the scheme's investment requirements.

Possible impact

- Non-compliance with the MSA.
- Members may perceive the other medical schemes to be better and may consider leaving the Scheme.

Corrective course of action

The Investment Committee reviewed this matter previously after having looked at the Sizwe Hosmed Investment Portfolios as well as the performance of the affected stocks. The Scheme has consequently applied for exemption in terms of Section 35(8) of the Act from the Regulator (CMS) in respect of the non-compliance noted and such exemption has been granted. It is also the intention of the Fund to continue renewing such exemption on an annual basis as required.

32. Income Tax

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

33. Commitments and other contingent liabilities

There were no commitments or other contingent liabilities as at 31 December 2023.

34. 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.

The matter was resolved and settled in April 2024 with the Scheme recovering R250,000 from the former Principal Officer.

NOTES TO THE FINANCIAL STATEMENTS

35. Reportable Irregularity (RI)

35.1 The scheme was notified by the external auditors that as required by Section 45 of the Auditing Profession Act, a reportable irregularity was filed with the Independent Regulatory Board for Auditors (IRBA).

The RI relate to material weaknesses in the internal controls of the Scheme. The RI came from the findings of the KPMG forensic investigation. The material weakness in internal controls resulted in the non-compliance with Section 32 of the Medical Schemes Act and the rules of the Scheme as well as Regulation 29(2) subject to sub-regulation (3), (3A) and (4) of the Medical Schemes Act which requires the medical scheme to maintain accumulated funds expressed as a percentage of gross annual contributions for the accounting period under review which may not be less than 25%.

The statutory auditors noted that the weaknesses in internal controls have contributed to the decline in the solvency ratio.

The scheme has provided a comprehensive response to the RI raised by the auditors. Management has taken the following actions to remedial the material weaknesses in internal control:

- The then BOT instructed the scheme administrator (3Sixty Health) to recover the duplicate payments from the service providers. R5 million had been recovered at the end of April 2026.
- The then BOT mandated the Scheme to do a thorough investigation into the reversals worth R91.5 million. The investigation was still ongoing a t the end of April 2026.
- 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 state 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.

35.2 The scheme was notified by the external auditors that as required by Section 45 of the Auditing Profession Act, a reportable irregularity was filed with the Independent Regulatory Board for Auditors (IRBA).

The RI relate to material breaches in fiduciary duty by the Principal Officer and the Board of Trustees. The RI came from the findings of the Naledi Advisory services investigation. The material breaches of fiduciary duty resulted in the non-compliance with Section 32 of the Medical Schemes Act and the Scheme rule 22.2.1 and 20.2.

The statutory auditors noted that the breaches in fiduciary duty have contributed to the decline in the solvency ratio. Management has taken the following actions to remedial the breaches in fiduciary duty by the Principal Officer:

- The former Principal Officer is not in office (under suspension)
- The suspected falsified resolution has been reported to the South African Police Services
- A new Curator has been appointed and governance and control processes are being maintained
- Following the finalisation of the draft report the Curator will consult with legal counsel regarding the possibility of legal action.

36. Interactive Brand Solutions (Pty) Ltd (“IBS”)

In March 2024, IBS instituted action proceedings in the high court of South Africa, Gauteng Division, against the Scheme on the basis that the Scheme breached an agreement entered into between the Scheme and IBS on or about 24 October 2019 (“the agreement”) by failing to pay IBS invoices for the months of October 2023 to December 2023 in the amount of R6,242,755. The Scheme has filed its plea and counterclaims against IBS on the basis of the invalidity of the contract and the lack of evidence that the services were rendered. The matter was settled out of court without prejudice for an amount of R2,000,000 paid by the Scheme to IBS in November 2025.

NOTES TO THE FINANCIAL STATEMENTS

37. Events after reporting date

37.1 Appointment of Principal Officer

Ms N. Tshobeni was appointed as Principal Officer on the 1st of February 2024. On 01 October 2025, the Principal Officer was suspended pending the outcome of a disciplinary process.

37.2 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.

Events after reporting date continued...

37.3 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 under-pricing 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 Curator and ARC have 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 the BOT instructed 3Sixty Health to recover the duplicate payments from the service providers. R5 million had been recovered at the end of April 2026.
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 April 2026.
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.

NOTES TO THE FINANCIAL STATEMENTS

Events after reporting date continued...

37.4 Appointment of Statutory Manager

The Council for Medical Schemes (CMS), by joint agreement with the 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 Seloane to work closely with the then BOT to turnaround the solvency position of the Scheme.

Following the Scheme's placement under provisional curatorship on 04 September 2025, and the subsequent confirmation of curatorship on 09 October 2025, Mr Seloane no longer holds the position of statutory manager.

37.5 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.

37.6 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 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.

37.7 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 curatorship was made permanent on 09 October 2025. The appointment of Ms Lebogang Grace Mpakati as curator was cancelled by order of the court and Mr Ian Fleming appointed effective 11 February 2026.

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

37.8 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.

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ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024



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STATEMENT OF RESPONSIBILITY BY THE 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 International Financial Reporting Standards (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 2024, 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 2024 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 28 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 R424 million for 2024 (31 August 2026: R525 million), the current ratio is 0.41 for 2024 (31 August 2026: 1.18), 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 2025 and latest (August 2026) performance indicators and ratios are unaudited.

The annual financial statements set out on pages 156 to 214 were approved by the Curator and were signed on (date to be confirmed) :

Signed by:

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Mr Ian Fleming

Curator

STATEMENT OF CORPORATE GOVERNANCE BY THE CURATOR

The Council for Medical Schemes placed the scheme under provisional curatorship on 4 September 2025 pursuant to a provisional curatorship order of the High Court. Ms Lebogang Mpakati was appointed as the curator. The curatorship was made permanent on 09 October 2025.

The appointment of Ms Lebogang Mpakati as curator was cancelled by order of the court and Mr Ian Fleming appointed effective 11 February 2026.

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 his 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.

Statement of Corporate Governance by the Curator

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 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 2024.

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.

Signed by:



CEA31F495E5C48F...

Mr Ian Fleming

Curator

REPORT OF THE CURATOR 2024



REPORT OF THE CURATOR

INTRODUCTION

This report accompanies the Scheme's Annual Financial Statements for the year-ended 31 December 2024. The Scheme was governed during that year by the Board of Trustees (BOT) and management then in office. The Council for Medical Schemes placed the scheme under provisional curatorship on 4 September 2025 pursuant to a provisional curatorship order of the High Court. Ms Lebogang Mpakati was appointed as the curator. The order vests full control of the business, assets, and governance of the Scheme in the Curator and suspends the powers of the Board of Trustees for the duration of the curatorship. This intervention was deemed necessary by the Court to protect members' interests and preserve the Scheme's financial stability. The curatorship was made permanent on 09 October 2025.

The appointment of Ms Lebogang Mpakati as curator was cancelled by order of the court and Mr Ian Fleming appointed effective 11 February 2026.

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
- Access Core
- Plus Option
- Value Option
- Essential Copper Option
- Access Saver Option*

* These benefit options contain a savings plan in 2024.

1.3 Risk Transfer Arrangement

During the 2024 financial year there were no risk transfer arrangements.

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 2024 amounted to R3,903,312 (2023: R2,360,602).

REPORT OF THE CURATOR

1.5 BOARD OF TRUSTEES MEETING ATTENDANCE - 2024

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)		(REMCO)		(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	10 May 2024	13	5	4	1	4	1	-	-	-	-	-	-	-	-
Mr L. Makwabe*	Deputy Chairperson – Elected Trustee	13 September 2021	24 August 2024	13	13	4	4	4	3	-	-	-	-	-	-	-	-
Ms Z. Matikinca	Elected Trustee	13 September 2021	24 August 2024. Re-appointed 17 September 2024	13	13	4	4	-	-	4	4	-	-	-	-	1	1
Mr Z. King	Elected Trustee	13 September 2021	24 August 2024. Re-appointed 17 September 2024	13	13	-	-	-	-	-	-	5	5	-	-	1	1
Mr A. Nhlapo	Elected Trustee	13 September 2021	24 August 2024. Re-appointed 17 September 2024	13	13	-	-	4	4	-	-	5	5	-	-	1	1
Mr L. Pokomela	Elected Trustee	26 October 2022	24 August 2024. Re-Appointed 17 September 2024	13	13	4	4	-	-	-	-	5	5	-	-	-	-
Mr A. Phikani	Elected Trustee	13 September 2021	24 August 2024. Re-appointed 17 September 2024	13	13	-	-	-	-	-	-	5	5	-	-	1	1
Mr P. Shikwane	Elected Trustee	13 September 2021	24 August 2024	13	9	-	-	-	-	-	-	5	4	-	-	1	1
Mr M. Monei	Elected Trustee	13 September 2021	24 August 2024	13	9	4	4	-	-	-	-	-	-	-	-	1	1
Ms P. Dumelakgosi	Elected Trustee	13 September 2021	25 June 2024	13	7	4	3	-	-	-	-	-	-	-	-	1	1
Ms B. Maseko	Elected Trustee	13 September 2021	06 July 2024	13	7	4	3	-	-	-	-	5	3	-	-	-	-
Mr V.M. Shamase	Elected Trustee	26 October 2022	24 August 2024. Re-appointed 17 September 2024	13	13	4	4	4	4	-	-	-	-	-	-	-	-
Ms C. Rensburg	Elected Trustee	26 October 2022	24 August 2024. Re-appointed 17 September 2024	13	13	-	-	-	-	-	-	5	5	-	-	1	1
Ms N. Nkosi	Elected Trustee	17 September 2024	01 June 2025	13	3	-	-	-	-	-	-	-	-	-	-	-	-
Ms L. Gxasheka	Elected Trustee	17 September 2024	-	13	3	4	1	-	-	-	-	-	-	-	-	-	-
Ms B. Madiba	Elected Trustee	17 September 2024	-	13	3	-	-	-	-	-	-	5	1	-	-	-	-
Mr S. Siswana	Elected Trustee	17 September 2024	-	13	3	-	-	4	1	-	-	-	-	-	-	-	-
Mr N. Erasmus	Elected Trustee	26 October 2022	24 August 2024	13	9	-	-	4	3	4	2	5	4	-	-	-	-

* Acting chairperson from 10 May 2024. Term ended 24 August 2024. Re-appointed Chairperson 17 September 2024 A: Number of meetings that could be attended

B: Number of meetings attended BOT: Board of Trustees

REMCO: 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

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

Following a meeting with the Curator's Office, it was agreed that the following governance structures will remain operational pending the appointment of a duly constituted Board of Trustees:

1. Audit and Risk Committee,
2. Investment Committee,
3. Clinical Governance Committee,
4. Human Resources and Remuneration Committee,
5. Procurement Committee
6. Complaints and Dispute Resolution Committee.

The Curator will continue to exercise the responsibilities ordinarily performed by the BOT during this interim period. The governance structures continue to meet and discharge their respective oversight responsibilities in accordance with the Scheme's Rules. Most committee charters and workplans have been approved, providing a formal framework for their operations and reporting.

The most recent meeting was that of the Investment Committee, held on 23 September 2026, with the next round of governance meetings scheduled for November 2026.

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 assisted the then 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 then Board on how it has discharged its responsibilities.

The Committee met four(4) times during the year and was comprised of the following members:

Members	Role	Appointment/Resignation dates
Mr A. Van Staden	Chairperson and Independent member	Resigned 26 February 2024
Mr T. Kgokolo	Chairperson and Independent member	Appointed 17 September 2024 as a chairperson
Ms Z. Matikinca	Trustee representative	Re-appointed 13 September 2024
Mr T Ramawa	Independent member	Appointed 13 January 2023
Mr L. Kubheka	Independent member	Appointed 13 September 2021. Term ended 12 September 2024
Ms N. Nkosi	Trustee member	Appointed 17 September 2024. Resigned 01 June 2025
Mr. N Erasmus	Trustee member	Appointed 8 March 2024. Resigned 24 August 2024
Ms D. Masooa	Independent member	Appointed 11 November 2024

A report of the Audit and Risk Committee is presented on pages 147 to 151.

REPORT OF THE CURATOR

1.6.2 Other Committees

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

Clinical Governance Committee

Whilst there is no statutory requirement for this Committee, it was established in order to give power to the then BOT to appoint and delegate authority to a sub-committee consisting of such BOT members and other experts as it deemed necessary. The Committee reviewed and monitored all initiatives to reduce unnecessary healthcare costs without negatively impacting on the quality of care. The Committee met five (5) times during the year and comprised the following members:

Members		
Dr B.Z. Limba	Chairperson and independent member	Re-appointed as a chairperson from 17 September 2024
Mr N. Erasmus	Trustee representative	Term ended 24 August 2024
Mr Z. King	Trustee representative	Term ended 24 August 2024 re-appointed 17 September 2024
Mr L. Pokomela	Trustee representative	Term ended 24 August 2024 re-appointed 17 September 2024
Mr A. Phikani	Trustee representative	Term ended 24 August 2024 re-appointed 17 September 2024
Ms Z. Maseko	Trustee representative	Resigned 6 July 2024
Mr P. Shikwane	Trustee representative	Term ended 24 August 2024
Ms C. Rensburg	Trustee representative	Term ended 24 August 2024 re-appointed 17 September 2024
Mr T. Madiba	Trustee representative	Appointed 17 September 2024
Mr M. Hennig	Independent member	Term ended 24 August 2024

Complaints and Dispute Resolution Committee

The role of the Complaints and Dispute Resolution Committee was to adjudicate disputes that arose between a member, prospective member, or person claiming against the Scheme. The Committee was mandated by the then BOT by means of formal terms of reference as to its membership, authority, and duties. The Committee met once (1) during the year and was comprised of the following members:

Members		
Ms N. Maseko	Chairperson and Independent member	Term ended 24 August 2024 re-appointed 17 September 2024
Dr E. Ngwenya	Independent member	Appointed 23 August 2023
Dr K. van den Berg	Independent member	Resigned 13 January 2024

Investment Committee

The role of the Committee was to advise the then 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 possible steps that may be considered in respect of the investment of available funds. The Committee was mandated by the then BOT by means of 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	Term ended 24 August 2024
Ms N. Matebese	Chairperson and Trustee representative	13 September 2021 and appointment as chair on 17 September 2024
Ms M. Maubane	Independent member	13 September 2021 and resigned 12 June 2024
Mr L. Makwabe	Trustee representative	Term ended 24 August 2024
Mr M. Shamase	Trustee representative	Term ended 24 August 2024 and re-appointed 17 September 2024
Mr N. Erasmus	Trustee representative	Resigned 24 August 2024
Mr A. Nhlapo	Trustee representative	Term ended 24 August 2024 and re-appointed 17 September 2024
Mr D. Langa	Trustee representative	Resigned 10 May 2024
Mr P. Siswana	Trustee representative	Appointed 17 September 2024
Mr T. Kgokolo	Trustee Representative	Term ended 24 August 2024 and re-appointed 17 September 2024

HR and Remuneration Committee

The role of the Committee was to ensure that the remuneration policy and practices are regularly reviewed, that the Scheme remunerated the then BOT, senior management and its employees fairly and responsibly, and that disclosure of trustee and senior management remuneration was accurate, complete, and transparent. The Committee was mandated by the then BOT by means of formal terms of reference as to its membership, authority, and duties. The Committee met four (4) times during the year and was comprised of the following members:

Members		
Ms M Ngwenya	Chairperson and Independent member	Appointed 13 January 2023
Mr M. Hennig	Independent member	Term ended 24 August 2024
Ms Z. Matikinca	Trustee representative	Term ended 24 August 2024
Ms P. Dumelakgosi	Trustee representative	Resigned 25 June 2024
Mr M. Shamase	Trustee representative	Term ended 24 August 2024
Mr L. Makwabe	Trustee representative	Term ended 24 August 2024 but re-appointed 17 September 2024
Ms Z. Maseko	Trustee representative	Resigned 6 July 2024
Ms L. Gxasheka	Trustee representative	Appointed 17 September 2024
Ms N. Mhlungu	Trustee representative	Appointed 11 November 2024
Mr M. Monei	Trustee representative	Term ended 24 August 2024
Dr B.Z. Limba	Independent member	Term ended 24 August 2024 but re-appointed 17 September 2024

2. MANAGEMENT

2.1 Registered office and postal address

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

Business address: Waterfall Office Park, 1 Bekker Road, Vorna Valley, Midrand, Gauteng 1696

Website: www.sizwehosmed.co.za

2.2 Executive Management

The table reflects the names of the management team which was in the employment of the Scheme during the 2024 financial year, as well as their 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. 01 October 2025, suspended pending the outcome of a disciplinary process. Resigned 07 May 2026
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
Ms B. Madengwane	Chief Financial Officer	1 July 2024 - Resigned 31 January 2025

2.3 Medical Scheme Administrator and Managed Care provider

3Sixty Health (Pty) Ltd
23 West Street
Houghton
Johannesburg

P.O. Box 10436
Johannesburg
2000
2001

2.4 External Auditor

Nexia SAB&T
119 Witch-Hazel Avenue Highveld Technopark Centurion
157

REPORT OF THE CURATOR

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 2024 financial year, the then BOT retained the services of asset managers to assist it with the investment and management of the Scheme's surplus funds. The following 7 companies are the asset managers that were engaged by the Scheme during the year.

7Taquanta 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
Bellville
7530
FSP 579

Private Bag X8
Tygervalley
7536

RH Managers (Proprietary) Limited

3rd Floor, 18 Melrose Boulevard
Melrose Arch
2076
FSP 44812076

Postnet Suite 510
Private Bag X 1
Melrose Arch

Prescient Investment Management (Proprietary) Limited

Prescient House
Westlake Business Park
Otto Close
Cape Town
7945
FSP 612

P. O Box 31142
Tokai
Cape Town
7966

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
135 Rivonia Road
Sandown Sandton

P.O. Box 1144
Johannesburg
2000

REPORT OF THE CURATOR

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 then Board of Trustees. The monitoring and implementation of the strategy are delegated to the Investment Committee. Details of investments are set out in the AFS in notes 4 and 5.

The Scheme utilised the services of Independent Actuarial Consultants (Proprietary) Limited (IAC) as its investment advisor for 2024. 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 2024 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.

REPORT OF THE CURATOR

5. OPERATIONAL STATISTICS PER BENEFIT PLAN

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

The Curator has also reviewed the operational statistics.

5.1 Operation Statistics – 31 December 2024

		Total Scheme	Gold Ascend	Titanium Executive	Platinum Enhanced	Essential Copper Core	Access Core	Plus Option	Value Option	Access Option
1	Average number of members during the accounting period	55,527	20,063	1,715	11,191	3,316	626	1,880	12,033	4,704
2	Number of members at the end of the accounting period	53,597	19,335	1,619	10,826	3,084	538	1,787	11,599	4,809
3	Average number of beneficiaries during the accounting period	130,857	48,878	3,100	25,551	6,056	1,217	3,812	30,201	11,936
4	Number of beneficiaries at the end of the accounting period	128,850	47,023	2,921	24,707	5,560	1,029	3,571	28,897	12,142
5	Average age of beneficiaries for the accounting period	33.89	31.35	52.58	34.62	38.7	40.63	45.65	35.33	28.33
6	Pensioner ratio (beneficiaries >65)	9.00%	6.00%	37.00%	10.00%	17.00%	19.00%	21.00%	10.00%	19.00%
7	Dependent ratio	1.35	1.43	0.80	1.28	0.80	0.91	1.00	1.49	1.52
8	Beneficiaries per member	0.43	0.41	0.55	0.44	0.55	0.52	0.50	0.40	0.40
9	Insurance revenue (IR) per average member per month	5,961	5,576	9,480	5,733	3,241	3,491	10,832	7,390	3,496
10	Insurance revenue (IR) per average beneficiary per month	2,531	2,289	5,245	2,511	1,774	1,795	5,343	2,944	1,378
11	Insurance service expense (ISE) per average member per month (R)	6,241	5,608	10,138	6,033	4,667	3,825	10,108	7,949	3,533
12	Insurance service expense (ISE) per average beneficiary per month (R)	2,650	2,302	5,608	2,642	2,555	1,967	4,986	3,167	1,392
13	Directly attributable insurance sevice expense (DAE) per average member per month (R)	630	639	638	640	503	629	633	635	637
14	Directly attributable insurance sevice expense (DAE) per average beneficiary per month (R)	267	262	353	280	275	323	312	253	251
15	Amount paid to administrator (R)	384,715,834	141,162,489	12,034,781	78,731,815	18,323,040	4,391,798	13,100,868	84,027,523	32,943,519
16	Average managed care: management services per member, per month (R)	288	297	296	297	164	292	293	294	294
17	Average accumulated funds per member (R)	7,917	2,856	239	1,599	456	79	264	1,713	710
18	Non-healthcare expenditure per beneficiary per month (R)	127	123	165	131	162	153	147	119	119
19	Relevant healthcare expenditure incurred per average beneficiary, per month (R)	2,505	2,161	5,419	2,492	2,370	1,793	4,818	3,031	1,257
20	Relevant healthcare expenditure ratio	99.00%	94.44%	103.33%	99.25%	133.56%	99.90%	90.18%	102.97%	91.23%
21	Non-healthcare expenditure as a percentage of Insurance Revenue	5.00%	5.00%	3.00%	5.00%	9.00%	9.00%	3.00%	4.00%	9.00%
22	Return on investment	17.00%	6.00%	1.00%	3.00%	1.00%	0.00%	1.00%	4.00%	2.00%
23	Directly attributable insurance service expense (DAE) ratio	11.00%	11.00%	7.00%	11.00%	16.00%	18.00%	6.00%	9.00%	18.00%
24	Administration expenses as a percentage of Insurance Revenue	5.00%	5.00%	3.00%	5.00%	9.00%	9.00%	3.00%	4.00%	9.00%
25	Number of dependents at the end of the accounting period	72,253	27,688	1,302	13,881	2,476	491	1,784	17,298	7,333

REPORT OF THE CURATOR

5.2 Operation Statistics – 31 December 2023

		Total Scheme	Gold Ascend	Titanium Executive	Platinum Enhanced	Essential Copper Core	Access Core	Plus Option	Value Option	Access Option
1	Average number of members during the accounting period	60,058	22,305	2,395	12,981	5,519	371	2,615	14,106	1,861
2	Number of members at the end of the accounting period	58,269	21,381	2,317	12,679	4,714	424	2,583	13,816	2,123
3	Average number of beneficiaries during the accounting period	142,835	54,818	4,358	29,707	10,853	666	5,767	37,526	4,335
4	Number of beneficiaries at the end of the accounting period	138,507	52,500	4,210	29,023	9,083	744	5,615	36,599	4,893
5	Average age of beneficiaries for the accounting period	33.44	30.73	51.74	34.25	35.49	39.48	42.26	33.31	29.87
6	Pensioner ratio (beneficiaries >65)	8.00%	5.00%	34.35%	10.08%	11.85%	14.11%	13.86%	5.97%	5.15%
7	Dependent ratio	1.38	1.46	0.82	1.29	0.93	0.75	1.17	1.65	1.30
8	Beneficiaries per member	0.42	0.41	0.55	0.44	0.52	0.57	0.46	0.38	0.43
9	Insurance revenue (IR) per average member per month	5,513	5,112	9,769	6,040	2,628	2,650	9,325	6,106	2,826
10	Insurance revenue (IR) per average beneficiary per month	2,318	2,082	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)	5,856	4,989	9,489	6,576	4,965	3,049	9,642	7,504	3,473
12	Insurance service expense (ISE) per average beneficiary per month (R)	2,462	1,965	5,214	2,874	2,525	1,696	4,372	2,821	1,491
13	Directly attributable insurance sevice expense (DAE) per average member per month (R)	612	592	591	592	523	579	592	593	599
14	Directly attributable insurance sevice expense (DAE) per average beneficiary per month (R)	257	237	325	259	266	322	268	223	257
15	Amount paid to administrator (R)	40,964,520	137,987,345	13,903,807	75,444,422	23,677,411	2,136,932	15,148,575	81,777,989	10,855,636
16	Average managed care: management services per member, per month (R)	284	275	275	275	209	271	274	275	274
17	Average accumulated funds per member (R)	11,613	6,454	634	3,469	1,290	116	707	3,780	581
18	Non-healthcare expenditure per beneficiary per month (R)	135	129	182	140	160	182	143	119	144
19	Relevant healthcare expenditure incurred per average beneficiary, per month (R)	2,324	1,742	5,063	2,571	1,691	1,324	4,107	2,397	1,164
20	Relevant healthcare expenditure ratio	100.26%	93.60%	94.31%	97.40%	126.51%	89.78%	97.14%	104.46%	95.93%
21	Non-healthcare expenditure as a percentage of Insurance Revenue	6.00%	6.92%	3.40%	5.31%	12.00%	12.33%	3.39%	5.19%	11.84%
22	Return on investment	9.00%	2.75%	0.27%	1.48%	0.00%	0.00%	0.30%	1.61%	0.25%
23	Directly attributable insurance service expense (DAE) ratio	11.00%	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	6.00%	4.75%	2.26%	3.65%	8.43%	8.32%	2.38%	3.64%	7.89%
25	Number of dependents at the end of the accounting period	80,238	34,811	1,893	16,344	4,369	320	3,032	22,783	2,770

5.3 Operational statistics for the scheme

	2024	2023
	R	R
Insurance contract liability to future members per member	7,917	11,613

Breakdown of total amount paid to the administrator:		
Administration Fees	154,244,231	163,718,256
Managed Care Fees	180,877,097	190,418,740
Maternity Programme	1,522,690	1,642,216
Back and Neck Programme	4,140,641	4,415,308
Return on investment as a percentage of investments	16.97%	9.04%

5.4 Results of Operations

The Scheme recorded an insurance service deficit of R187,4 million for FY2024, compared with R255.57 million in FY2023. Insurance revenue of R3.97 billion was insufficient to cover insurance service expenses of R4.16 billion.

Insurance service expenses comprised claims incurred of R3.75 billion, reduced by third-party recoveries of R9.52 million, together with attributable administration expenses of R154.24 million, managed healthcare expenses of R191.86 million and broker fees of R73.39 million. The deficit therefore reflects the shortfall between contribution revenue recognised for insurance services and the combined cost of healthcare benefits and directly attributable services.

Investment and sundry income of R119.47 million partially offset the insurance service deficit. However, other expenses of R202.09 million, comprising administration and other operating expenses and asset management fees, resulted in deficit before attribution to future members of R270.06 million, compared with R383.62 million in FY2023.

The movement in the liability attributable to future members is reconciled below:	
Description	**R'000**
Opening balance at 01 January 2024	676.65
Deficit before attribution to future members	-270.06
Fair value movement	17.72
Closing balance at 31 December 2024	424.31

The liability consequently decreased by R252.35 million during FY2024. Although the deficit improved compared to FY2023, insurance services remained loss-making. The results demonstrate the need to align contribution pricing and benefit design with claims experience, strengthen claims and provisioning controls, and reduce operating costs to a sustainable level.

5.5 Solvency ratio

	2024	2023
	R	R
Insurance contract liability to future members	424,301,860	676,652,002
Gross contributions	4,338,490,246	4,301,705,163
Solvency ratio	9.78%	15.73%

The then Board was aware of the decrease in the Scheme's solvency from 15.73% in 2023 to 9.78% in 2024. 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 Insurance contract liability to future members are set out in the Statement of Financial Position.

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 personal medical savings accounts utilised (transferred from the liability for remaining coverage). The calculation and movements on the liability for incurred claims is set out in note 10 of the AFS.

6. ACTUARIAL SERVICES

GLM actuaries and consultants were appointed on a consultancy basis on 01 July 2023 as the Scheme's actuaries. In February 2024, GLM was appointed as the Scheme's actuaries on a full time basis. GLM was consulted in the determination of the 2024 claims liability for incurred claims as 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. Ms N. Tshobeni resigned as Principal Officer on 07 May 2026.

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 Completion of the 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 2024. 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 under-pricing and provisioning gaps, exacerbating the solvency decline.

The then BOT has 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 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.
Reversal of claims post August 2024.	The then BOT mandated the Scheme to do a thorough investigation into the reversals worth R91.5 million.

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 KPMG review identified duplicate and stale claims relating to the 2022 and 2023 financial years, which resulted in overstatements of claims and corresponding understatements of members' funds. The findings also highlighted weaknesses in claims processing and related internal controls.

The Scheme has considered the financial reporting implications of the identified matters, including their quantitative and qualitative materiality and their impact on the Scheme's solvency. The assessment of whether adjustments to the current and comparative financial statements are required is being undertaken in accordance with IAS 8, taking into account the nature and extent of the identified errors and the related control deficiencies.

Corrective measures have been implemented to strengthen claims processing and monitoring, including enhanced duplicate-claim detection, additional reconciliations and the commencement of recovery efforts in respect of identified duplicate payments. These measures are intended to improve the accuracy of claims processing and reduce the risk of recurrence.

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 Seloane to work closely with the then BOT to turnaround the solvency position of the Scheme.

Following the Scheme's placement under provisional curatorship on 04 September 2025, and the subsequent confirmation of curatorship on 09 October 2025, Mr Seloane no longer holds the position of statutory manager.

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 January 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 and 2024 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 2023 annual financial statements and the commencement of the audit of the 2024 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 of the 2023 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.

REPORT OF THE CURATOR

7.7 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 curatorship was made permanent on 09 October 2025. The appointment of Ms Lebogang Grace Mpakati as curator was cancelled by order of the court and Mr Ian Fleming appointed effective 11 February 2026.

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.

7.9 Self-Administration

The Scheme filed a formal application with the Council for Medical Schemes (CMS) for self-administration. The CMS granted the Scheme approval to self – administrate for period of eight (8) months effective 01 September 2026 and ending on 30 April 2027.

Self-administration is expected to strengthen the Scheme and enhance the quality of service delivered to members.

In order to retain the critical skills and administrative expertise, the Scheme absorbed some of the employees of the former administrator under Section 197 of the South African Labour Relations Act.

7.10 Resignation of External Auditors

Deloitte resigned as the Scheme's external auditors at the Special General Meeting which was held on 27 September 2025.

The resignation of Deloitte followed the complexities of the 2023 audit which resulted in two Reportable Irregularities (RI) being reported to the Independent Regulatory Board for Auditors, and the issuing of a Disclaimer Audit Opinion. The RIs stemmed from the material weaknesses in internal controls of the Scheme.

7.11 Appointment of External Auditors

The Scheme appointed Nexia SAB&T at the Special General Meeting which was help on 27 September 2025. Nexia SAB&T will be responsible for the audit of the 2024 annual financial statements.

7.12 Termination of The South African Local Government Bargaining Council

On 26 August 2025, after the reporting date of 31 December 2024 but before the financial statements were authorised for issue, The South African Local Government Bargaining Council notified the Scheme that it was terminating its accreditation. The termination resulted from the Scheme's failure to maintain the minimum membership threshold of 15000 principal members.

The South African Local Government Bargaining Council members accounted for a material percentage of the Scheme's membership for the year ended 31 December 2024. This event does not relate to conditions that existed at the reporting date and has therefore been treated as a non adjusting event.

The Scheme has assessed the effect of this event on the Scheme's ability to continue as a going concern and concluded that the going concern basis preparation of annual financial statements remains appropriate

REPORT OF THE CURATOR

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 IRFS 17, the implementation process required significant effort hence the then 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 then Trustees, jointly with the Audit and Risk Committee 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 27 to the annual financial statements.

10. GOING CONCERN

The Scheme recorded a statutory solvency ratio of 9.78% at 31 December 2024, below the required 25% minimum under Regulation 29 of the Medical Schemes Act. In 2024, an independent forensic investigation by KPMG was commissioned to understand the root causes of the solvency decline. The report, finalised in May 2025, confirmed under-provisioning and associated under-pricing as primary drivers of the solvency deterioration. It further identified material control deficiencies during 2023 and 2024, including:

- Inadequate segregation of duties and approval workflows
- Lapses in system access management
- Gaps in financial reconciliations and reporting
- Insufficient oversight of outsourced functions and service providers

In response, a comprehensive remediation framework has been implemented and is under ongoing monitoring. Key interventions include:

- Self – Administration effective 01 September 2026
- A formal control remediation tracker reviewed quarterly
- A revised risk-based internal audit plan for 2024/2025
- Strengthened oversight of benefit design, pricing, claims provisioning and budgeting, supported by actuarial peer reviews
- Expanded fraud prevention controls and post-payment claims validation
- Active consequence management and recovery processes linked to KPMG findings
- Strengthened cost containment measures and procurement reform to preserve reserves
- Ongoing engagement with the Council for Medical Schemes (CMS) with transparent reporting on turnaround progress

As at 31 August 2026 the Scheme held R45.8 million cash and cash equivalents and R537.5 million in current money market financial assets. The principal going concern sensitivities therefore relate less to the absolute availability of financial resources and more to membership sustainability, claims experience, contribution collections and the successful transition to a sustainable self-administration cost base. Year to Date July 2026 results, which put the solvency ratio at 40.07%, 10.25% above the budget.

The latest cashflow forecast remains cash-positive through July 2027. On the forecast model, closing bank cash reduces to approximately R15 million in December 2026 before recovering to approximately R32 million in January 2027 and R139 million by July 2027. The forecast does not rely on new external financing. Where additional bank cash is required, management can rebalance existing investments into operating cash.

The forecast also incorporates the self-administration transition, including the former 3Sixty Health - related vendor and payroll costs and an estimated R12 million retrenchment-related outflow in December 2026. The non-healthcare expenditure run rate is therefore not representative of the expected steady state post-transition cost base.

The most recent performance indicators as at the end of August 2026 are detailed below:

- Solvency ratio at 42.5%, above 25% statutory minimum.
- Claims ratio of 92.1%, a key sustainability metric.
- Reserves exceeding R442 million.
- A current ratio of 1.18, current assets exceed current liabilities.
- Non-Healthcare ratio of 18.2%, elevated by reduced contribution base and self-administration transition costs.
- Membership levels (17 394 beneficiaries). Membership loss remains the key risk.

The latest (July 2026) performance indicators and ratios are unaudited.

The Scheme moved to self-administration effective 01 September 2026. The external administration fee therefore ceases, while the Scheme absorbs employees and certain service providers previously supporting the outsourced administration model.

- August 2026 administration expenses were R17.6 million and included R9.0 million recorded as self-administration transition costs.
- For the remainder of 2026, former 3Sixty-related costs will exceed the administration fee being replaced because the forecast caters for transition/overlap costs and transferred service arrangements.
- Management expects approximately R12 million of retrenchment-related payments in December 2026. This is a once off restructuring cash flow and should not be extrapolated into the normalised 2027 NHE base.
- Absence of material contingent liabilities.

The cashflow forecast shows positive closing balances throughout the period reviewed. MSA refunds amounting to R42 million were paid in July 2026 with a further R45 million paid in September 2026. An estimated R30 million run is eminent with the balance requiring bank confirmations before further runs can be projected. No projections have been made for the Circa R120 million MSA refunds remaining due to unconfirmed bank details.

The latest information materially strengthens the liquidity assessment as at 31 August 2026 and the Curator concludes that the going concern basis of accounting remains appropriate.

11. PERSONAL MEDICAL SAVINGS ACCOUNT

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 Constitutional court ruling establishes that a trust relationship no longer exists.

Position prior to October 2021

Prior to the amendment of the Scheme Rules, the Scheme treated PMSA balances as part of its own assets. The PMSA funds were not maintained in a separate bank account and were therefore held together with the Scheme's other funds.

Amendment to the Scheme Rules effective October 2021

With effect from October 2021, the Scheme Rules were amended to provide for a trust relationship in respect of PMSA funds held on behalf of members. In terms of the amended Rules, the PMSA balances should be accounted for in accordance with the applicable trust arrangements and should not be treated as the Scheme's own funds.

However, the Scheme did not implement the necessary changes to its banking arrangements and accounting treatment following the amendment of the Rules. Consequently, the PMSA funds continued to be held together with the Scheme's other funds, and the accounting treatment was not aligned with the Scheme Rules effective October 2021.

The Scheme is in the process of assessing and addressing the differences between its existing banking and accounting arrangements and the requirements of the amended Scheme Rules, and to ensure that the presentation and disclosure of PMSA balances in the AFS are consistent with the applicable Rules and accounting requirements.

REPORT OF THE CURATOR

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, this 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 such that the three days is increased 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

Nature Section 33(2) of the MSA states that each benefit option is required to 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	19,335	(7,821,749)	(37,682,340)
Titanium	1,619	(13,535,922)	(16,078,828)
Platinum Enhanced	10,826	(40,229,125)	(56,849,322)
Essential Copper	3,084	(56,762,968)	(61,590,156)
Access Core	538	(2,505,307)	(3,481,605)
Value	11,599	(80,848,016)	(98,869,623)
Access	4,809	(2,380,863)	(9,050,905)

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,
2. given the high Burden of Disease and chronic prevalence for the Scheme overall and for specific options such as Essential Copper and Value options
3. Management of high-cost cases, through onsite-case management
4. Prevention and Wellness interventions aligned to a rewards programme.
5. Implementation of Evidence Based clinical protocols
6. Successful tariff negotiations with all disciplines
7. Implementation of Alternative Reimbursement Models for certain frequent high-cost procedures
8. Establishment of provider networks for hospitals, GPs and Specialists to manage costs at point of service
9. Benefit design to include option rationalisation, currently being reviewed by actuaries
10. 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

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

A combination of causes resulted in claims being paid after 30 days of receipt. The leading causes were:

1. Partial payment of claims with the balance paid after 30 days.
2. Pending of claims for periods longer than what is allowed by the claims' payment process.

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, mostly as a result of incorrect coding by service providers. Remittance advice with 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 stipulated conditions of the MSA.

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

Nature

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

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.

12.5.4 Scheme Rules 20.1, 20.2, 20.4, and 20.8 and Section 32 of the MSA - internal control weaknesses highlighted by KPMG

Nature

Section 32 of the MSA states that the rules of the medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers, and any person who claims any benefit under the rules or whose claim is derived from a person so claiming. Furthermore, scheme rules:

- Scheme Rule 20.1 – the Board is responsible for the proper and sound management of the Scheme.
- Scheme Rule 20.2 – the Board must act with due care, diligence, skill and good faith.
- Scheme Rule 20.4 – the Board must apply sound business principles and ensure the financial soundness of the scheme.
- Scheme Rule 20.8 - states that the Board must ensure that proper controls are employed by and on behalf of the scheme.

Cause of non-compliance

The Scheme operates an outsourced model, necessitating that the Board through its delegated authority to sub-committees and management continuously monitor the internal control environment of the contracted service providers. Lapses in continuous monitoring of the internal control environment at the service provider resulted in weaknesses in internal controls going undetected.

Possible impact

- Non-compliance with Scheme Rules.
- Non-compliance with the MSA.
- Financial loss.

Corrective course of action

The Scheme has adopted the findings of the KPMG forensic audit and put in place a control remediation programme that includes but 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

12.5.5 Non-compliance with the Scheme Rules 22.2.1 and Section 32 of the MSA - material breach in fiduciary duty

Nature

Section 32 of the MSA states that the rules of the medical scheme and any amendment thereof shall be binding on the medical

scheme concerned, its members, officers, and any person who claims any benefit under the rules or whose claim is derived from a person so claiming. Furthermore, scheme rules:

- Scheme Rule 22.2.1 – The principal officer is the executive officer of the Scheme and as such shall ensure that:
- he/she acts in the best interests of the members of the Scheme at all times.

Cause of non-compliance

The lack of leadership oversight by the Principal Officer resulted in the weakening of the Scheme's internal controls, poor management of Scheme's legal matters, and bringing the Scheme into disrepute.

Possible impact

- Non-compliance with Scheme Rules.
- Non-compliance with the MSA.
- Bring the Scheme into disrepute.
- Financial loss.

Corrective course of action

The Scheme has adopted the findings of the Neledi Advisory forensic audit and suspended the Principal Officer pending the outcome of a disciplinary process. Furthermore, the suspected falsified resolution has been reported to the South African Police Services.

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

Nature

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.

12.5.7 Contravention of Section 35(8) of the Act - Investment in medical administrators and employer groups

Nature

Section 35(8) of the MSA requires that:

A medical scheme shall not invest any of its assets in the business of or grant loans to:

a. An employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme;

b. Any other medical scheme;

c. Any administrator; and

d. Any person associated with any of the abovementioned.

Cause of non-compliance

The Scheme invests in a pool of funds through its investment managers which are invested in various portfolios. This makes it difficult to manage the scheme's investment requirements.

Possible impact

- Non-compliance with the MSA.
- Members may perceive the other medical schemes to be better and may consider leaving the Scheme.

Corrective course of action

The Investment Committee reviewed this matter previously after having looked at the Sizwe Hosmed Investment Portfolios as well as the performance of the affected stocks. The Scheme has consequently applied for exemption in terms of Section 35(8) of the Act from the Regulator (CMS) in respect of the non-compliance noted and such exemption has been granted. It is also the intention of the Fund to continue renewing such exemption on an annual basis as required.

12.5.8 Contravention of Section 57(4)(b), (c) and 57(4)(h) of MSA - Unsigned internal audit charter, policies not signed and reviewed regularly, and internal risk registers neither complete nor reviewed

Nature

Section 57(4)(b), (c) and 57(4)(h) of the Medical Schemes Act no. 131 of 1998 (MSA) states that the BOT shall ensure that:

- proper registers, books and records of all operations of the medical scheme are kept, and that proper minutes are kept of all resolutions passed by the board of trustees;
- proper control systems are employed by or on behalf of the medical scheme; and
- the rules, operation and administration of the medical scheme comply with the provisions of this Act and all other applicable laws.

Cause of non-compliance

The internal policies, internal risk registers, and internal audit charter are unsigned, unreviewed, and incomplete.

Possible impact

- Failure to properly document internal risks and put in place the necessary internal controls.
- Severe governance failures, regulatory non-compliance, and unmitigated operational vulnerabilities.

Corrective course of action

The unsigned internal audit charter, and unsigned and unreviewed policies and internal risk registers will be submitted to senior management for review and alignment.

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 Mokoditoa).

13.3 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 then Board of Trustees 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.

The matter was resolved and settled in April 2024 with the Scheme recovering R250,000 from the former Principal Officer.

13.4 Interactive Brand Solutions (Pty) Ltd ("IBS")

In March 2024, IBS instituted action proceedings in the high court of South Africa, Gauteng Division, against the Scheme on the basis that the Scheme breached an agreement entered into between the Scheme and IBS on or about 24 October 2019 ("the agreement") by failing to pay IBS invoices for the months of October 2023 to December 2023 in the amount of R6,242,755. The Scheme has filed its plea and counterclaims against IBS on the basis of the invalidity of the contract and the lack of evidence that the services were rendered. The matter was settled out of court without prejudice for an amount of R2,000,000 paid by the Scheme to IBS in November 2025.

13.5 Irregular changes made to service providers' banking details

Under Section 34 of PRECCA the Scheme has an obligation to report any fraudulent activities taking place within the Scheme to the South African Police Services (SAPS).

The KPMG report identified instances where service providers' banking details were altered without proper supporting documents and without valid instructions from the service providers. The total financial loss suffered by the Scheme as a result of the irregular bank account changes amounted to R1 438 736.70.

The Scheme has duly reported the matter to the South African Police Services for futher investigations.

14. Reportable Irregularity (RI)

The scheme was notified by the external auditors that as required by Section 45 of the Auditing Profession Act, a reportable irregularity was filed with the Independent Regulatory Board for Auditors (IRBA).

The RI relate to material weaknesses in the internal controls of the Scheme. The RI came from the findings of the KPMG forensic investigation. The material weakness in internal controls resulted in the non-compliance with Section 32 of the Medical Schemes Act and the rules of the Scheme as well as Regulation 29(2) subject to sub-regulation (3), (3A) and (4) of the Medical Schemes Act which requires the medical scheme to maintain accumulated funds expressed as a percentage of gross annual contributions for the accounting period under review which may not be less than 25%.

The statutory auditors noted that the weaknesses in internal controls have contributed to the decline in the solvency ratio.

The scheme has provided a comprehensive response to the RI raised by the auditors. Management has taken the following actions to remedial the material weaknesses in internal control:

- The then BOT instructed the scheme administrator (3Sixty Health) to recover the duplicate payments from the service providers. R5 million had been recovered at the end of April 2026.
- 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 April 2026.
- 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 state 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.

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 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 156 to 214 (which have been prepared on the going concern basis) were approved and signed by the Curator on (Date to be confirmed).

Signed by:



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Mr Ian Fleming

Curator

REPORT OF AUDIT AND RISK COMMITTEE



REPORT OF 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 2024.

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 Committee is an independent statutory committee.

2. MEMBERS OF THE COMMITTEE AND ATTENDANCE OF MEETINGS

At year end the Committee consisted of four independent members and two trustee members. An additional independent member was appointed in November 2024.

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.

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	1	1
Ms Z. Matikinca (Elected Trustee)	N3 Electrical Engineering	13 September 2021	04 September 2025	5	5
Mr T Ramawa (Independent Member)	CA(SA)	13 January 2023	04 September 2025	5	5
Mr T. Kgokolo (Appointed Trustee and Chairman)	MBA, CA(SA)	13 September 2021	04 September 2025	5	5
Mr L. Kubheka (Independent Member)	National Diploma-Financial Information Systems	13 September 2021	04 September 2025	5	5
Ms Dibabatso Masooa (Independent Member)	B.Sc. Mathematical Sciences	11 November 2024	04 September 2025	1	1
Mr Nicholas Erasmus (Independent Member)	MCom (Business Administration)	08 March 2024	04 September 2025	2	2

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

Committee Member	Qualifications	Appointment Date
Mr Ian Fuller (Chairman)	B Comm	11 February 2026
Mr Thabang Magare	CA(SA)	11 February 2026
Ms Mbalenhle Themba	LLB	11 February 2026
Mr Ian Fleming	CA(SA)	11 February 2026

Chairperson: Audit and Risk

REPORT OF AUDIT AND RISK COMMITTEE

3. ROLES AND RESPONSIBILITIES

The Curator considered the matters set out in Section 36 of the Act and nominated Nexia SAB&T for appointment as external auditor of the Scheme for the 2024 financial year in accordance with section 36(2) of the Act.

4. EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

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.

The Committee is satisfied that Nexia SAB&T 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 2024 for approval by the Curator.

5. FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The Committee has reviewed the accounting policies, significant accounting judgements and the Scheme's annual financial statements for the year-ended 31 December 2024. In performing this review, the committee considered the requirements of IFRS Accounting Standards, IFRS 17 Insurance Contracts, the Medical Schemes Act and relevant regulatory requirements, together with matters communicated by the external auditor.

6. INTERNAL FINANCIAL CONTROLS

The Committee oversees the Scheme's internal control environment. In carrying out this responsibility, it considered the control deficiencies identified through the KPMG forensic investigation, management's responses and the remediation programme. The principal themes included segregation of duties and approval workflows, system access management, financial reconciliations and reporting, and oversight of outsourced service providers.

The Committee acknowledges that material control weaknesses existed during the reporting period. Remediation has therefore been prioritized through a formal action tracker, strengthened management accountability and enhanced oversight by the ARC. Following the move to self-administration on 1 September 2026, particular focus is being placed on the design and operation of controls over claims, contributions and billing, cash and payments, reconciliations, segregation of duties, data migration and financial reporting.

The Committee monitors the status of remediation, overdue actions and residual control risks and requires material exceptions to be escalated for appropriate corrective action.

The Committee maintains direct engagement with external audit and considers their work as part of its oversight of the Scheme's control and assurance environment.

7. INTERNAL AUDIT

The Committee fulfils an oversight role over the Scheme's system of internal financial control and the internal audit function, including its independence, resources and effectiveness. The Committee also oversees cooperation between the internal and external auditors.

During the 2024 financial year, the internal audit function was outsourced to Sekela Xabiso CA Incorporated and SM Xulu Inc. The Internal Audit plan and Internal Audit Charter were presented and approved by the Committee.

The Committee received internal audit reports during the year. However, the subsequent forensic investigation identified deficiencies in the Scheme's claims processing and internal control environment, some of which had not previously been highlighted through the internal audit process. These findings highlighted areas requiring further strengthening of the Scheme's internal control environment and internal audit oversight.

REPORT OF AUDIT AND RISK COMMITTEE

8. RISK MANAGEMENT

The Committee oversees the Scheme's risk management framework and monitors whether material financial, operational, regulatory and technology risks are identified, assessed, mitigated and reported. The risk register has been updated to incorporate matters arising from the forensic investigation and subsequent developments.

The Committee continues to monitor the remediation of control weaknesses and the Scheme's evolving risk profile. Particular areas of focus include the claims experience and hospital utilization, membership and contribution trends, non-healthcare expenditure, fraud waste and abuse exposure, regulatory compliance, data and system integrity and the stabilization of self-administration.

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

The Committee considered the expertise, experience and capacity of the Chief Financial Officer and the finance function in the context of the Scheme's financial reporting responsibilities and the transition from outsourced administration to self-administration. The Committee will continue to monitor the adequacy of finance capacity, segregation of duties, financial reporting controls and the effectiveness of the control environment as responsibilities previously performed by the administrator are brought within the Scheme.

10. GOING CONCERN

The Scheme recorded a statutory solvency ratio of 9.78% at 31 December 2024, below the required 25% minimum under Regulation 29 of the Medical Schemes Act. In 2024, an independent forensic investigation by KPMG was commissioned to understand the root causes of the solvency decline. The report, finalised in May 2025, confirmed under-provisioning and associated under-pricing as primary drivers of the solvency deterioration. It further identified material control deficiencies during 2023 and 2024, including:

- Inadequate segregation of duties and approval workflows,
- Lapses in system access management,
- Gaps in financial reconciliations and reporting,
- Insufficient oversight of outsourced functions and service providers.

In response, a comprehensive remediation framework has been implemented and is under ongoing monitoring. Key interventions include:

- Self – Administration effective 01 September 2026.
- A formal control remediation tracker reviewed quarterly.
- A revised risk-based internal audit plan for 2024/2025.
- Strengthened oversight of benefit design, pricing, claims provisioning and budgeting, supported by actuarial peer reviews.
- Expanded fraud prevention controls and post-payment claims validation.
- Active consequence management and recovery processes linked to KPMG findings.
- Strengthened cost containment measures and procurement reform to preserve reserves.
- Ongoing engagement with the Council for Medical Schemes (CMS) with transparent reporting on turnaround progress.

As at 31 August 2026 the Scheme held R45.8 million cash and cash equivalents and R537.5 million in current money market financial assets. The principal going concern sensitivities therefore relate less to the absolute availability of financial resources and more to membership sustainability, claims experience, contribution collections and the successful transition to a sustainable self-administration cost base. Year to Date July 2026 results, which put the solvency ratio at 40.07%, 10.25% above the budget.

The latest cashflow forecast remains cash-positive through July 2027. On the forecast model, closing bank cash reduces to approximately R15 million in December 2026 before recovering to approximately R32 million in January 2027 and R139 million by July 2027. The forecast does not rely on new external financing. Where additional bank cash is required, management can rebalance existing investments into operating cash.

The forecast also incorporates the self-administration transition, including the former 3Sixty Health - related vendor and payroll costs and an estimated R12 million retrenchment-related outflow in December 2026. The non-healthcare expenditure run rate is therefore not representative of the expected steady state post-transition cost base.

The most recent performance indicators as at the end of August 2026 are detailed below:

- Solvency ratio at 42.5%, above 25% statutory minimum.
- Claims ratio of 92.1%, a key sustainability metric.
- Reserves exceeding R442 million.
- A current ratio of 1.18, current assets exceed current liabilities.
- Non-Healthcare ratio of 18.2%, elevated by reduced contribution base and self-administration transition costs.
- Membership levels (17 394 beneficiaries). Membership loss remains the key risk. The latest (August 2026) performance indicators and ratios are unaudited.

The Scheme moved to self-administration effective 01 September 2026. The external administration fee therefore ceases, while the Scheme absorbs employees and certain service providers previously supporting the outsourced administration model.

- August 2026 administration expenses were R17.6 million and included R9.0 million recorded as self-administration transition costs.
- For the remainder of 2026, former 3Sixty-related costs will exceed the administration fee being replaced because the forecast caters for transition/overlap costs and transferred service arrangements.
- Management expects approximately R12 million of retrenchment-related payments in December 2026. This is a once off restructuring cash flow and should not be extrapolated into the normalised 2027 NHE base.
- Absence of material contingent liabilities.

The cashflow forecast shows positive closing balances throughout the period reviewed. MSA refunds amounting to R42 million were paid in July 2026 with a further R45 million paid in September 2026. An estimated R30 million run is eminent with the balance requiring bank confirmations before further runs can be projected. No projections have been made for the Circa R120 million MSA refunds remaining due to unconfirmed bank details.

The latest information materially strengthens the liquidity assessment as at 31 August 2026 and the Audit and Risk Committee concludes that the going concern basis of accounting remains appropriate.

11. SUBSEQUENT EVENTS

The Committee considered material developments after 31 December 2024, including completion of the KPMG forensic investigation in May 2025 and the related remediation programme; changes in executive leadership; the Scheme's placement under provisional curatorship on 04 September 2025 and subsequent curatorship effective 09 October 2025; PRECCA reporting arising from forensic findings; the change in external auditor; continued engagement with CMS; and CMS approval of the Scheme to self-administration for the eight-month period from 01 September 2026 to 30 April 2027.

The Committee considered whether these developments provided evidence of conditions existing at 31 December 2024 or represented non-adjusting events arising after the reporting date. Where material, the relevant disclosures and implications for going concern, governance, internal control and financial reporting have been considered in the annual financial statements.

REPORT OF AUDIT AND RISK COMMITTEE

12. CONCLUSION

Based on the information and explanations given by management, the forensic investigations, and discussions with the independent External Auditor, the Committee acknowledges the material weaknesses in the internal control environment identified in relation to the period. The Committee continues to oversee the remediation programme and the strengthening of financial and operational controls, including controls arising from the transition to self-administration.

The Committee has considered the annual financial statements for the year ended 2024, the disclosed regulatory non-compliance, significant audit and forensic matters, subsequent events and the assessment of going concern. The Committee has also considered whether these matters have been appropriately reflected or disclosed in the annual financial statements.

The Committee recommends the annual financial statements for the year-ended 31 December 2024 to the Curator for approval and subsequent presentation to the members in accordance with the applicable requirements.

Signed by:



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Mr Ian Fleming

Curator

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024



STATEMENT OF FINANCIAL POSITION

Figures in R	Notes	2024	2023
Assets			
Non-current assets			
Property, plant and equipment	3	2,678,926	1,768,046
Financial assets at Fair value through profit or loss	4	476,801,486	549,408,097
Financial assets at fair value through OCI	5	220,581,589	238,835,402
Total non-current assets		**700,062,001**	**790,011,545**
Current assets			
Financial assets at fair value through OCI	5	101,258,700	83,245,895
Other receivables	6	68,282,300	52,074,846
Cash and cash equivalents	7	24,588,149	154,651,846
Total current assets		**194,129,149**	**289,972,587**
Total assets		**894,191,151**	**1,079,984,132**
Liabilities			
Non-current liabilities			
Insurance contract liability to future members	8	424,301,860	676,652,002
Total non-current liabilities		**424,301,860**	**676,652,002**
Current liabilities			
Trade and other payables	9	51,546,922	54,405,446
Insurance contract liabilities	10	418,342,369	348,926,684
Total current liabilities		**469,889,291**	**403,332,130**
Total liabilities		**894,191,151**	**1,079,984,132**

STATEMENT OF COMPREHENSIVE INCOME

Figures in R	Notes	2024	2023
Insurance revenue	**10 & 11**	**3,971,204,734**	**3,964,746,561**
Insurance service expenses		**(4,158,648,430)**	**(4,220,312,625)**
Claims incurred	12	(3,748,412,987)	(3,783,302,305)
Third-party claims recoveries	10	9,253,403	4,284,901
Attributable expenses incurred	14	(154,244,232)	(163,718,256)
Accredited managed healthcare services (no risk transfer)	15	(191,856,449)	(204,818,264)
Insurance acquisition cash flows (broker fees)	16	(73,388,165)	(72,758,701)
Insurance service result		**(187,443,696)**	**(255,566,064)**
		119,468,264	**99,650,273**
Other income			
Sundry income	17	28,268,181	13,359,658
Investment income	18	91,200,082	86,290,615
Other expenses		**(202,093,126)**	**(227,706,800)**
Administration fees and other operative expenses	19	(197,705,040)	(223,303,438)
Asset management fees	18	(2,803,012)	(4,229,922)
Finance costs	21	(1,585,074)	(173,440)
Loss before amounts attributable to future members		**(270,068,558)**	**(383,622,591)**
Amounts attributable to future members		270,068,558	383,622,591
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		17,718,413	236,336
Debt instrument at fair value through OCI- net change in fair value transferred to liability for future members		(17,718,413)	(236,336)
Other comprehensive income for the year		-	-

STATEMENT OF CASH FLOWS

Figures in R	Notes	2024	2023
Cashflows from operating activities			
Cash receipts from members and providers		4,351,589,695	4,298,239,082
Cash receipts from members - contributions	23	4,339,526,054	4,298,239,082
Cash receipts from members and providers – others	23	12,063,641	-
Cash paid to members and providers		(4,661,673,199)	(4,625,503,054)
Cash paid to members and providers – Claims	23	(4,457,554,066)	(4,386,477,724)
Cash paid to members and providers – others		-	(2,982,928)
Cash paid to members and providers – non-healthcare expenditure	23	(204,119,133)	(236,042,402)
Interest paid on lease liabilities	23	-	(20,659)
Net cash used in operating activities	**23**	**(310,083,504)**	**(327,284,631)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1,746,308)	(104,575)
Payments for financial assets	5	(2,239,474,934)	(2,798,188,938)
Proceeds from disposal of financial assets	5	2,341,895,247	3,073,757,654
Dividends received	18	54,105	5,571,592
Interest received	18	79,291,697	81,702,154
Net cash generated from investing activities		**180,019,807**	**362,737,887**
Payment of lease liabilities	24	-	(928,122)
Net Cash used in financing activities		**-**	**(928,122)**
Cash and cash equivalents movement for the year		**(130,063,697)**	**34,525,134**
Cash and cash equivalents at beginning of the year		154,651,846	120,126,713
Cash and cash equivalents at end of the year	**7**	**24,588,149**	**154,651,847**

ACCOUNTING POLICIES



ACCOUNTING POLICIES

1. General information

Sizwe Hosmed Medical Scheme (the Scheme) is a not-for-profit open medical scheme registered in terms of the Medical Schemes Act no. 131 of 1998, as amended. The address of its registered office and principal place of business are disclosed in the Board of Trustees report. The Scheme is administered by 3Sixty Health (Pty) Ltd.

Statutory framework and compliance

The Scheme is governed by the Medical Schemes Act, 131 of 1998, and the Scheme complies with the applicable provisions of the Act.

Material accounting policy information

The material accounting policy information applied in preparing these Scheme Annual Financial Statements is set out in the relevant notes. The accounting policies have been applied consistently to all periods presented, except where otherwise disclosed. New and amended IFRS Accounting Standards effective for the current reporting period have been considered, and those that had a material effect on the Scheme Annual Financial Statements are disclosed in the relevant notes.

1.1 Summary of material accounting policies

The principal accounting policies applied in the preparation of these Annual Financial Statements (AFS) are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 Basis of preparation

The Scheme Annual Financial Statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

In developing and applying its accounting policies, the Scheme has applied the SAICA Medical Schemes Accounting Guide.

The Scheme Annual Financial Statements have been prepared on the going concern basis and, except where otherwise stated in the material accounting policy information, using the historical cost basis.

The Scheme's Annual Financial Statements are presented in South African rand, which is the Scheme's functional and presentation currency. All amounts are rounded to the nearest thousand rand, unless otherwise indicated.

The preparation of the Scheme Annual Financial Statements in accordance with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of the Scheme's accounting policies and the reported amounts of assets, liabilities, income and expenses. The relevant judgements and sources of estimation uncertainty are disclosed in the related notes.

1.3 Significant judgements and key sources of estimation uncertainty

In preparing the financial statements, management is required to make judgements and estimates that affect the application of the Scheme's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Significant judgements

In the process of applying the Scheme's accounting policies, management makes judgements that may have a significant effect on the amounts recognised in the financial statements. The significant judgements made by management are disclosed separately below.

Key sources of estimation uncertainty

Management also makes estimates and assumptions concerning the future. The key sources of estimation uncertainty at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed separately below.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered reasonable in the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

General information continued...

Liability for incurred claims

There are some sources of uncertainty that need to be considered in the estimate of the liability that the Scheme will ultimately pay for such claims. Initial estimates are made by the actuary relating to the best calculations on reported claims and derived as the claims process develops. All the estimates are revised and adjusted at the year-end on the recommendation of the Scheme's actuary.

Sources of these unreported provisions payments include:

- Unknown and hence unreported claims;
- Closed claims that later become reopened and have additional payments; and
- Notified claims that are not yet settled claims.

If no or insufficient allowance is made for these claims, the result is that the Scheme may not hold sufficient funds to honour members' claims.

The provision – known as liability for incurred claims (LIC) – is determined as accurately as possible based on a number of factors which include previous experience in claims patterns, claims settlement patterns, changes, and the 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 and net of PMSA.

The Scheme does not discount provision for outstanding claims (i.e. there is no allowance for investment returns to be earned) given that the cash outflows are largely expected to occur within 12 months from the calculation date.

The LIC provision is estimated using the Basic Chain Ladder method (BCL method). The BCL method assumes stability in the delay pattern of settlement of claims from the claim origin period to the claim payment period. The BCL method also assumes that the claims that are known to have developed at the time of the calculation are a reasonable reflection of claims that would emanate from the origin period. Given the need to lodge medical scheme claims within three months, the BCL method is relevant for claim origin periods that are three months old or more. For claim origin periods within three months, there is a possibility for the lodging and settlement of claims to be interrupted and the claims that are known to have developed at the time of the calculation may not the best indicator of future claims from the origin period.

The carrying amount of the liability for incurred claims is disclosed in Note 10 . The LIC provision is monitored and adjusted monthly by the Scheme's management and actuaries. For the annual financial statements, an estimate of the LIC provision for the current accounting period is set and adjusted at year-end by management.

Provision for impairment of receivables

Accounting policy

The Scheme assesses the recoverability of receivables at each reporting date. An allowance for expected credit losses is recognised where there is evidence that the Scheme will not be able to collect the amounts due in accordance with the original terms of the receivables. The allowance is recognised in the statement of comprehensive income. The Scheme's receivables are not discounted due to the short-term nature of their recoverability.

Significant judgement

In determining the allowance for expected credit losses, management exercises judgement in assessing the credit risk and recoverability of outstanding receivables. Management considers the ageing and nature of receivables, historical collection experience, the creditworthiness of counterparties and other relevant information when determining the appropriate allowance.

Key source of estimation uncertainty

The determination of the expected credit loss allowance involves estimation uncertainty, particularly in assessing the likelihood of default and the amount expected to be recovered from outstanding receivables. Changes in these assumptions or actual collection experience could result in a material adjustment to the carrying amount of receivables and the related impairment allowance in the next financial year.

The carrying amount of receivables and the related impairment allowance are disclosed in Note 22

ACCOUNTING POLICIES

General information continued...

a. Judgment as to whether the Scheme is a mutual entity

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

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

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

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

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

Sizwe Hosmed is a mutual entity and applies IFRS 17 Insurance Contracts to its insurance contracts. In considering the application of IFRS 17 to a mutual entity, the Scheme has considered the requirements of IFRS 17, including paragraphs B16 and B67–B71, together with the related educational material issued by the IASB.

The Scheme's policyholders hold the residual interest in the Scheme in their capacity as members. However, the existence of a residual interest does not, in itself, result in cumulative retained income or accumulated surpluses being recognised as a liability. Such amounts are recognised based on whether the Scheme has a present obligation at the reporting date that meets the definition of a liability in the Conceptual Framework and the applicable requirements of IFRS Accounting Standards.

Accordingly, cumulative profits or losses attributable to members are not recognised as an insurance contract liability merely because they may ultimately benefit current or future members. Amounts are recognised as insurance contract liabilities only to the extent that they meet the recognition and measurement requirements of IFRS 17.

The Scheme therefore recognises the movement in its insurance contract liabilities in accordance with IFRS 17. Any residual amounts that do not meet the definition of a liability are recognised within reserves, as appropriate, and the resulting income or expense is recognised in the statement of profit or loss and other comprehensive income in accordance with the applicable IFRS Accounting Standards.

The scheme has determined the contract boundary for insurance contracts issued to be 12 months with reference to its substantive obligations.

b. Initial and subsequent measurement

The scheme determined that the coverage period for each of the insurance contracts it issues is 12 months or less. The scheme applies the Premium Allocation Approach (PAA), measurement of these contracts under the PAA qualifies by virtue of these contracts having the coverage period of one year or less .

For insurance contracts issued, on initial recognition, the scheme measures the Liability for Remaining Coverage (LRC) at the amount of premiums received, less any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

General information continued...

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

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

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

c. Fulfilment cash flows within contract boundary

The fulfilment cash flows are the current estimates of the future cash flows within the contract boundary of a group of contracts that the scheme expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts. The scheme estimates fulfilment cash flows at the portfolio level and then allocates such estimates to groups of contracts.

The scheme assessed the following future cash flows to arise:

- Premiums (cash inflow)
- Policy administration and maintenance costs (cash outflow)
- Payments from incurred claims (cash outflow)
- Directly attributable costs (cash outflow)
- Recoveries from the Road Accident Fund (RAF) (cash inflow)
- Premiums allocated to Personal Medical Savings Account (PMSA) (cash inflow)

The cash flows will be further split into the following for determining the Liability for Incurred Claims ('LIC') and Liability for Remaining Coverage (LRC):

- Incurred claims (reported and unreported)
- Claims handling costs
- Premiums
- Attributable expenses
- Expected claims pay-outs

The estimates of future cash flows are based on a probability weighted mean of the full range of possible outcomes; are determined from the perspective of the scheme, provided the estimates are consistent with observable market prices for market variables; and reflect conditions existing at the measurement date. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. As the contracts are measured under the PAA, the explicit risk adjustment for non-financial risk (except for those contracts that are onerous) is only estimated for the measurement of the LIC.

The following method/ technique of estimation for the identified cash flows in computing LIC are expected (based on an analysis of historical payment patterns):

- A combination of apriori/ FNOL (first notification of loss) estimates as well as case estimates (based on claims assessors' feedback) depending on the stage at which each claim is.
- Based on traditional actuarial triangulation methods as well as management input on the expectations of claims experience.

ACCOUNTING POLICIES

General information continued...

d. Insurance acquisition costs

The scheme includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

- costs directly attributable to individual contracts and groups of contracts; and
- costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

For insurance contracts issued, insurance acquisition cash flows are expensed in profit and loss.

e. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the scheme requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the scheme fulfils insurance contracts.

Refer to the significant judgements and estimates in applying IFRS 17 note on the risk adjustment for non-financial risk methodology.

Amounts recognised on comprehensive income

Insurance revenue

As the scheme provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the expected consideration to be received over the coverage period of the contracts.

Insurance revenue comprises of the amounts relating to the changes in LRC.

Insurance service expenses

Insurance service expenses include other incurred directly attributable insurance service expenses; insurance acquisition cash flows; changes that relate to past service (i.e. changes in the fulfilment cash flows relating to the LIC); and changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components). The scheme does not issue insurance contracts or hold reinsurance contracts that include investment components.

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of financial risk and changes in financial risk, the scheme does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less. Insurance finance income or expenses is impacted by interest accreted on the LIC; and the effect of changes in interest rates and other financial assumptions.

The scheme does not disaggregate risk adjustment movement into insurance service results and finance results for all contracts for operational simplicity.

ACCOUNTING POLICIES

General information continued...

Significant judgements and estimates in applying IFRS 17

Areas of judgement	Applicable to the scheme
Definition and classification	
a) Whether a contract issued accepts significant insurance risk.	Applicable to the scheme in classification of contracts and assessing whether significant insurance risk transfers. Refer to Note 1.1.
b) Whether contracts within the scope of IFRS 17 meet the definition of insurance contracts with direct participation features.	The scheme does not issue insurance contracts with investment components. In assessing this, the scheme considered all terms and conditions within contracts identified to be in the scope of IFRS 17.
c) For insurance contracts with a coverage period of more than one year and for which the entity applies the PAA, the eligibility assessment as required by IFRS 17(53)(a),(54),(69)(a),(70) and may involve significant judgement.	All insurance contracts issued measured by the scheme under the PAA have a coverage period of one year or less. Thus, no assessment for is performed for insurance contracts issued the PAA is separately required and no judgement was involved.
Level of aggregation (Unit of account)	
a) Combination of insurance contracts - whether the contracts with the same or related counterparty achieve or are designed to achieve an overall commercial effect and require combination.	No judgement is applicable to the scheme
b) Separation - whether components in IFRS 17(11)- (12) are distinct (i.e. meet the separation criteria).	No judgement is applicable to the scheme. The contracts do not contain distinct components.
c) Separation of contracts with multiple insurance coverage - whether there are facts and circumstances where the legal form of an insurance contract does not reflect the substance and separation is required.	No judgement is applicable to the scheme.
d) Judgements involved in the identification of portfolios of contracts as required by IFRS 17(14) (i.e. having similar risks and being managed together).	The scheme provides medical aid insurance, all contracts within each product line (scheme) exposes the scheme to the same risks and options are managed together.
e) For insurance contracts issued measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate any changes in the onerous group's profitability and whether any loss component remeasurement is required.	This area of judgement is applicable to the scheme. In 2024, the scheme recognised operational losses which may indicate the existence of loss making contracts.

ACCOUNTING POLICIES

General information continued...

f) The determination of whether laws or regulations constrain the Group's practical ability to set a different price or level of benefits for policyholders with different risk profiles so the Group may include such contracts in the same group, disregarding the aggregation requirements set in IFRS 17(14)-(19), is an area of judgement.	"In making the pricing recommendations, the consulting actuaries are referring to the guidance in the Actuarial Society of South Africa's Advisory Practice Note APN303: Advice to South African Medical Scheme on Adequacy of Contributions. The guidance in APN202 followings the general guidance in the annual circular (e.g., Circular 44 of 2022: Guidance on benefit changes and contribution increases for 2023) issued by the Council for Medical Schemes (CMS) that includes specific considerations with regards to establishing the contributions (i.e. pricing). From this annual circular it is clear that the focus are on financial indicators such as headline inflation and consumer price inflation, as well as utilisation increases (with no specific reference to the underlying reason for such change, i.e. it is not broken down into the various sub-risk categories) and the single exist price (SEP) for medicines that are applicable across benefit options. The overall focus is on maintaining solvency of the scheme as a whole, rather than pricing for specific individual health risks per benefit option. Medical schemes in South Africa are legally required to provide certain prescribed minimum benefits, regardless of the risk profile of its members and are limited in how these benefits are incorporated into the pricing of the benefits. In addition, no person may be prohibited from becoming a member of a medical scheme based on the underwriting risk associated with the prospective member. At most a scheme may apply late joiner penalties and/or waiting periods. Medical scheme are further prohibited from discriminating based on age. Given these legal / regulatory restrictions, there is a possibility that onerous contracts may be caused by these limitations."
Recognition and derecognition	
g) When contracts are modified, judgement might be applied to establish if the modification meets the criteria for derecognition.	No judgement is applicable to the scheme in 2023 and 2024, there were no contract modifications.
Measurement	
a) The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract in the scope of IFRS 17. Judgements might be involved to determine when the scheme is capable of repricing the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums and when premiums reflect risks beyond the coverage period.	No judgement involved as the contract boundary for insurance contracts issued are 12 months or less.
b) An entity may use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts	The scheme performs expense studies on a continuous basis and uses judgement to determine the extent to expenses are directly attributable to fulfilling insurance contracts.
Financial performance	
a) The determination of what constitutes an investment component might be an area of judgement significantly affecting amounts of recognised insurance revenue and insurance service expenses as investment components should be excluded from those.	The scheme does not issue insurance contracts with investment components.

General information continued...

Estimates and assumptions

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

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

Discount rates:

Discounting is not applicable as the cashflows fall within 12 months.

Estimates of future cash flows to fulfil insurance contracts:

Where estimates of expenses related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis. These expenses have been allocated in terms of activity, the scheme has determined that this method results in a systematic and rational allocation. Acquisition cash flows are expensed directly into profit and loss.

Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts in force (policy count). Claims settlement related expenses are allocated based on the number of claims.

During 2022, certain facts and circumstances indicated that some groups of insurance contracts might be onerous. These groups were monitored in subsequent reporting periods to assess whether their profitability had improved. During 2023, certain groups showed an improvement in their financial performance. However, the assessment of whether these groups had become profitable was subject to the deficits reported for certain benefit options in Note 22. During 2024, the groups continued to be assessed for indicators of onerousness, and no additional indicators were identified at the reporting date.

The assessment of profitability and onerousness is based on the relevant group-level measurement under IFRS 17 and is supported by the underlying actuarial valuations and financial information.

Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation required by the Scheme for bearing uncertainty regarding the amount and timing of cash flows arising from non-financial risks as insurance contracts are fulfilled. The Scheme determines the risk adjustment for non-financial risk using the Value-at-Risk (VaR) technique for both the Liability for Incurred Claims (LIC) and the Liability for Remaining Coverage (LRC). The calculation is based on the best estimate of liabilities (BEL) and the estimated variability of future cash flows arising from non-financial risks.

The VaR methodology is calibrated to a confidence level of 75%, representing the level of confidence that the provision held is sufficient to cover the uncertainty associated with non-financial risks. The calculation assumes that the distribution of the relevant cash flows is 75%, with the parameters determined using the Scheme's actuarial estimates and experience.

1.4 Property, plant and equipment

Property, plant and equipment are reflected at historical cost less accumulated depreciation and accumulated impairments. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets after taking into consideration the asset's residual value.

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

Asset class	Average useful life	Depreciation method
Leasehold improvements	2 years	Straight line
Motor vehicles	5 years	Straight line
Fixtures and fittings	6 years	Straight line
Office equipment	6 years	Straight line
Computer equipment	3 years	Straight line

General information continued...

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in the statement of comprehensive income to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds (if any) and the carrying amount of the item, is included in the Statement of Comprehensive Income when the item is derecognised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Scheme, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to dispose and value-in-use. Gains or losses on disposals are determined by comparing the proceeds with the carrying amount. These are recorded in the surplus or deficit.

1.5 Financial instruments

Financial Assets

The Scheme classifies its financial assets in accordance with IFRS 9, Financial Instruments, based on the Scheme's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are classified and measured in one of the following categories:

- Financial assets at amortised cost: Financial assets held within a business model whose objective is to hold assets to collect contractual cash flows, where those cash flows meet the solely payments of principal and interest (SPPI) criterion.
- Financial assets at fair value through other comprehensive income (FVOCI): Financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, where the contractual cash flows meet the SPPI criterion.
- Financial assets at fair value through profit or loss (FVTPL): Financial assets that do not qualify for measurement at amortised cost or FVOCI, including equity investments that have not been designated at FVOCI and other financial assets that are mandatorily measured at FVTPL. Financial assets may also be irrevocably designated at FVTPL on initial recognition where this eliminates or significantly reduces an accounting mismatch.

Initial Recognition

Financial assets are recognised when the Scheme becomes a party to the contractual provisions of the financial instrument. On initial recognition, financial assets are measured at fair value. For financial assets not measured at FVTPL, directly attributable transaction costs are added to the initial carrying amount. Transaction costs relating to financial assets measured at FVTPL are recognised in profit or loss as incurred.

Subsequent Measurement

Subsequent to initial recognition, financial assets are measured in accordance with their IFRS 9 classification. Financial assets measured at FVOCI are carried at fair value, with changes in fair value recognised in other comprehensive income, subject to the applicable IFRS 9 requirements. Financial assets measured at FVTPL are carried at fair value, with changes in fair value recognised in profit or loss. Financial assets measured at amortised cost are measured using the effective interest method and are subject to the impairment requirements of IFRS 9, where applicable.

General information continued...

The Scheme assesses the classification of its financial assets based on the nature of its investment holdings, the manner in which the portfolio is managed and the contractual terms of the relevant financial instruments.

Financial Assets at fair value through profit or loss

The Scheme's financial assets measured at fair value through profit or loss comprise listed equity, unlisted equity and unitised equity.

These financial assets are classified at fair value through profit or loss where required by IFRS 9, including investments that do not qualify for measurement at amortised cost or fair value through other comprehensive income. Any designation of financial assets at fair value through profit or loss on initial recognition is made only where the applicable IFRS 9 criteria are met.

Financial assets classified at fair value through profit or loss are measured at fair value at the end of each reporting period, with the resulting fair value gains or losses recognised in profit or loss for the period.

Financial Assets at Fair value through other comprehensive income

Debt instruments are classified as financial assets at fair value through other comprehensive income (FVOCI) where they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the contractual terms of the instruments give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

General information continued...

The Scheme's debt securities portfolio, which includes investments in bonds, money market instruments and other qualifying interest-bearing instruments, is managed with the objective of earning contractual interest income and receiving the repayment of principal, while also permitting the sale of instruments in the ordinary course of portfolio management.

Such sales may arise from liquidity requirements, including member withdrawals, or from the repositioning of the portfolio in response to changes in market conditions, interest rate expectations, credit risk exposure or investment strategy.

Accordingly, debt instruments that meet both the business model test and the SPPI test are classified and measured at fair value through other comprehensive income in accordance with IFRS 9.

Financial assets at amortised cost

- Insurance Contract Balances and other receivables

Amounts arising from insurance contracts within the scope of IFRS 17 are recognised and measured in accordance with the requirements of IFRS 17. These amounts are presented in the statement of financial position in accordance with the applicable IFRS 17 presentation requirements and are not classified as financial assets under IFRS 9 merely because they represent amounts receivable.

Other receivables that meet the definition of financial assets and fall within the scope of IFRS 9 are initially recognised at fair value, plus directly attributable transaction costs where applicable. These receivables are subsequently measured at amortised cost using the effective interest method, provided they meet the relevant classification criteria under IFRS 9.

The Scheme assesses impairment of financial assets measured at amortised cost in accordance with the expected credit loss requirements of IFRS 9. The assessment considers relevant historical collection experience, current conditions and reasonable and supportable forward-looking information. Where applicable, an impairment allowance is recognised for expected credit losses, and the carrying amount of the financial asset is reduced by the corresponding allowance.

Assessment of Outstanding Contributions

For the purpose of assessing the recoverability of outstanding contributions, the Scheme analyses contribution receipts on a monthly basis to determine whether contributions are received in the month due or in subsequent months. Receipts are allocated to the oldest outstanding amounts, while overpayments are allocated to subsequent contributions, where appropriate.

Collection patterns are analysed by calculating cumulative collection percentages for each contribution period. Members with credit balances are identified separately, and collection rates are assessed accordingly. Credit balances relating to individual members are not offset against amounts outstanding for other members when assessing recoverability.

General information continued...

The resulting collection information is considered, together with other relevant information, when assessing the recoverability of outstanding balances and determining any applicable impairment allowance in accordance with the relevant IFRS requirements.

- Cash and cash equivalents

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

Financial liabilities

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Derecognition of financial liabilities

The Scheme derecognises financial liabilities when, and only when, the Scheme's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

1.6 Structured Entities

The Scheme invests in investment funds that have been assessed as structured entities in terms of IFRS 12, Disclosure of Interests in Other Entities. These funds have restricted activities and clearly defined investment objectives, as set out in their respective fund documentation and partnership agreements.

The Scheme assesses whether it controls an investee in accordance with IFRS 10, Consolidated Financial Statements, by considering whether it has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power to affect those returns.

In assessing its interest in the en commandite partnership, the Scheme considered the nature and extent of its rights as a limited partner, including its participation in the Limited Partner Advisory Committee (LPAC). The Scheme holds an interest of approximately 1.6% in the partnership. Its rights as a limited partner are restricted to specific matters, which typically include approving amendments to the partnership agreement, extensions of the fund's term and matters involving conflicts of interest.

General information continued...

The Scheme does not participate in the selection, management or administration of the partnership or its investments and does not have decision-making authority over the activities that significantly affect the partnership's returns. These activities are directed by the parties responsible for managing the partnership in accordance with the fund's governing documents and investment mandate. The Scheme's limited partnership interest and associated rights do not provide it with substantive power over these relevant activities.

Although the Scheme is exposed to variable returns arising from its investment in the partnership, it does not have the power to direct the relevant activities and therefore cannot use such power to affect its returns. Accordingly, the Scheme has concluded that it does not control the partnership and does not consolidate it in terms of IFRS 10.

The Scheme assesses its interests in other investment funds on a fund-by-fund basis, taking into account the specific contractual arrangements, decision-making rights and other relevant facts and circumstances.

1.7 Impairment of financial assets

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

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

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

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

Assets carried at amortised cost

The Scheme considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

If there is objective evidence that an impairment loss on other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed on initial recognition). The carrying amount of the asset is reduced through the use of an allowance account.

Financial assets within the scope of IFRS 9

The Scheme recognises impairment losses on financial assets subject to the impairment requirements of IFRS 9 using the expected credit loss (ECL) model. Expected credit losses are measured at each reporting date to reflect an unbiased, probability-weighted estimate of credit losses, taking into account the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The applicable 12-month or lifetime expected credit loss allowance is recognised in profit or loss, in accordance with IFRS 9.

Balances arising from insurance contracts within the scope of IFRS 17

Amounts arising from insurance contracts and accounted for under IFRS 17 are recognised, measured and presented in accordance with IFRS 17. An IFRS 9 expected credit loss allowance is not separately applied to balances accounted for within the measurement of insurance contracts under IFRS 17. Credit risk relating to these contracts is considered as part of the applicable IFRS 17 measurement and disclosure requirements.

General information continued...

Debt securities at fair value through other comprehensive income

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

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

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

Reversals of impairment

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

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

Impairment of non-financial assets

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

Leases as lessee

Identification of a lease

A lease is a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the inception of a contract, the Scheme assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Recognition and Measurement

At the commencement date of a lease, the Scheme recognises a right-of-use asset and a corresponding lease liability, except for short-term leases and leases of low-value assets for which the Scheme has elected to apply the recognition exemptions. The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease, if readily determinable, or otherwise the Scheme's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments, less lease incentives receivable, variable lease payments that depend on an index or rate, amounts expected to be payable under residual value guarantees, and payments relating to purchase or termination options where the relevant exercise criteria in IFRS 16 are met.

The right-of-use asset is initially measured at cost, comprising the initial measurement of the lease liability, lease payments made at or before commencement, less lease incentives received, initial direct costs and estimated restoration or dismantling costs, where applicable.Subsequently, the lease liability is measured at amortised cost using the effective interest method and is remeasured when required by IFRS 16. Any remeasurement is generally recognised as an adjustment to the right-of-use asset, with any excess reduction of the lease liability over the carrying amount of the right-of-use asset recognised in surplus or deficit.

General information continued...

The right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, adjusted for certain remeasurements of the lease liability. Depreciation is recognised over the shorter of the lease term and the useful life of the underlying asset, unless ownership transfers to the Scheme or the Scheme is reasonably certain to exercise a purchase option, in which case depreciation is recognised over the useful life of the underlying asset.

Short-term leases and leases of low-value assets

The Scheme has elected not to recognise right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less at the commencement date and for leases in which the underlying asset is of low value. Payments relating to these leases are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis better represents the pattern of the Scheme's benefit.

Reassessment of the lease liability

Where there are changes in the lease payments, the amount of the remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset. Where the carrying amount of the right of use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the remaining amount of the remeasurement is recognised in profit or loss.

The remeasurement is performed by discounting the revised lease payments using a revised discount rate where there is a change in the lease term or where there is a change in the assessment of exercising an option contained in the contract. The discount rate is revised to the interest rate implicit in the remainder of the lease term if it can be readily determined, or at the company's incremental borrowing rate at the date of the reassessment.

The remeasurement is performed by discounting the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee, or if there is a change in the future lease payments resulting from a change in an index or a rate used to determine those payments. This remeasurement will use an unchanged discount rate unless the change in lease payments resulted from a change in a floating interest rate.

1.8 Employee benefits

Short-term employee benefits

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

1.9 Provisions

Provisions are measured as the present value of management's best estimate of the expenditure expected to settle the obligation at the reporting date.

1.10 Onerous groups of insurance contracts

Where facts and circumstances indicate that a group of insurance contracts measured under the Premium Allocation Approach (PAA) may be onerous, the Scheme assesses whether the group is onerous. If, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Scheme compares the remaining coverage liability for the group with the fulfilment cash flows relating to the remaining coverage of the group.

Where the fulfilment cash flows relating to the remaining coverage exceed the carrying amount of the liability for remaining coverage, the Scheme recognises the excess as a loss in the surplus or deficit for the year and increases the liability for remaining coverage by the same amount.

1.11 Reimbursement from the Road Accident Fund (RAF)

The Scheme grants assistance to its members in defraying expenditure incurred in connection with the rendering of any health service. Such expenditure may be in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act No 56 benefits of 1996. If the member is reimbursed by the RAF, they are obliged contractually to cede that payment to the Scheme to the extent that they have already been compensated.

General information continued...

The Scheme may recover amounts from the Road Accident Fund (RAF) in respect of claims arising from insured events for which the Scheme has incurred claims costs. Members are contractually required to cede applicable RAF recoveries to the Scheme. The Scheme assesses the accounting treatment of RAF recoveries in accordance with IFRS 17, taking into consideration the nature of the recoveries, their relationship to insured events and the Scheme's contractual rights to receive the amounts. Where RAF recoveries form part of the fulfilment cash flows of insurance contracts, the estimated recoveries are incorporated into the measurement of the relevant insurance contracts in accordance with the requirements of IFRS 17, including paragraph B65(k).

The estimates of RAF recoveries reflect the amounts expected to be recovered, taking into account the status of claims submitted, the expected timing and amount of recoveries, and relevant uncertainty regarding their ultimate settlement. These estimates are reassessed at each reporting date and updated to reflect the latest available information.

Amounts relating to RAF recoveries that are included in the measurement of insurance contracts are reflected in the insurance contract measurement and the related insurance service result, as appropriate, rather than being recognised separately as contingent assets under IAS 37.

Where a recovery does not fall within the measurement of insurance contracts under IFRS 17, its accounting treatment is assessed separately in accordance with the applicable IFRS requirements.

1.12 Managed care: management services expenses

Accredited managed healthcare services comprise fees paid or payable to a third party for managing the utilisation, costs, and quality of healthcare services to the members of the Scheme and are expensed as incurred. These are recognised as an expense when incurred. Accredited managed healthcare services are part of healthcare expenditure as they directly impact the delivery of cost-effective and appropriate healthcare benefits to beneficiaries of the Scheme.

1.13 Broker service fees

Broker service fees are fees paid as acquisition costs for the introduction and provision of ongoing services to members and are expensed as incurred.

1.14 Investment income

Interest income on financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income (FVOCI) is recognised in profit or loss using the effective interest method, in accordance with IFRS 9.

For financial assets measured at fair value through profit or loss (FVTPL), returns arising from changes in fair value, including the effects of accrued interest where incorporated into the fair value measurement, are recognised in profit or loss. Interest income is accounted for consistently with the applicable IFRS 9 requirements and the Scheme's presentation policy to avoid double counting between interest income and fair value gains or losses.

Dividend income is recognised in profit or loss when the Scheme's right to receive payment is established, in accordance with IFRS 9. For equity investments measured at FVTPL, dividend income is recognised separately from fair value gains or losses where it represents a return on investment rather than a recovery of part of the investment's cost.

Income distributions from collective investment schemes are recognised in profit or loss when the Scheme's right to receive the distributions is established. Changes in the fair value of investments in collective investment schemes measured at FVTPL are recognised in profit or loss in the period in which the changes arise.

Investment income includes interest, dividends and distributions from investments, as applicable, and is presented consistently with the Scheme's accounting policies for the relevant financial asset classifications.

1.15 Realised and unrealised gains and losses

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

1.16 Prescribed Income

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

ACCOUNTING POLICIES

General information continued...

1.17 Administration expenditure

Fees paid to the Scheme's administrator are included in administration expenditure and are expensed as incurred. Other operating expenses other than administration fees are also included in administration expenditure and are expensed as incurred.

1.18 Allocation of income and expenditure to benefit options

Revenue and expenditure are allocated to benefit options on a direct basis where this is determinable. Where the revenue and expenditure are not directly attributable to a specific benefit option, the revenue or expenditure is allocated based on the benefit option's membership proportionate to the Scheme's overall membership base.

The following items are directly allocated to benefit options:

- Contribution income
- Claims incurred
- Net income/expense on risk transfer arrangements
- Broker Service Fees
- Provision for impairment
- RAF recoupment

The remaining items are apportioned based on the number of members on each option:

- Other income
- Other expenditure
- Other administrative expenditure
- Managed care: management services
- Administration fees

1.19 Personal Medical Savings Accounts

The personal medical savings account (which is managed by the Scheme on behalf of its members) represents savings contributions (which are a deposit component of the insurance contracts) in terms of the rules of the Scheme, net of any savings claims paid on behalf of members in terms of the Scheme's registered rules.

The investment component and the insurance component are highly interrelated where the one component cannot be measured without considering the other. For benefit plan options offering PMSAs, the PMSA can be measured separately; however, under certain benefit plan options, there is a risk component that is available once the PMSA has been exhausted and once certain conditions are met. This indicates that the level of certain risk benefits available is dependent on the PMSA, meaning that the value of risk benefits cannot be measured without considering the PMSA resulting in the two components being highly interrelated

The second indicator that the two components are highly interrelated is that the member is unable to benefit from one component unless the other component is also present. Under benefit options that offer PMSAs, the PMSA and the risk portion of the plan cannot be bifurcated and the member, if electing a benefit plan with a PMSA, has to take both the PMSA and risk component. To cancel a component of the contract, the member has to cancel the entire contract (both components).

The condition whereby an investment component can be separated from the insurance component if not highly interrelated is not met when considering the PMSA component.

Where the above condition apply, PMSAs cannot be separated from the insurance component, and IFRS 17 shall be applied to the entire contract including the PMSA.

The PMSA is a non-distinct investment component with the balances included in Insurance Contract Liabilities in the Statement of Financial Position.

Unspent savings at year-end are carried forward to meet future expenses for which the members are responsible. In terms of the Medical Schemes Act no. 131 of 1998 (as amended), balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act.

ACCOUNTING POLICIES

General information continued...

1.20 IFRS 17 - Insurance contracts

The Scheme applies IFRS 17 Insurance Contracts to insurance contracts issued. Under these contracts, the Scheme accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary.

The Scheme previously applied IFRS 4 Insurance Contracts to its insurance contracts. The accounting policies set out below have been applied in accordance with the transition requirements of IFRS 17.

Definition, classification and separation of components

Sizwe Hosmed is a registered medical scheme in South Africa that issues contracts which provide that the Scheme will compensate members in the event of specified uncertain events occurring. Compensation is principally provided through the settlement of claims for medical expenses.

The Scheme offers eight benefit options to its members. Insurance risk is significant if, and only if, an insured event could cause the Scheme to pay additional amounts that are significant in any single scenario, excluding scenarios that have no commercial substance.

The Scheme accepts significant insurance risk from its members by agreeing to compensate members should a specified uncertain event adversely affect them. Examples include providing cover for hospitalisation and other healthcare services should a member become ill. The value of healthcare services provided may significantly exceed the premiums paid by the member.

Accordingly, the contracts issued by the Scheme meet the definition of insurance contracts under IFRS 17.

Level of aggregation (Unit of account)

For insurance contracts issued, each benefit option exposes Sizwe Hosmed to morbidity risk relating to its members. Insurance contracts within each benefit option represent a portfolio of contracts that are subject to similar risks and are managed together.

Each benefit option is reviewed and priced separately on an annual basis as part of the benefit design process. The benefit options are managed consistently, irrespective of whether a savings account is included in the option.

Each benefit option is exposed to the risk that members will seek healthcare services. These services span a wide range of healthcare needs, including hospitalisation, dentistry and optometry for various diseases. Although the maximum amount that may be claimed differs between benefit options, the underlying insurance risks are considered to be similar.

The portfolio is further disaggregated into groups of contracts issued within a calendar year (annual cohorts), comprising:

(i) contracts that are onerous at initial recognition;

(ii) contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently; and

(iii) remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured in accordance with IFRS 17. The groups are not subsequently reassessed.

Annual cohorts are determined with reference to the benefit year. The profitability of groups of insurance contracts issued is assessed using actuarial valuation models that take into consideration existing and new business written. Contracts that are onerous at initial recognition are grouped separately from contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently.

Premium Allocation Approach

The Scheme applies the Premium Allocation Approach (PAA) to groups of insurance contracts issued where the coverage period of each contract in the group is one year or less.

The Scheme has determined that the coverage period for each of the insurance contracts it issues is 12 months or less. Accordingly, the use of the PAA is permitted without having to demonstrate that the PAA would provide a reasonable approximation to the General Measurement Model.

General information continued...

Recognition and derecognition

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

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a member in the group is due or, if there is no due date, when the first payment is received; and
- for a group of onerous contracts, when facts and circumstances indicate that the group is onerous.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. The Scheme derecognises an insurance contract when the rights and obligations relating to the contract are extinguished, that is, when the contract has expired, been discharged or cancelled. If a contract modification results in derecognition, a new contract is recognised based on the modified terms.

Measurement

a) Contract boundary

Cash flows outside the insurance contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.Cash flows that are not directly attributable to a portfolio of insurance contracts, such as certain operating expenses, are recognised in other operating expenses as incurred.

The Scheme has determined the contract boundary for insurance contracts issued to be 12 months, based on its substantive obligations.

b) Initial and subsequent measurement

The Scheme applies the PAA to groups of insurance contracts issued because the coverage period of each contract in the group is 12 months or less.

For insurance contracts issued, on initial recognition, the Scheme measures the Liability for Remaining Coverage (LRC) at the amount of premiums received, less any amounts arising from the derecognition of prepaid insurance acquisition cash flows.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of the LRC; and the LIC, comprising the fulfilment cash flows related to past service allocated to the group at the reporting date.

Insurance contract liabilities

The Insurance contract liabilities represent the liability attributable to future members of the Scheme. The funds are mainly held as statutory reserves in lieu of the solvency requirements as required by the Act.

Insurance revenue

Insurance revenue is recognised in profit or loss as the Scheme provides insurance contract services during the coverage period, in accordance with IFRS 17.

Insurance revenue for each reporting period reflects the consideration to which the Scheme expects to be entitled in exchange for providing insurance contract services. The amount recognised excludes investment components and is adjusted for amounts that relate to services provided in previous or future periods, where applicable, in accordance with IFRS 17.

The Scheme allocates insurance revenue to each period of insurance contract service using a systematic basis that reflects the expected pattern of the transfer of insurance contract services. Where the expected pattern of release of risk is substantially uniform throughout the coverage period, insurance revenue is recognised on a straight-line basis over the period of coverage. Risk contributions, representing contributions attributable to insurance coverage excluding the savings component, are recognised as insurance revenue as the related insurance contract services are provided. Revenue recognition commences from the date on which insurance coverage begins and continues over the applicable coverage period.

Insurance revenue is presented before the deduction of directly attributable insurance acquisition cash flows, including broker service fees and similar costs, where these are accounted for as insurance acquisition cash flows under IFRS 17. Such costs are accounted for separately in accordance with the Scheme's accounting policy for insurance service expenses and insurance acquisition cash flows.

General information continued...

Amounts received or receivable from members are recognised and measured in accordance with the applicable requirements of IFRS 17. The timing of cash collection does not, in itself, determine the timing of insurance revenue recognition.

Insurance service expenses

Insurance service expenses consists of claims incurred and attributable expenses.

Liability for incurred claims (LIC)

The Liability for Incurred Claims (LIC) represents the Scheme's obligation to fulfil insurance contracts in respect of insured events that have occurred before or at the reporting date. It includes the estimated cost of claims that have been reported but not yet settled, claims that have been incurred but not yet reported (IBNR), and claims incurred but not yet fully processed or settled, together with the related claims handling and settlement expenses.

The LIC is measured in accordance with IFRS 17 and comprises the fulfilment cash flows relating to incurred claims, including estimates of future cash flows, an adjustment for the time value of money and financial risks where applicable, and a risk adjustment for non-financial risk. The measurement reflects the Scheme's current estimates of the amounts and timing of future payments required to settle its obligations arising from insured events that have already occurred.

The estimation of the LIC involves judgement and uncertainty. In determining the provision, the Scheme considers relevant information, including historical claims experience, claims reporting and settlement patterns, changes in the number and demographic profile of members, trends in claims frequency and severity, changes in the claims processing cycle, healthcare cost inflation, changes in the nature and average cost of claims, and other relevant factors that may affect the expected cost of settling outstanding claims.

The LIC is reassessed at each reporting date using the latest available information and assumptions. Changes in estimates are recognised in accordance with the applicable IFRS 17 requirement

Estimated co-payments and payments from personal medical savings accounts are deducted in calculating the outstanding claims provision. The Scheme does not discount its provision for outstanding risk claims, since the effect of the time value of money is not considered material.

1.21 Administration expenditure

The following items are directly allocated to benefit options:

- Contribution income
- Claims incurred
- Net income/expense on risk transfer arrangements
- Broker Service Fees
- Provision for impairment
- RAF recoupment

The remaining items are apportioned based on the number of members on each option:

- Investment income
- Other income
- Other expenditure
- Other administrative expenditure
- Managed care: management services
- Administration fees

General information continued...

1.22 Investment income

Investment income comprises dividends, interest income and net gains and losses arising from financial assets measured at fair value through profit or loss (FVTPL).

Net gains and losses on financial assets measured at FVTPL include realised gains and losses on disposal and unrealised gains and losses arising from changes in fair value during the reporting period. Interest and dividend income are disclosed separately from net fair value gains and losses.

Financial assets measured at FVTPL comprise financial assets that are mandatorily measured at FVTPL in accordance with IFRS 9 and financial assets that the Scheme has irrevocably designated at FVTPL upon initial recognition in accordance with IFRS 9. The respective categories are disclosed separately below.

Financial assets are designated at FVTPL only where the requirements of IFRS 9 are met. Where such designation is made to eliminate or significantly reduce an accounting mismatch, the Scheme considers the relationship between the measurement of the financial assets and the measurement of the related insurance contract liabilities, including whether both reflect current information and whether their respective measurement bases would otherwise result in a mismatch in the recognition of gains and losses.

Net fair value gains and losses on financial assets measured at fair value through profit or loss

Net fair value gains and losses on financial assets measured at fair value through profit or loss comprise realised gains and losses on the disposal of investments and unrealised gains and losses arising from changes in the fair value of investments at the reporting date. These gains and losses are recognised in the statement of surplus or deficit in the period in which they arise.

Interest income and dividend income are recognised separately from net fair value gains and losses and are excluded from their calculation.

2. New standards and interpretations

IFRS 18 Presentation and Disclosures in Financial Statements.

IFRS 18 Presentation and Disclosure in Financial Statements was issued in April 2024 and is effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted. The Scheme intends to apply the standard for the annual reporting period beginning on 1 January 2027.

IFRS 18 replaces IAS 1 Presentation of Financial Statements and introduces new requirements relating to the presentation of income and expenses in the statement of profit or loss, including defined subtotals, disclosures about management-defined performance measures, and enhanced principles for the aggregation and disaggregation of information in the financial statements.

The Scheme is currently assessing the impact of adopting IFRS 18 on its financial statement presentation and disclosures. As at the date of approval of these financial statements, the financial impact of the initial application of the standard has not yet been reasonably estimated. The Scheme will continue to assess the impact ahead of the effective date.

NOTES TO THE FINANCIAL STATEMENTS



Figures in R

3. Property, plant and equipment

3.1 Balances at year end and movements for the year

	Motor vehicles	Leasehold improvements	Fixtures and fittings	Office equipment	Computer equipment	Total
Reconciliation for the year ended 31 December 2024						
Balance at 1 January 2024						
At cost	1,110,628	1,220,081	3,410,639	1,984,380	2,844,993	**10,570,721**
Accumulated depreciation	(1,087,476)	(1,220,081)	(2,237,368)	(1,725,063)	(2,532,687)	**(8,802,675)**
Carrying amount	**23,152**	**-**	**1,173,271**	**259,317**	**312,306**	**1,768,046**
Movements for the year ended 31 December 2024						
Additions	874,819	-	-	555,069	316,420	**1,746,308**
Disposals	(614,924)	(1,220,081)	(2,800)	(2,300)	(3,600)	**(1,843,705)**
Accumulated depreciation on disposals	614,925	1,220,081	2,800	2,300	3,600	**1,843,706**
Depreciation	(176,472)	-	(273,400)	(129,881)	(255,676)	**(835,429)**
Property, plant and equipment at the end of the year	**721,500**	**-**	**899,871**	**684,505**	**373,050**	**2,678,926**
Closing balance at 31 December 2024						
At cost	1,370,523	-	3,407,839	2,537,149	3,157,813	**10,473,324**
Accumulated depreciation	(649,023)	-	(2,507,968)	(1,852,644)	(2,784,763)	**(7,794,398)**
Carrying amount	**721,500**	**-**	**899,871**	**684,505**	**373,050**	**2,678,926**

Review of useful lives

The useful lives and residual values of property, plant and equipment were not reassessed during the year ended 31 December 2024. Depreciation was calculated using the existing estimated useful lives and residual values.

Balance at 1 January 2023						
At cost	1,110,628	1,220,081	3,410,639	1,953,180	2,771,616	**10,466,144**
Accumulated depreciation	(963,975)	(1,220,081)	(1,943,031)	(1,653,295)	(2,329,339)	**(8,109,721)**
Carrying amount	**146,653**	**-**	**1,467,608**	**299,885**	**442,277**	**2,356,423**
Movements for the year ended 31 December 2023						
Additions	-	-	-	31,200	73,375	**104,575**
Disposals		-				
Depreciation	(123,501)	-	(294,336)	(71,767)	(203,348)	**(692,952)**
Property, plant and equipment at the end of the year	**23,152**	**-**	**1,173,272**	**259,318**	**312,304**	**1,768,046**
Closing balance at 31 December 2023						
At cost	1,110,628	1,220,081	3,410,639	1,984,382	2,844,991	**10,570,721**
Accumulated depreciation	(1,087,476)	(1,220,081)	(2,237,368)	(1,725,063)	(2,532,687)	**(8,802,675)**
Carrying amount	**23,152**	**-**	**1,173,271**	**259,319**	**312,304**	**1,768,046**

Figures in R

	2024	2023

3.2 Restrictions on Property, Plant and Equipment and Capital Commitments

Restrictions on Property, Plant and Equipment

As at 31 December 2024, the Scheme had no property, plant and equipment pledged as security for liabilities, and no restrictions on the title to or disposal of its property, plant and equipment.

Capital Commitments

As at 31 December 2024, the Scheme had no outstanding contractual commitments for the acquisition or construction of property, plant and equipment.

4. Financial assets at Fair value through profit or loss

Listed equity investments	-	68,536,716
Unlisted equity investments	21,001,283	21,230,025
Unitised investments	455,800,203	459,641,356
	476,801,486	549,408,097
Non-current assets	476,801,486	549,408,097
	476,801,486	**549,408,097**

Fair value of financial assets at FVTPL	**2024**	**2023**
Fair value at the beginning of the year	549,408,097	449,751,488
Purchases of investments	2,206,550,000	2,444,951,377
Proceeds on disposal of investments	(2,292,215,587)	(2,372,192,321)
Interest received	13,094,476	15,033,151
Dividends received	54,105	5,571,592
Portfolio Management Fees	(973,288)	(1,447,844)
Realised Profit / (Loss)	(118,089)	13,678,567
Fair value through profit or loss (unrealized gains)	1,001,772	(5,937,913)
Fair value at the end of the year	**476,801,486**	**549,408,097**

5. Financial assets at fair value through OCI

Bonds	249,683,997	292,250,127
Money market	72,156,293	29,831,170
	321,840,290	322,081,297
Non-current assets at FVTOCI		
Bonds and money market	220,581,589	238,835,402
Current assets at FVTOCI		
Bonds and money market	101,258,700	83,245,895
Total	**321,840,290**	**322,081,297**

Figures in R	2024	2023
Fair value of financial assets at FVTOCI	**2024**	**2023**
Fair value at the beginning of the year	322,081,297	698,053,418
Purchases of investments	-	346,101,762
Unsettled trades	(3,456,453)	-
Proceeds on disposal of investments	(86,659,309)	(773,550,440)
Interest received	62,194,368	61,719,515
Portfolio Management Fees	(1,008,624)	(1,755,509)
Realised Profit / (Loss)	10,970,598	(8,723,785)
Fair Value through OCI (unrealized gains)	17,718,413	236,338
Fair value at the end of the year	**321,840,290**	**322,081,297**
For the purpose of the Statement of Cash Flows:		
Purchase of investments (FVTOCI)	-	346,101,762
Purchase of investments (FVTPL)	2,206,550,000	2,444,951,377
Total	**2,206,550,000**	**2,791,053,139**
Less: Unsettled trades	-	(24,367,238)
Purchases unsettled trades	-	33,121,081
Movement between portfolios	32,924,934	(1,618,045)
Purchases of investment as per statement of cashflow	**2,239,474,934**	**2,798,188,938**
Proceeds from disposal of assets FVTPL	(2,292,215,587)	(2,372,192,321)
Proceeds from disposal of financial assets FVTOCI	(86,659,309)	(773,550,440)
Movement between portfolios	36,979,649	71,985,107
	(2,341,895,247)	**(3,073,757,654)**

6. Other receivables

Financial Assets		
Accrued bank interest	189,275	464,447
Marketing fee recoupment	13,005,000	7,552,000
Ambulatory services	3,887,190	-
Savings debtor	4,754,810	3,984,164
Sundry debtors	3,361,202	8,908,441
	25,197,477	20,909,052
Non- Financial Assets		
Prepayment	43,071,298	31,097,312
Fund payroll control	13,525	68,482
	43,084,823	31,165,794
Total trade and other receivables	**68,282,300**	**52,074,846**

At 31 December 2024, the carrying amounts of "Other receivables" approximate their fair values due to the short-term maturities of these assets. Interest is not charged on overdue balances. The estimated future cash flow receipts have not been discounted as the effect would be immaterial.

Figures in R

	2024	2023

7. Cash and cash equivalents

Cash and cash equivalents included in current assets:

Cash on hand	3,512	20,988
Balances with banks	19,997,722	147,866,299
Call accounts	2,017,490	4,019,529
Investment current accounts	2,569,425	2,745,030
Total cash and cash equivalents	**24,588,149**	**154,651,846**

The money market funds are held in an actively managed portfolio by an independent asset manager. The asset manager invests in line with its best investment view, subject to the investment mandate which includes investment in interest-bearing money market and/or interest-bearing short-term collective investment scheme portfolios, subject to the Collective Investment Schemes Control Act 2002. The targeted return is the Short-Term Fixed Interest (STeFI) Call Deposit Index, and the weighted average term to final maturity never exceeds 90 days. The portfolio is highly liquid with 100% of the portfolio being available within three working days. 60% of the portfolio must be available for same-day value with the balance available within two working days.

8. Reconciliation of the insurance liability attributable to future members

Opening balance	**676,652,002**	**1,060,038,254**
Movement in insurance liability attributable to future members	(252,350,142)	(383,386,252)
Amount settled in the current year	-	-
Closing balance	**424,301,860**	**676,652,002**

The liability has been classified as a non-current liability, as there is no obligation for the Scheme to be liquidated at the end of 2025 or 2026. The entity has no going concern issues at the year-end, and there is no expectation that the reserves allocated for future benefits will be utilised within the next 12 months.

No portion of the liability is classified as current , based on management's assessment of the nature of the obligation and the expected timing of its utilisation or settlement. In assessing the classification, management considered the Scheme's approved budgets and financial forecasts, historical utilisation of the reserves, actual expenditure incurred, and projected cash flows for the 12 months following the reporting date. Based on this assessment, management does not expect any portion of the liability to be utilised or settled within the next 12 months.

9. Trade and other payables

Financial Liabilities		
Creditors	45,213,151	48,339,261
Non-financial liabilities		
Sundry accruals	5,702,362	2,360,840
Provision for WCI	21,546	22,457
Employee benefit obligations	**609,863**	**833,617**
Total trade and other payables	**51,546,922**	**54,405,446**

9.1 Employee obligations

Provision for leave pay	**609,863**	**833,617**
Provision for bonus	-	2,849,271
Total employee obligations	609,863	3,682,888

Reconciliation of leave pay provision

Balance at the beginning of the year	**833,616**	**869,185**
Utilised for the year	**(121,635)**	**(204,842)**
Change in estimate	**(102,118)**	**169,273**
Balance at the end of the year	609,863	833,616

Reconciliation of bonus provision

Balance at the beginning of the year	2,849,271	1,203,020
Amount paid out during the year	**(2,849,271)**	**(1,203,020)**
Change in estimate	**-**	**2,849,271**
Balance at the end of the year	**-**	**2,849,271**

10. Reconciliation of insurance contracts - All contracts (aggregate)

	2024				2023			
	LFRC	LIC			LFRC	LIC		
	Excluding loss component	Best estimate liability	Risk Adjustment for Non-Financial Risk	Total	Excluding loss component	Best estimate liability	Risk Adjustment for Non-Financial Risk	Total
Net asset/(liability) as at 1 January	**166,278,323**	**(490,092,967)**	**(25,112,041)**	**(348,926,685)**	**182,130,068**	**(342,592,813)**	**(21,136,518)**	**(181,599,264)**
Insurance revenue	3,971,204,734			3,971,204,734	3,964,746,561			3,964,746,561
Insurance service expenses: with accrual								
Incurred claims		(3,775,863,784)		(3,775,863,784)		(3,703,760,986)		(3,703,760,986)
Directly attributable expenses		(419,488,845)		(419,488,845)		(441,295,218)		(441,295,218)
Changes that relate to past service - adjustments to LIC		39,014,987		39,014,987		(71,280,898)		(71,280,898)
changes in the risk adjustment for non-financial risk			(2,310,788)	(2,310,788)			(3,975,522)	(3,975,522)
Total amount recognised in statement of comprehensive income	**3,971,204,734**	**(4,156,337,642)**	**(2,310,788)**	**(187,443,696)**	**3,964,746,561**	**(4,216,337,102)**	**(3,975,522)**	**(255,566,063)**
Investment component (PMSA premiums received	342,682,026	(342,682,026)			317,640,776	(317,640,776)		
Cash flows								
Premiums received	(4,339,526,054)			(4,339,526,054)	(4,298,239,082)			(4,298,239,082)
Claims paid		3,772,523,067		3,772,523,067		3,717,049,667		3,717,049,667
Directly attributable expenses paid		431,713,290		431,713,290		453,755,537		453,755,537
PMSA claims and refunds paid		253,317,709		253,317,709		215,672,520		215,672,520
Total cash flows	**(4,339,526,054)**	**4,457,554,066**	**-**	**118,028,012**	**(4,298,239,082)**	**4,386,477,724**	**-**	**88,238,642**
Net asset/(liability) as at 31 December	**140,639,029**	**(531,558,569)**	**(27,422,829)**	**(418,342,369)**	**166,278,323**	**(490,092,967)**	**(25,112,041)**	**(348,926,684)**

11. Breakdown of directly attributable expenses - cash flow

Breakdown of directly attributable expenses - cash flow	**2024**	**2023**
Directly attributable expenses	419,488,845	441,295,221
Accruals	(5,950)	(26,572)
Attributables payable	12,230,395	12,486,889
	431,713,290	**453,755,538**

Breakdown of directly attributable expenses	**2024**	**2023**
Managed care expenses	191,856,448	204,818,264
Administration fees	154,244,232	163,718,256
Broker fees	73,388,165	72,758,701
	419,488,845	**441,295,221**

Figures in R

12. Insurance Revenue

	2024	2023
Insurance revenue from contracts measured under the PAA		
Gross contributions	4,338,490,246	4,301,705,163
Personal Medical Savings Accounts contributions	(342,682,026)	(317,640,776)
Expected credit loss	(24,603,486)	(19,317,826)
	3,971,204,734	**3,964,746,561**

13. Insurance service expenses

Claims Incurred	3,748,412,987	3,783,302,306
Recoveries	(9,253,403)	(4,284,901)
Movement in LIC provision	36,704,200	(75,256,420)
	3,775,863,784	**3,703,760,985**

14. Attributable expenses incurred

Accredited Administrative services		
Member management	26,188,372	15,749,298
Contribution Management	21,511,877	15,749,298
Claims management	40,217,857	20,474,088
Financial management	8,255,030	9,449,579
Broker Management	5,865,146	6,225,271
Information management and data	12,126,355	31,498,597
Customer Services	40,079,595	64,572,124
Total	**154,244,232**	**163,718,256**

15. Accredited managed healthcare services(no risk transfer)

Disease management	48,416,867	50,970,879
Dental management	4,799,324	4,932,503
Centre for Diabetes	6,180,027	6,150,040
Network Management Costs	4,220,331	6,960,907
Managed hospital care	65,923,129	69,962,833
Pharmacy benefit management	62,316,771	65,841,102
	191,856,449	**204,818,264**

Fees for managed care services are based on a fixed rate per member per month.

Figures in R

	2024	2023

16. Broker fees

Commission paid	73,388,165	72,758,701
	73,388,165	**72,758,701**

A medical scheme may compensate a person, in accordance with its rules and the provisions of the Act and the Regulations, for services provided to the medical scheme's members. Amounts paid for broker services comprise fees paid to brokers for new contracts initiated by the brokers and the fees subsequently paid to brokers as "ongoing fees" on the basis of the current contract. In terms of regulation 28(5) of the Act, all brokers are paid monthly.

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

Terms and conditions of the broker agreement.

The broker fees are paid in accordance with the requirements contained in the Act. The outstanding balance bears no interest and is due within 30 days.

17. Sundry Income

Prescribed amounts written back	1,853,346	974,003
Unidentified deposit prescribed	225,140	208,210
Marketing fees recouped	5,453,000	3,249,000
Contribution debt write back	15,259,137	4,130,956
Other income	5,477,557	4,797,489
	28,268,181	**13,359,658**

18. Investment income

Investment income comprises:

Net fair value gains on assets at fair value through profit or loss		
Dividends income	54,105	5,571,592
Interest	13,094,476	15,033,151
Net gains/(losses) on assets mandatorily measured at FVTPL	(118,089)	13,678,567
Net gains/(losses) on assets designated at FVTPL	1,001,772	(5,937,913)
	14,032,264	**28,345,397**

Investment income from financial assets at fair value through other comprehensive income		
Interest on Investment	62,194,367	61,719,515
Reclassification adjustment from OCI - realised gain/(loss)	10,970,598	(8,723,785)
	73,164,965	**52,995,730**

Investment income from financial assets at amortised costs		
Interest on bank account	**4,002,853**	**4,949,488**
Investment income	**91,200,082**	**86,290,615**

Financial assets that are mandatorily measured at FVPL include financial assets held for trading and financial assets whose contractual cash flows do not meet the solely payments of principal and interest criteria, as well as other financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income (FVOCI).

Interest income on bank accounts and other financial assets measured at amortised cost or FVOCI is recognised in profit or loss using the effective interest method, where applicable, in accordance with IFRS 9.

Figures in R

19. Administration fees and other operative expenses

	2024	2023
Ambulatory services	1,317,989	2,829,837
Actuarial fees	5,785,583	3,597,019
Audit committee honorarium	507,956	689,031
Auditors remuneration - Fees	3,478,353	1,698,049
Audit fees prior year	2,702,500	1,679,184
Audit fees under provision	722,953	-
Non-audit services - SALGA	52,900	-
Disbursements	-	18,866
AGM costs	10,627,163	3,493,711
Auditors' remuneration – internal audit	2,120,648	2,117,143
Bad debts written off		(8,643,292)
Bank charges	3,677,465	3,932,512
BBBEE costs	3,476,458	6,632,624
Computer expenses	1,472,364	1,098,583
Consulting fees	16,621,224	14,622,438
Conferences/Seminars	954,378	1,147,256
Depreciation	835,431	692,952
Depreciation on leased assets	-	764,210
Employee cost	27,343,596	30,566,171
Fidelity guarantee and insurance	1,212,750	1,143,464
Investigation costs	1,839,272	3,135,527
Legal expense	1,392,101	3,057,420
Marketing costs	55,720,280	79,863,984
Medicine processing fees	7,968,098	7,736,018
Meeting costs and other expenses	665,273	813,175
Network Management Costs	4,140,641	4,415,308
Optical benefit management	2,460,734	2,701,279
Other operating cost	17,133,903	13,098,243
Postage and telephone	8,631,135	11,244,543
Printing and stationery	1,648,283	13,242,500
Statutory costs	2,858,467	2,888,261
Sub-Committee honoraria	1,694,874	863,669
Subscriptions	1,222,865	1,250,511
Travel and accommodation	2,736,440	1,437,294
Trustees remuneration	8,161,316	11,173,998
Total	**197,705,040**	**223,303,438**

There has been a classification and presentation change relating to interest paid amounting to R1,585,074.46 (2023: R152,781.43). In the prior year, the full interest expense was classified and presented within non-healthcare expenditure. Management has corrected the presentation by separately disclosing the interest expense as finance costs, as this more appropriately reflects the nature of the expenditure. Interest incurred on borrowings represents the cost of obtaining financing and is therefore distinct from the Scheme's operational and non-healthcare activities. The revised classification improves the transparency and relevance of the financial statements by presenting financing costs separately from operating expenditure. No other impact was identified in relation to the loan, and the adjustment is limited to the classification and presentation of the interest expense.

Figures in R

	2024	2023
20. Asset management fees		
Expenses for asset management services rendered	(2,803,012)	(4,229,922)
	(2,803,012)	**(4,229,922)**
21. Finance costs		
Interest paid	1,585,074	152,781
Lease obligations	-	20,659
Total finance costs	**1,585,074**	**173,440**

22. NET (DEFICIT) / SURPLUS PER BENEFIT OPTION

	2024								
	Gold Ascend	Titanium	Platinum Enhanced	Essential Copper	Access Core	Plus	Value	Access	Total
	R	R	R	R	R	R	R	R	R
Insurance revenue	**1,342,320,949**	**195,103,394**	**769,918,289**	**128,950,715**	**26,206,156**	**244,397,062**	**1,066,986,193**	**197,321,978**	**3,971,204,736**
Insurance service expenses	**(1,350,142,698)**	**(208,639,315)**	**(810,147,414)**	**(185,713,683)**	**(28,711,463)**	**(228,054,711)**	**(1,147,834,209)**	**(199,404,935)**	**(4,158,648,430)**
Insurance service result	**(7,821,749)**	**(13,535,922)**	**(40,229,125)**	**(56,762,968)**	**(2,505,307)**	**16,342,351**	**(80,848,016)**	**(2,082,957)**	**(187,443,696)**
Other income	**43,147,264**	**3,669,082**	**24,095,956**	**7,058,206**	**1,295,966**	**4,025,199**	**25,869,562**	**10,307,029**	**119,468,263**
Investment income	32,948,940	2,813,855	18,387,047	5,427,105	1,009,616	3,081,573	19,751,120	7,780,825	91,200,082
Sundry income	10,198,324	855,227	5,708,909	1,631,101	286,350	943,626	6,118,442	2,526,204	28,268,181
Other operating expenses	(73,007,854)	(6,211,989)	(40,716,153)	(11,885,394)	(2,272,264)	(6,833,325)	(43,891,171)	(17,274,977)	(202,093,126)
Net (deficit)/ surplus for the year	**(37,682,340)**	**(16,078,828)**	**(56,849,322)**	**(61,590,156)**	**(3,481,605)**	**13,534,221**	**(98,869,623)**	**(9,050,905)**	**(270,068,558)**
Insurance revenue	**1,366,453,821**	**212,946,617**	**754,004,085**	**142,583,444**	**12,834,011**	**278,027,905**	**1,061,258,916**	**136,637,762**	**3,964,746,561**
Insurance service expenses	**(1,335,291,740)**	**(216,779,817)**	**(852,280,615)**	**(173,082,832)**	**(17,745,524)**	**(300,913,700)**	**(1,183,144,433)**	**(141,073,963)**	**(4,220,312,625)**
Insurance service result	31,162,081	(3,833,200)	(98,276,530)	(30,499,388)	(4,911,513)	(22,885,795)	(121,885,517)	(4,436,201)	(255,566,064)
Other income	**39,262,402**	**4,457,488**	**21,886,750**	**877,375**	**78,980**	**3,964,304**	**23,014,100**	**6,108,874**	**99,650,273**
Investment income	34,325,197	3,877,815	19,211,042	-	-	3,466,519	20,110,642	5,299,401	86,290,615
Sundry income	4,937,206	579,673	2,675,708	877,375	78,980	497,786	2,903,458	809,473	13,359,658
Other expenditure	(84,885,903)	(8,202,867)	(46,338,141)	(15,027,925)	(1,424,997)	(8,721,413)	(50,250,557)	(12,854,997)	(227,706,800)
Net (deficit)/ surplus for the year	**(14,461,420)**	**(7,578,579)**	**(122,727,922)**	**(44,649,938)**	**(6,257,531)**	**(27,642,903)**	**(149,121,974)**	**(11,182,323)**	**(383,622,591)**

Figures in R

23. Cash flows from operating activities

	2024	2023
Cash receipts - contributions	**4,339,526,054**	**4,298,239,082**
Contributions receivable	17,560,409	15,851,745
Risk contribution income	3,979,283,619	3,964,746,561
PMSA contributions	342,682,026	317,640,776
Cash receipts from member and providers others	**12,063,641**	-
Cash paid members and providers-claims	**(4,457,554,066)**	**(4,386,477,724)**
Claims	3,340,716	(13,288,682)
Risk claims incurred	(36,704,200)	75,256,420
PMSA liabiliity	(253,317,708)	(215,672,519)
Attributable payables	**(12,224,445)**	(12,460,319)
Risk claims incurred excluding LIC provision	**(3,739,159,584)**	(3,779,017,406)
RTA claims paid	**-**	-
Attributable expenses	**(419,488,845)**	(441,295,218)
Cash paid to members and providers – others		(2,982,928)
Cash paid to providers and employees- non healthcare expenditure	**(204,119,133)**	(236,042,402)
Interest paid on lease liabilities	**-**	(20,659)
Net cash used in operating activities	**(310,083,504)**	(327,284,631)

24. Payment of lease liability

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

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

Lease Liability		
Opening Balance	-	928,122
Cash movements - Principal element of the lease payments	-	(928,122)
Lease liability at the end of the year	-	-

Amounts Recognised in the Statement of Comprehensive		
The statement of comprehensive income includes the following		
Depreciation of right of use asset	**-**	**764,210**
Interest expense on lease liability	**-**	**20,659**
Expenses relating to short-term leases and low-value assets	**-**	**1.00**
		784,870

25. Net Impairment losses on healthcare receivable

Opening balance	32,338,153	12,919,630
Closing balance	18,951,119	32,338,153
Movement	(13,387,034)	19,418,523
ECL Impairment	24,603,486	19,317,826
Contribution owed by members that are not collectable	**(37,990,519)**	**100,697**

In the provision for the impairment of receivables, the Scheme establishes an allowance for impairment that represents its estimate of incurred losses. At each reporting date, the Scheme assesses whether there is sufficient objective evidence that a receivable is impaired. The objective evidence that a receivable is impaired includes observable data that is brought to the attention of the Scheme regarding the following events:

1. Breach of contract, such as non-payment of member contributions after the initial suspension period.
2. Default in payments due by service providers or other debtors.
3. Financial difficulty .

26. INSURANCE RISK MANAGEMENT

26.1Risk management objectives, policies, processes, and methods for mitigating 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 the scheme members. As such, the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and investment activities

The then BOT had developed and documented a policy for the acceptance and management of insurance risks to which the Scheme is exposed. This policy had been approved by the then BOT. Reference has also been made to the requirements of the Medical Schemes Act in compiling the insurance risk management policy. The then BOT was responsible for recommending any changes to the benefit options to ensure that the Scheme's insurance risk remains within the specified levels. The insurance risk management policy is incorporated in the annual business plan.

The health risk-management policy is reviewed annually and amended for changes in the Medical Schemes Act (if any) and/or changes in the Scheme's ability to accept insurance risk.

The Curator ultimately decides on whether or not to enter into risk transfer arrangements or commercial reinsurance contracts.

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, as well as the monitoring of emerging issues. Certain risks are mitigated by entering into risk transfer arrangements.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks, as well as insured and overall risks. The Scheme analyses the distribution of claims per category of claim, the average age of members per option group, average age per benefit option, the actual number of members per benefit option, and the geographic distribution of members.

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 nature, random and the actual number and size of events during any one year may vary from those estimated with established statistical techniques.

INSURANCE RISK MANAGEMENT continued...

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

Factors that aggravate insurance risk include lack of risk diversification in terms of types and amounts of risks, geographic location, and demographics of members covered.

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

- General practitioner benefits cover the cost of all visits by members to the general practitioner and the procedures performed by them, subject to the Scheme rules and a prescribed annual limit per member.
- Specialist benefits cover the cost of all visits by members to the specialists and for out-of-hospital procedures performed by specialists (subject to Scheme rules and a prescribed annual limit per member). Specialist benefits also include radiology and pathology benefits provided to members.
- Dentistry benefits cover the cost of all visits of members to the dental practitioner and the procedures performed by them (subject to Scheme rules and a prescribed annual limit per member).
- Optometry benefits cover the cost of all visits by members to optometrists, the cost of prescribed glasses and contact lenses and the cost of procedures performed by optometrists (subject to Scheme rules and a prescribed annual limit per member).
- Medicine benefits cover the cost of all medicines prescribed to members subject to Scheme rules and a prescribed annual limit per member.
- Hospital benefits cover costs incurred by members while they are in hospital to receive treatment for medical conditions (subject to Scheme rules and a prescribed annual limit per member).

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

All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal. Management information including contribution income, claims ratio per option, target markets, and the demographic split is reviewed monthly.

26.2 Risk in terms of risk transfer arrangements

The Scheme operates within the regulatory framework established by the Medical Schemes Act 131 of 1998, as amended, and the regulations issued in terms thereof. The Scheme is regulated by the Council for Medical Schemes and is required to conduct its activities in accordance with applicable legislation and its registered rules.

The regulatory framework affects the Scheme's insurance activities, benefit design, contribution setting, claims management, investment activities and financial risk management. In particular, the Scheme is required to provide prescribed minimum benefits in accordance with the applicable legislation and regulations, irrespective of whether a member has exhausted the benefits available under the member's benefit option, subject to the applicable prescribed minimum benefit requirements.

The Scheme is also required to maintain sufficient assets to meet its liabilities and comply with the prescribed minimum solvency requirements. In terms of Regulation 29 of the regulations to the Medical Schemes Act, the Scheme is required to maintain accumulated funds of at least 25% of gross annual contributions, subject to the applicable regulatory requirements. Compliance with the solvency requirement is monitored through regular assessments of the Scheme's financial position and solvency ratio.

These regulatory requirements influence the Scheme's investment strategy, liquidity management, contribution and benefit reviews, and the level of reserves maintained to meet current and future claims obligations. The Scheme monitors its financial position and regulatory compliance to ensure that sufficient resources are available to meet its obligations to members and their dependants.

INSURANCE RISK MANAGEMENT continued...

Non-compliance with applicable regulatory requirements could result in regulatory intervention and could adversely affect the Scheme's ability to operate and meet its obligations. The Board of Trustees oversees the Scheme's compliance with the applicable regulatory framework and considers the potential impact of regulatory requirements when making decisions relating to insurance risk, financial sustainability and the management of the Scheme's assets and liabilities.

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

26.3 Sensitivity analysis to insurance risk variables

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

Scenario - 2024	Claims for 2024 service paid from January 2024 to December 2024	Total expected claims for 2024 services	Liability for incurred claims	Risk adjustment	Outstanding Claims Provision	Change in outstanding claims provision
LIC plus risk adjustment	3,448,196,050	3,684,102,239	208,483,362	27,422,827	235,906,189	
10% increase in amount	3,448,196,050	3,704,950,575	229,331,698	27,422,827	256,754,525	20,848,336
10% decrease in amount	3,448,196,050	3,663,253,903	187,635,026	27,422,827	215,057,853	(20,848,336)
10% decrease in run-off speed	3,448,196,050	3,707,949,088	232,330,211	27,422,827	259,753,038	23,846,849
10% increase in run-off speed	3,448,196,050	3,660,868,753	185,249,876	27,422,827	212,672,703	(23,233,486)

Scenario - 2023	Claims for 2023 service paid from January 2023 to December 2023	Total expected claims for 2023 services	Liability for incurred claims	Risk adjustment	Outstanding Claims Provision	Change in outstanding claims provision
LIC plus risk adjustment	3,668,485,966	3,919,095,577	225,497,571	25,112,040	250,609,611	
10% increase in amount	3,668,485,966	3,941,645,334	248,047,328	25,112,040	273,159,368	22,549,757
10% decrease in amount	3,668,485,966	3,896,545,820	202,947,814	25,112,040	228,059,854	(22,549,757)
10% decrease in run-off speed	3,668,485,966	3,950,084,009	256,486,003	25,112,040	281,598,043	30,988,432
10% increase in run-off speed	3,668,485,966	3,891,588,039	197,990,033	25,112,040	223,102,073	(27,507,538)

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

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

27. Related parties

27.1 Key management personnel (Board of Trustees, Principal Officer, and executive committee) and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Scheme. Key management personnel include the Board of Trustees and the Executive Officers of the Scheme. The disclosure deals with full-time Executive Officers who are compensated on a salary basis, and the Board of Trustees who are compensated on a fee basis.

Close family members include close family members of the Board of Trustees and Executive Officers of the Scheme.

Compensation paid to key management personnel

Short-term employee benefits	10,478,680	10,029,011
Termination benefits	-	2,426,294
Total compensation paid to key management personnel	**10,478,680**	**12,455,304**

Other amounts recognised in the statement of comprehensive income

Risk contribution income received	1,777,900	1,606,034
Claims incurred	2,430,689	840,931
	4,208,589	**2,446,965**

Transaction	Nature of transaction and terms and conditions thereof
Contributions received	This constitutes contributions paid by related parties as members of the Scheme, in their individual capacities. All contributions were on the same terms as applicable to third parties.
Claims incurred	This constitutes amounts claimed by the related parties, in their individual capacities as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to third parties.
Contribution debtor	This constitutes the outstanding contributions payable. The amounts are due immediately. No provisions for doubtful debts have been raised on these amounts.
Claims reported not yet paid	These are claims that have been reported but not yet paid due to the fact that the scheme does a payment run every week. All claims are settled within 30 days of being received.
Personal medical savings accounts	These amounts owing to the related parties relate to medical scheme savings balances. In line with the terms applied to third parties and in terms of the rules of the scheme, the balances earn interest at the effective interest rate, which accrues to the member. The amounts are all current and would need to be payable on demand should an appropriate claim be issued, or the member exit the scheme.
Healthcare provider fees paid/ payable	Fees are paid to a healthcare provider (medical practitioner). Fees are paid on the same basis as applicable to third parties.

Transactions with parties that have significant influence over the Scheme

The Scheme assessed its relationships with the administrator and managed care organisations in accordance with IAS 24 Related Party Disclosures, taking into account the substance of the relationships and the criteria in IAS 24.9. Based on this assessment, the administrator and managed care organisations have not been identified as related parties of the Scheme. The administrator provides administrative services to the Scheme but does not control the Scheme or participate in its key management functions in a manner that results in a related-party relationship under IAS 24.

Transactions with the administrator and managed care organisations are conducted in the ordinary course of business in terms of contractual arrangements.

Figures in R

Administration and managed care organisations

3Sixty Health (Pty) Ltd provides administration and managed care services to the Scheme.

3Sixty Health (Pty) Ltd

Statement of comprehensive income		
Administration fees paid	154,244,231	163,718,256
Managed care fees paid	180,877,097	190,418,740
Maternity programme management	1,522,690	1,637,106
Marketing fees recouped	5,453,000	3,249,000

Statement of financial position		
Administration fees due	14,472,292	15,021,384
Managed care fees due	15,132,402	16,285,586
Marketing services fees due	-	6,900,000
Receivable due to membership updates-Managed care	(1,082,916)	(620,346)
Receivable due to membership updates-Administration fees	(1,013,174)	(565,162)

Outstanding balances at the year-end are unsecured, interest-free, and settlement normally occurs monthly. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2024, the Scheme has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Terms and conditions of the administration and managed care agreements

The administration and managed care agreements are in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees. The agreements are automatically renewed each year (unless notice of termination is received). Administration and managed care fees are payable monthly in arrears by the seventh of each month.

3Sixty Marketing Services (Pty) Ltd

Terms and conditions

The Scheme entered into a three-year contract with 3Sixty Marketing Services (Pty) Ltd in accordance with instructions given by the Board of Trustees. The agreement commenced on 01 April 2022 and will terminate on 31 March 2025.

Statement of comprehensive income		
Marketing fees incurred	43,931,174	49,450,000
Statement of financial position		
Marketing fees prepaid	36,287,076	25,104,500
Marketing fees recouped	13,005,000	7,552,000

27.2 Compensation paid to board of trustees and prescribed officers

2024 Name	Retainer Fees	Meeting Attendance Fees	Meeting Attendance Fees (Committees)	Other Disbursements and Reimbursements	Travel and Accommodation	Telephone Costs	Total remuneration
Mr S.D. Langa	69,290	85,576	45,409	57,488	39,879	14,848	312,489
Mr L. Makwabe	146,969	173,970	493,526	57,488	360,155	22,976	1,255,084
Ms Z. Matikinca	140,526	155,003	372,008	58,188	229,549	26,756	982,031
Ms N. Nkosi	48,642	62,001	10,334	-	-	-	120,977
Mr T. Madiba	48,642	51,668	10,334	-	-	538	111,181
Mr V.M. Shamase	140,526	155,003	134,336	57,488	81,819	74,547	643,720
Ms C. Rensburg	140,526	155,003	131,236	58,188	64,489	38,684	588,127
Ms L. Gxasheka	42,697	62,001	10,334	-		411	115,443
Dr B.Z. Limba	-	-	-	-	43,200	7,536	50,736
Mr A.K. Nhlapo	140,526	155,003	103,336	47,190	75,719	42,632	564,406
Mr A.A. Phikani	140,526	155,003	124,003	57,488	68,053	24,327	569,401
Mr Z. King	140,526	155,003	124,003	57,488	81,050	23,262	581,332
Mr L.N. Pokomela	140,526	155,003	155,003	57,488	71,166	32,568	611,755
Ms B. Maseko	70,263	62,001	93,002	15,700	24,982	17,093	283,041
Mr N. Erasmus	93,684	72,335	103,336	-	14,994	21,772	306,121
Mr P. Shikwane	93,684	72,335	74,226	15,700	21,151	20,452	297,548
Ms P. Dumelakgosi	70,263	62,001	72,335	13,200	70,625	23,968	312,392
Mr W. Monei	93,684	72,335	72,335	14,850	35,147	19,713	308,064
Mr A. Greyling	-	-	-	-	-	-	-
Ms P. Siswana	46,842	82,668	10,334	-	7,623	-	147,467
	1,808,345	**1,943,917**	**2,139,428**	**567,943**	**1,289,600**	**412,083**	**8,161,316**

2023 Name	Retainer Fees	Meeting Attendance Fees	Meeting Attendance Fees (Committees)	Other Disbursements and Reimbursements	Travel and Accommodation	Telephone Costs	Total remuneration
Mr S.D. Langa	166,296	158,928	415,958	31,055	10,670	34,942	817,849
Mr L. Makwabe	140,526	165,337	345,313	45,000	128,423	26,493	851,092
Ms Z. Matikinca	140,526	165,337	258,339	78,000	61,040	26,174	729,416
Mr P.A. Jacobs	-	-	-	-	-	-	-
Mr S. Daweti	-	-	-	-	-	-	-
Mr V.M. Shamase	140,526	165,337	248,005	10,334	60,368	45,697	670,267
Ms C. Rensburg	140,526	165,337	237,672	4,876	67,043	29,132	644,586
Mr M. Moyeni	-	-	-	-	-	-	-
Mr T. Kgokolo	97,467	103,336	113,669	-	1,922	-	316,394
Dr B.Z. Limba	97,467	103,336	181,054	58,000	49,889	32,896	522,641
Mr A.K. Nhlapo	140,526	165,337	279,006	51,619	71,207	40,788	748,483
Mr A.A. Phikani	140,526	165,337	237,672	-	89,523	27,729	660,787
Mr Z. King	140,526	165,337	237,672	36,800	101,913	26,326	708,574
Mr L.N. Pokomela	140,526	165,337	196,338	-	45,081	36,010	583,292
Ms B. Maseko	140,526	165,337	196,338	16,571	7,876	38,208	564,856
Mr M. Hennig	97,467	124,003	127,285	-	34,810	34,936	418,500
Mr N. Erasmus	140,526	165,337	186,004	37,192	-	40,027	569,087
Mr P. Shikwane	140,526	165,337	229,369	10,877	9,650	46,676	602,435
Ms P. Dumelakgosi	140,526	165,337	268,673	12,967	7,723	41,838	637,064
Mr W. Monei	140,526	165,337	268,673	13,402	6,952	36,052	630,941
Mr A. Greyling	97,467	93,002	227,853	17,734	25,309	36,367	497,733
	2,383,007	**2,731,984**	**4,254,892**	**424,426**	**779,399**	**600,290**	**11,173,998**

28. Going concern

The Scheme recorded a statutory solvency ratio of 9.78% at 31 December 2024, below the required 25% minimum under Regulation 29 of the Medical Schemes Act. In 2024, an independent forensic investigation by KPMG was commissioned to understand the root causes of the solvency decline. The report, finalised in May 2025, confirmed under-provisioning and associated under-pricing as primary drivers of the solvency deterioration. It further identified material control deficiencies during 2023 and 2024, including:

- Inadequate segregation of duties and approval workflows
- Lapses in system access management
- Gaps in financial reconciliations and reporting
- Insufficient oversight of outsourced functions and service providers

In response, a comprehensive remediation framework has been implemented and is under ongoing monitoring. Key interventions include:

- Self – Administration effective 01 September 2026
- A formal control remediation tracker reviewed quarterly
- A revised risk-based internal audit plan for 2024/2025
- Strengthened oversight of benefit design, pricing, claims provisioning and budgeting, supported by actuarial peer reviews
- Expanded fraud prevention controls and post-payment claims validation
- Active consequence management and recovery processes linked to KPMG findings
- Strengthened cost containment measures and procurement reform to preserve reserves
- Ongoing engagement with the Council for Medical Schemes (CMS) with transparent reporting on turnaround progress

As at 31 August 2026 the Scheme held R45.8 million cash and cash equivalents and R537.5 million in current money market financial assets. The principal going concern sensitivities therefore relate less to the absolute availability of financial resources and more to membership sustainability, claims experience, contribution collections and the successful transition to a sustainable self-administration cost base. Year to Date July 2026 results, which put the solvency ratio at 40.07%, 10.25% above the budget.

The latest cashflow forecast remains cash-positive through July 2027. On the forecast model, closing bank cash reduces to approximately R15 million in December 2026 before recovering to approximately R32 million in January 2027 and R139 million by July 2027. The forecast does not rely on new external financing. Where additional bank cash is required, management can rebalance existing investments into operating cash.

The forecast also incorporates the self-administration transition, including the former 3Sixty Health - related vendor and payroll costs and an estimated R12 million retrenchment-related outflow in December 2026. The non-healthcare expenditure run rate is therefore not representative of the expected steady state post-transition cost base.

The most recent performance indicators as at the end of August 2026 are detailed below:

- Solvency ratio at 42.5%, above 25% statutory minimum.
- Claims ratio of 92.1%, a key sustainability metric.
- Reserves exceeding R442 million.
- A current ratio of 1.18, current assets exceed current liabilities.
- Non-Healthcare ratio of 18.2%, elevated by reduced contribution base and self-administration transition costs.
- Membership levels (17 394 beneficiaries). Membership loss remains the key risk.

The latest (August 2026) performance indicators and ratios are unaudited.

The Scheme moved to self-administration effective 01 September 2026. The external administration fee therefore ceases, while the Scheme absorbs employees and certain service providers previously supporting the outsourced administration model.

- August 2026 administration expenses were R17.6 million and included R9.0 million recorded as self-administration transition costs.
- For the remainder of 2026, former 3Sixty-related costs will exceed the administration fee being replaced because the forecast caters for transition/overlap costs and transferred service arrangements.
- Management expects approximately R12 million of retrenchment-related payments in December 2026. This is a once off restructuring cash flow and should not be extrapolated into the normalised 2027 NHE base.
- Absence of material contingent liabilities.

The cashflow forecast shows positive closing balances throughout the period reviewed. MSA refunds amounting to R42 million were paid in July 2026 with a further R45 million paid in September 2026. An estimated R30 million run is eminent with the balance requiring bank confirmations before further runs can be projected. No projections have been made for the Circa R120 million MSA refunds remaining due to unconfirmed bank details.

The latest information materially strengthens the liquidity assessment as at 31 August 2026 and the Curator concludes that the going concern basis of accounting remains appropriate.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

2024

Investments	Total	Credit risk	Liquidity risk	Equity Price	Market risk interest rate
- Listed equities (note 4)					
- Unlisted equities (note 4)	21,001,283			x	x
- Unitised equities (note 4)	455,800,203			x	x
- Money market (note 5)	72,156,293		x		x
- Bonds (note 5)	249,683,997	x			x
Cash and cash equivalents (note 7)	24,588,149	x	x		
Other receivables (note 6)	25,197,477	x	x		
Other payables (note 9)	(45,213,151)		x		

2023

Investments	Total	Credit risk	Liquidity risk	Equity Price	Market risk interest rate
- Listed equities (note 4)	68,536,716			x	x
- Unlisted equities (note 4)	21,230,025			x	x
- Unitised equities (note 4)	459,641,356			x	x
- Money market (note 5)	29,831,170		x		x
- Bonds (note 5)	292,250,127	x			x
Cash and cash equivalents (note 7)	154,651,846	x	x		
Other receivables (note 6)	20,909,051	x	x		
Other payables (note 9)	(48,339,261)		x		

The Scheme is exposed to financial risks through the Scheme's financial assets, financial liabilities, and insurance liabilities. The key financial risk is that proceeds from the Scheme's financial assets may not be sufficient to fund the obligations arising from its insurance contracts. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performances of the investments that the Scheme holds to meet its obligations to its members.

Risk management and investment decisions are recommended to the Board of Trustees by the Finance and Investment Committee for consideration. The Board of Trustees makes the final decision regarding risk management and investment decisions. The Board of Trustees provides principles for overall risk management, as well as written policies covering specific areas such as market risk, interest rate risk, liquidity risk, and credit risk.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued...

The Scheme manages the financial risks as follows:

- The Finance and Investment Committee (a Sub-Committee of the BOT) recommends the Scheme's investment policy to the BOT for approval. The Finance and Investment Committee meets four times during the year and reports back to the BOT on matters included in its terms of reference.
- The Scheme has appointed external asset managers to manage its investments and their performance is monitored regularly.

Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and funds prices will affect the Scheme's income or the value of its holding in financial assets. The objectives of the Scheme's market risk management are to manage and control exposures within acceptable parameters, whilst optimising return on investments.

The Scheme's insurance liabilities are settled within four months and are therefore not discounted. Consequently, changes in market interest rates would not affect the Scheme's financial position.

Equity price risk management

The Scheme is exposed to equity securities price risk because of investments held by the Scheme that are classified on the statement of financial position as fair value through profit and loss. The Scheme is not exposed to commodity price risk. To manage its price risk arising from investments in funds securities, the Scheme diversifies its portfolio. Diversification of the portfolio is done in accordance with the mandate set by the Scheme.

The sensitivity analysis below has been determined based on the exposure to the fund's price at the reporting date. If the fund's prices had been 1% higher/lower:

If fund prices had been 1% higher or lower at the reporting date, the fair value adjustment on investments would have increased or decreased by R, respectively. This would have resulted in a corresponding increase or decrease in profit or loss and accumulated funds (equity) of R726 065, respectively.	4,768,015	5,494,080

Interest rate risk management

The Scheme's investment policy is to hold the majority of its investments in interest-bearing instruments. This causes a significant portion of the Scheme's investments to be exposed to changes in market interest rates.

A sensitivity analysis is provided on the assumption of a 100 bps increase/decrease in interest rates with all other variables held constant. Only cash and cash equivalents are directly exposed to fluctuations in the interest rate.

As at 31 December 2024, a 100-basis-point increase or decrease in interest rates would have resulted in an decrease in interest income and, consequently, profit or loss and accumulated funds (equity) of R1 300 637, respectively, assuming all other variables remained constant.	245,881	1,546,518

Credit risk management

Credit risk is the risk of financial loss to the Scheme if a counterparty to an insurance contract or financial instrument fails to meet its contractual obligations and arises principally from the Scheme's receivables. Key areas where the Scheme is exposed to credit risk are through its trade and other receivables, investments and cash and cash equivalents. The carrying amounts of these financial assets represent the maximum credit exposure.

The Scheme manages credit risk by:

- Actively pursuing all contributions not received after 3 days of becoming due, as required by Section 26(7) of the Act;
- Monthly reconciliations between the Administrator and the Employer are discussed for possible suspensions of memberships.

IFRS9 allows entities to apply the simplified approach for trade receivables, contract assets and lease receivables. The simplified approach was applied for the Scheme's other receivables. The approach effectively is a life-time expected credit loss calculation.

Loans and receivables disclosed by class, including the quantitative analysis and maximum credit exposure at the end of the year.

Figures in R

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued...

	Current	30 days	60 days	90 days	120 days	150 days	180 days	Total
Exposures								
Employer	248,793,021	9,868,492	2,480,146	1,282,957	1,282,885	985,605	12,582,837	**277,275,943**
Direct	3,902,717	791,255	550,359	402,795	199,703	204,154	3,176,504	**9,227,487**
SAPO	1,290,800	116,724	111,290	956,073	932,598	853,898	27,187,572	**31,448,955**
Loss rates								
Employer	0.7%	25.8%	48.7%	64.8%	79.2%	90.9%	100.0%	
Direct	4.0%	30.6%	53.8%	71.7%	90.2%	99.8%	100.0%	
SAPO	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
ECL								
Employer	1,824,131	2,547,967	1,208,355	354,598	(1,986,620)	427,133	(13,593,067)	**(9,217,503)**
Direct	154,235	241,968	296,047	220,462	(1,611,243)	166,851	(2,748,653)	**(3,280,333)**
SAPO	1,290,800	116,724	111,290	956,073	932,598	853,898	27,187,572	**31,448,955**
	3,269,166	**2,906,659**	**1,615,692**	**1,531,133**	**(2,665,265)**	**1,447,882**	**10,845,852**	**18,951,119**

The table below shows balances of investments and cash and cash equivalents held at 8 major counterparties at the end of the reporting period.

		Carrying amount	
Counterparty	**Location**	**2024**	**2023**
Aluwani Capital Partners	South Africa	202,692,215	188,916,525
Taquanta Asset Managers	South Africa	97,188,813	131,504,419
Razorite Healthcare and Rehabilitation Fund	South Africa	21,001,283	21,230,025
Aeon Investment Managers	South Africa	-	34,710,846
Prescient Investment Managers	South Africa	258,528,987	235,849,779
Sesfikile BCI Property Fund	South Africa	-	15,233,512
Perpetua Investment Managers	South Africa	-	34,857,686
Umthombo Wealth Management	South Africa	198,138,284	184,819,364

Asset Class	Top Holdings – December 2024	Ratings (long term)	% of Portfolio
Cash	NEDBANK LIMITED	AA	2.59%
	HSBC BANK PLC - JHB BRANCH	A-	0.25%
	YIELDX	AA+	0.03%
	FIRSTRAND BANK LIMITED	AA	(2.91%)
Bonds	REPUBLIC OF SOUTH AFRICA	AAA	21.77%
	FIRSTRAND BANK LIMITED	A+	1.67%
	DEVELOPMENT BANK OF SOUTHERN AFRICA	AA-	1.47%
	STANDARD BANK OF SOUTH AFRICA LIMITED	AA+	1.24%
	NEDBANK LIMITED	AA	0.59%
Property			0.00%
Equity			0.00%

Asset Class	Top Holdings – December 2023	Ratings (long term)	% of Portfolio
Cash	NEDBANK LIMITED	AA	15.00%
	HSBC BANK PLC - JHB BRANCH	A-	0.40%
	YIELDX	AA+	0.02%
	FIRSTRAND BANK LIMITED	AA	(2.95%)
Bonds	REPUBLIC OF SOUTH AFRICA	AAA	16.30%
	FIRSTRAND BANK LIMITED	A+	2.49%
	STANDARD BANK OF SOUTH AFRICA LIMITED	AA+	1.78%
	ABSA BANK LIMITED	AA	1.54%
	DEVELOPMENT BANK OF SOUTHERN AFRICA	AA-	1.18%
Property	NEPI ROCKCASTLE N.V.		0.06%
	RESILIENT REIT LIMITED		0.02%
	GROWTHPOINT PROPERTIES LTD		0.01%

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued...

Equity	STANDARD BANK GROUP LTD	0.48%
	NASPERS LTD - N SHARES	0.47%
	FIRSTRAND LIMITED	0.43%
	PROSUS	0.43%
	BRITISH AMERICAN TOBACCO PLC	0.38%

Liquidity risk management

Liquidity risk is the risk that the Scheme will not be able to meet its short-term financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Scheme has the ability to fund its day-to-day operations.

The table below is a maturity analysis of the Scheme's financial liabilities. The amounts disclosed represent undiscounted contractual cash flows as all balances are due within 12 months. Consequently, the amounts disclosed equal their carrying amounts as the impact of discounting is not significant.

As at 31 December 2024	Up to 1 Months	1 - 4 Months	5 - 12 Months	Over 12 months	Total
	R	R	R	R	R
Financial liabilities	35,578,694	103,562	20,767	9,510,128	45,213,151
Total	**35,578,694**	**103,562**	**20,767**	**9,510,128**	**45,213,151**
As at 31 December 2023	**Up to 1 Months**	**1 - 4 Months**	**5 - 12 Months**	**Over 12 months**	**Total**
	R	R	R	R	R
Financial liabilities	2,673,813	853,713	145,107	44,666,628	48,339,261
Total	**2,673,813**	**853,713**	**145,107**	**44,666,628**	**48,339,261**

30. ANALYSIS OF CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES PER CATEGORY

30.1

Financial instruments are classified and disclosed in accordance with IFRS 7 and IFRS 9. Financial assets and liabilities within the scope of these standards are presented separately from insurance contract assets and liabilities accounted for under IFRS 17.

The fair value hierarchy categorises fair value measurements into three levels based on the significance of the inputs used in the valuation techniques:

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

Level 2: Valuation techniques using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuation techniques using significant inputs that are not based on observable market data.

The following table presents the carrying amounts and fair values of financial instruments within the scope of IFRS 7 and IFRS 9, together with the fair value hierarchy for financial assets measured at fair value.

Figures in R

	Fair value of Financial Assets		Amortised Costs				Fair value of financial instruments			
2024	Financial Assets at Fair Value through P/L	Financial Assets at Fair Value through OCI	Financial Assets at amortised costs	Financial liabilities at amortised costs	Insurance receivables & payables	Total carrying amount	Level 1	Level 2	Level 3	Total
Investments										
Listed Equities										
Unlisted equities	21,001,283					21,001,283			21,001,283	21,001,283
Unitised investments	455,800,203					455,800,203		455,800,203		455,800,203
Bonds		249,683,997				249,683,997	242,216,700	7,467,297		249,683,997
Money Market		72,156,293				72,156,293	2,513,525	69,642,768		72,156,293
Cash & Cash Equivalents			24,588,149			24,588,149				
Other receivables			25,197,477			25,197,477				
Other payables				(45,213,151)		(45,213,151)				
Liability for remaining coverage					(140,639,029)	(140,639,029)				
	476,801,486	**321,840,290**	**49,785,626**	**(45,213,151)**	**(140,639,029)**	**662,575,222**	**244,730,225**	**532,910,268**	**21,001,283**	**798,641,776**

	Fair value of Financial Assets		Amortised Costs				Fair value of financial instruments			
2023	Financial Assets at Fair Value through P/L	Financial Assets at Fair Value through OCI	Financial Assets at amortised costs	Financial liabilities at amortised costs	Insurance receivables & payables	Total carrying amount	Level 1	Level 2	Level 3	Total
Investments										
Listed Equities	68,536,716					68,536,716	68,536,716			68,536,716
Unlisted equities	21,230,025					21,230,025			21,230,025	21,230,025
Unitised investments	459,641,356					459,641,356		459,641,356		459,641,356
Bonds		292,250,127				292,250,127	266,320,344	25,929,783		292,250,127
Money Market		29,831,170				29,831,170		29,831,170		29,831,170
Cash & Cash Equivalents			154,651,845			154,651,845				-
Other receivables			20,909,052			20,909,052				-
Other payables				(48,339,261)		(48,339,261)				-
Liability for remaining coverage					(171,408,919)	(171,408,919)				-
	549,408,098	**322,081,297**	**175,560,897**	**(48,339,261)**	**(171,408,919)**	**827,302,111**	**334,857,060**	**515,402,309**	**21,230,025**	**871,489,394**

30.2 Credit risk management analysis

Credit risk in respect of trade and other receivables is controlled through the application of credit monitoring procedures. Section 26(7) of the Medical Schemes Act requires all contributions to be paid to the Scheme within three days of becoming due. Whilst every effort is made to enforce this requirement, the onus is on the member/employer group to ensure compliance. The rules of the Scheme provide for suspension and ultimately termination of membership after specified periods of arrears. The amounts presented in the statement of financial position are net of impairment allowances. In general, most employer groups pay contributions by the seventh of the following month. This is in line with the rules of the Scheme as approved by the Council for Medical Schemes (CMS).

2024	Total	Neither past due nor impaired	30 days	60 days	90 days	120 days	Impaired
Other receivables	25,197,477	11,787,237	-	-	-	13,410,240	-
Insurance receivables	140,638,942	96,009,614	7,436,078	2,290,266	1,635,788	52,218,315	(18,951,119)
	165,836,419	**107,796,851**	**7,436,078**	**2,290,266**	**1,635,788**	**65,628,555**	**(18,951,119)**

2023	Total	Neither past due nor impaired	30 days	60 days	90 days	120 days	Impaired
Other receivables	**20,909,052**	3,976,180	3,717,053	-	587,374	12,628,445	-
Insurance receivables	**171,408,919**	128,802,326	19,041,613	6,193,858	5,435,169	44,274,106	(32,338,153)
	192,317,971	**132,778,506**	**22,758,666**	**6,193,858**	**6,022,543**	**56,902,551**	**(32,338,153)**

30.2.1 Reconciliation of Level 3 fair values

Equity investments	2024	2023
Opening Balance	**21,230,025**	**23,496,965**
Change in fair value (unrealised/realised)	44,201	**(2,657,364)**
Interest Received	220,904	**-**
Net gains / (loss)	17,928	**-**
Purchases	-	**390,424**
Management Fees	(511,775)	**-**
Closing Balance	**21,001,283**	**21,230,025**

Equity investments measured at fair value are classified within Level 3 of the fair value hierarchy where the valuation is based on significant unobservable inputs. The above table reconciles the opening and closing balances of these investments for the reporting period, in accordance with IFRS 13.93(e).

The reconciliation separately identifies movements arising from gains and losses recognised in profit or loss and other comprehensive income, purchases, sales, issues and settlements, and transfers into or out of Level 3, where applicable.

Gains and losses recognised in profit or loss are disclosed under the relevant statement of profit or loss line items. Movements relating to interest received and management fees are presented separately where they represent distinct movements in the carrying value of the investments and are not already included in the fair value gains or losses.

During the year, the closing fair value of the equity investments amounted to R21,001,283 (2023: R21,230,025). The Scheme has assessed the movements in the Level 3 reconciliation to ensure that they are appropriately classified, supported by the underlying accounting records and not duplicated across the disclosed movement categories.

Impact of fair value movements on profit or loss.

Fair value gains and losses on Level 3 equity investments recognised in profit or loss are presented under “Fair value gains/(losses) on investments” in the statement of profit or loss. For the year ended 2024, the fair value movement was a gain of R44,201 (2023: loss of R2,657,364). The portion of these gains or losses attributable to unrealised fair value movements on investments held at the reporting date is disclosed separately, based on the underlying accounting records.

31. FAIR VALUE ESTIMATION

The fair value of the publicly traded financial instruments held as financial assets at fair value through profit and loss is based on quoted market prices.

In assessing the fair value of other financial instruments, the Scheme uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques (such as the estimated discounted value of future cash flows) are used to determine the fair value of the remaining financial instruments.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the scheme for similar financial instruments.

Capital adequacy risk management

The Scheme is subject to the capital requirement as stipulated in Regulation 29(2) of the Medical Schemes Act no. 131 of 1998, which requires a minimum solvency ratio of 25%. The solvency ratio is calculated as accumulated funds expressed as a percentage of gross contributions.

The Scheme’s objective when managing capital is to safeguard its ability to continue as a going concern in order to provide benefits for its stakeholders.

The principal risk would be if the frequency and severity of claims are greater than expected and there are insufficient reserves to provide for their settlement.

The Scheme's objective is to manage its capital in such a manner that the annual contribution increase to members is as low as possible and to remain a going concern. The Scheme, therefore, uses investment income to fund any possible deficit that might occur as a result of operational losses.

The Scheme's solvency ratio has decreased from 15.73% in 2023 to 9.78% in 2024

Structured Entities

The Scheme has determined that some of its investments in pooled funds and collective investment schemes (funds) are investments in unconsolidated structured entities. The Scheme invests in these funds, whose objectives range from achieving medium to long-term capital growth and whose investment strategy does not include the use of leverage. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

The change in fair value of each fund is included in the statement of comprehensive income in 'Net gains/losses on financial instruments held at fair value through profit or loss.

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

The exposure to investments in the funds at fair value, by the strategy employed, is disclosed in the following tables.

2024	Net asset value of investee fund (R)	Fair value of Scheme's assets of investment (R)	% of net assets attributable to Sizwe Hosmed
Prescient Yield Quantplus Fund B	8,759,558,326	160,473,107	1.83%
Razorite	1,290,272,528	21,001,283	1.63%
Total Sesfikile Fund in Unit Trust			0.00%
Total Taquanta Fund in Life Pooled Policy	2,937,541,792	97,188,813	3.31%
UW Institutional Active Bond Prescient Fund A1	198,138,284	198,138,284	100.00%

2023	Net asset value of investee fund (R)	Fair value of Scheme's assets of investment (R)	% of net assets attributable to Sizwe Hosmed
Prescient Yield Quantplus Fund B	7,335,532,400	128,202,660	1.75%
Razorite	1,304,225,621	21,477,300	1.65%
Total Sesfikile Fund in Unit Trust	2,813,903,512	15,233,512	0.54%
Total Taquanta Fund in Life Pooled Policy	2,968,910,604	131,385,819	4.43%
UW Institutional Active Bond Prescient Fund A1	184,819,364	184,819,364	100%

Significant judgment

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factors in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some, or all, of the following features or attributes:

a) restricted activities;
b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

FAIR VALUE ESTIMATION continued...

The Scheme has assessed the nature of its investments in investment funds and concluded that these funds meet the definition of structured entities. In assessing whether it controls these funds in terms of IFRS 10 Consolidated Financial Statements, the Scheme considered the design and purpose of the funds, the activities that significantly affect their returns, the decision-making rights relating to those activities, its exposure to variable returns, and its ability to use its power to affect those returns.

The relevant activities of the investment funds generally include the selection, acquisition and disposal of investments, the implementation of investment strategies, portfolio management and the management of risks associated with the underlying investments. These activities are undertaken in accordance with each fund's investment mandate, prospectus and applicable contractual arrangements. The Scheme assessed whether it has substantive rights that give it the current ability to direct these relevant activities, including decision-making rights relating to investment management, the appointment or removal of investment managers and other rights that may arise under the fund documentation.

Based on this assessment, the Scheme concluded that it does not have power over the relevant activities of the investment funds and therefore does not control these funds in terms of IFRS 10. The Scheme's participation in the funds and its exposure to variable returns arising from its investments do not, in themselves, establish control. Accordingly, the investment funds are not consolidated in the Scheme's financial statements.

The Scheme continues to recognise its investments in these funds in accordance with the applicable requirements of IFRS 9 Financial Instruments and provides the relevant disclosures regarding its interests in unconsolidated structured entities, where applicable.

32. FIDELITY COVER

Section 26 (1) of the Medical Schemes Act no. 131 of 1998 states that medical schemes need to have fidelity cover. The Scheme has taken out fidelity cover in accordance with the Act. The annual premium in respect of the fidelity cover as at 31 December 2024 was R1 212 750 (2023:R1 143 464). The total value of the cover is R125 000 000.

33. NON-COMPLIANCE WITH THE ACT

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

33.1 Contravention of Section 26(7) of the Act - Contributions not being 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 the payment of members and employer contributions, this 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 three days of becoming due, thus contravening Section 26(7).
c. The Scheme has amended its rules such that the three days is increased to seven days and these rules have been approved accordingly by the Regulator (CMS). The Fund actively pursues contributions not received within seven days, furthermore, apply credit control processes including the suspension and termination of membership for non-payment.

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

Nature

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

Cause of non-compliance

More claims than anticipated were incurred for the following benefit options.

Benefit Option	Number of members	Insurance service result	Profit/(Loss) for the year
Gold Ascend	19,335	(7,821,749)	(37,682,340)
Titanium	1,619	(13,535,922)	(16,078,828)
Platinum Enhanced	10,826	(40,229,125)	(56,849,322)
Essential Copper	3,084	(56,762,968)	(61,590,156)
Access Core	538	(2,505,307)	(3,481,605)
Value	11,599	(80,848,016)	(98,869,623)
Access	4,809	(2,082,957)	(9,050,905)

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 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.

NON-COMPLIANCE WITH THE ACT continued...

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

Nature

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 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, mostly as a result of incorrect coding by service providers. Remittance advice with 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 stipulated conditions of the MSA.

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

Nature

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

Whilst the solvency ratio of the scheme had reverted to above 25% in December 2022, the scheme had duly informed the Council for Medical Schemes of the failure to meet the regulated requirement during the specific period and the reasons thereof. A full business plan and turn around strategy has been submitted to the regulator and is being implemented. The Scheme has further committed to submitting its financial results to the regulator on a monthly basis.

33.5 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.

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

Nature

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

NON-COMPLIANCE WITH THE ACT continued...

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.

33.5.2 Scheme rule paragraph 8.14 - Requirements for payment of contributions

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.

33.5.3 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.

NON-COMPLIANCE WITH THE ACT continued...

33.5.4 Scheme Rules 20.1, 20.2, 20.4, and 20.8 and Section 32 of the MSA - internal control weaknesses highlighted by KPMG

Nature

Section 32 of the MSA states that the rules of the medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers, and any person who claims any benefit under the rules or whose claim is derived from a person so claiming. Furthermore, scheme rules:

- Scheme Rule 20.1 – the Board is responsible for the proper and sound management of the Scheme.
- Scheme Rule 20.2 – the Board must act with due care, diligence, skill and good faith.
- Scheme Rule 20.4 – the Board must apply sound business principles and ensure the financial soundness of the scheme.
- Scheme Rule 20.8 - states that the Board must ensure that proper controls are employed by and on behalf of the scheme.

Cause of non-compliance

The Scheme operates an outsourced model, necessitating that the Board through its delegated authority to sub-committees and management continuously monitor the internal control environment of the contracted service providers. Lapses in continuous monitoring of the internal control environment at the service provider resulted in weaknesses in internal controls going undetected.

Possible impact

- Non-compliance with Scheme Rules.
- Non-compliance with the MSA.
- Financial loss.

Corrective course of action

The Scheme has adopted the findings of the KPMG forensic audit and put in place a control remediation programme that includes but 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

33.5.5 Non-compliance with the Scheme Rules 22.2.1 and Section 32 of the MSA - material breach in fiduciary duty

Section 32 of the MSA states that the rules of the medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers, and any person who claims any benefit under the rules or whose claim is derived from a person so claiming. Furthermore, scheme rules:

- Scheme Rule 22.2.1 – The principal officer is the executive officer of the Scheme and as such shall ensure that:
- he/she acts in the best interests of the members of the Scheme at all times.

Cause of non-compliance

The lack of leadership oversight by the Principal Officer resulted in the weakening of the Scheme's internal controls, poor management of Scheme's legal matters, and bringing the Scheme into disrepute.

Possible impact

- Non-compliance with Scheme Rules.
- Non-compliance with the MSA.
- Bring the Scheme into disrepute.
- Financial loss.

NON-COMPLIANCE WITH THE ACT continued...

Corrective course of action

The Scheme has adopted the findings of the Neledi Advisory forensic audit and suspended the Principal Officer pending the outcome of a disciplinary process. Furthermore, the suspected falsified resolution has been reported to the South African Police Services.

33.5.6 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.

33.5.7 Contravention of Section 35(8) of the Act - Investment in medical administrators and employer groups

Nature

Section 35(8) of the MSA requires that:

A medical scheme shall not invest any of its assets in the business of or grant loans to:

a. An employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme;

b. Any other medical scheme;

c. Any administrator; and

d. Any person associated with any of the abovementioned.

Cause of non-compliance

The Scheme invests in a pool of funds through its investment managers which are invested in various portfolios. This makes it difficult to manage the scheme's investment requirements.

Possible impact

- Non-compliance with the MSA.
- Members may perceive the other medical schemes to be better and may consider leaving the Scheme.

Corrective course of action

The Investment Committee reviewed this matter previously after having looked at the Sizwe Hosmed Investment Portfolios as well as the performance of the affected stocks. The Scheme has consequently applied for exemption in terms of Section 35(8) of the Act from the Regulator (CMS) in respect of the non-compliance noted and such exemption has been granted. It is also the intention of the Fund to continue renewing such exemption on an annual basis as required.

NON-COMPLIANCE WITH THE ACT continued...

33.5.8 Contravention of Section 57(4)(b), (c) and 57(4)(h) of MSA - Unsigned internal audit charter, policies not signed and reviewed regularly, and internal risk registers neither complete nor reviewed

Nature

Section 57(4)(b), (c) and 57(4)(h) of the Medical Schemes Act no. 131 of 1998 (MSA) states that the BOT shall ensure that:

- proper registers, books and records of all operations of the medical scheme are kept, and that proper minutes are kept of all resolutions passed by the board of trustees;
- proper control systems are employed by or on behalf of the medical scheme; and
- the rules, operation and administration of the medical scheme comply with the provisions of this Act and all other applicable laws.

Cause of non-compliance

The internal policies, internal risk registers, and internal audit charter are unsigned, unreviewed, and incomplete.

Possible impact

- Failure to properly document internal risks and put in place the necessary internal controls.
- Severe governance failures, regulatory non-compliance, and unmitigated operational vulnerabilities.

Corrective course of action

The unsigned internal audit charter, and unsigned and unreviewed policies and internal risk registers will be submitted to senior management for review and alignment.

34. Income Tax

34. Income Tax In terms of section 10(1)(d) of the Income Tax Act 58 of 1962, as amended, receipts and accruals of a medical fund are exempt from normal tax. A medical scheme is included in the definition of a benefit fund and consequently, the Scheme is exempt from income tax. Based on its assessment, the Scheme is of the view that the income tax exemption remains applicable to its facts and circumstances for the 2024 financial year.

35. Commitments and other contingent liabilities Commitments

At the reporting date, the Scheme had no material contractual commitments requiring separate disclosure, other than those arising in the ordinary course of its operations. Where applicable, material contractual commitments are disclosed based on the nature of the commitment and the expected financial obligation.

Contingent liabilities

In the ordinary course of its operations, the Scheme may be involved in legal proceedings and disputes that could give rise to potential financial obligations. Management considers the information available, including confirmations and assessments received from the Scheme's legal advisers, in determining the appropriate accounting treatment and disclosure of these matters.

At the reporting date, the following matters have been identified:

a. A Mokoditoa / Sizwe Hosmed – Malatji matter

A legal matter involving an amount of approximately R228.6 million has been identified. The amount is to be apportioned between the Scheme and the other medical schemes involved in the matter. The Scheme's ultimate financial exposure has not yet been finalised and will depend on the outcome of the proceedings and the determination of the respective parties' obligations.

b. Dithaba Tsa Afrika (DTA) – Malatji matter

A legal matter involving an amount of R1,818,906 has been identified. The ultimate outcome and any financial implications for the Scheme will depend on the resolution of the matter.

c. Ms Kereeditse Mmuualefe

A legal matter involving an amount of R84,500 has been identified. The ultimate outcome and any financial implications for the Scheme will depend on the resolution of the matter.

Management has assessed these matters based on the information available at the reporting date and the advice received from the Scheme's legal advisers. To the extent that these matters represent possible obligations, or present obligations for which an outflow of economic resources is not probable or cannot be measured reliably, no provision has been recognised and the matters are disclosed as contingent liabilities in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

The actual financial impact, if any, will depend on the outcome of the respective proceedings and the determination of the Scheme's obligations

36. 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.

37. Events after reporting date

37.1 Appointment of Principal Officer

Ms N. Tshobeni was appointed as Principal Officer on the 1st of February 2024. Ms N. Tshobeni resigned as Principal Officer on 07 May 2026.

37.2 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.

37.3 Completion of the 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 2024. 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 under-pricing and provisioning gaps, exacerbating the solvency decline.

The then BOT has 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 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.
Reversal of claims post August 2024.	The then BOT mandated the Scheme to do a thorough investigation into the reversals worth R91.5 million.

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 KPMG review identified duplicate and stale claims relating to the 2022 and 2023 financial years, which resulted in overstatements of claims and corresponding understatements of members' funds. The findings also highlighted weaknesses in claims processing and related internal controls.

The Scheme has considered the financial reporting implications of the identified matters, including their quantitative and qualitative materiality and their impact on the Scheme's solvency. The assessment of whether adjustments to the current and comparative financial statements are required is being undertaken in accordance with IAS 8, taking into account the nature and extent of the identified errors and the related control deficiencies.

Corrective measures have been implemented to strengthen claims processing and monitoring, including enhanced duplicate-claim detection, additional reconciliations and the commencement of recovery efforts in respect of identified duplicate payments. These measures are intended to improve the accuracy of claims processing and reduce the risk of recurrence.

37.4 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 Seloane to work closely with the then BOT to turnaround the solvency position of the Scheme.

Following the Scheme's placement under provisional curatorship on 04 September 2025, and the subsequent confirmation of curatorship on 09 October 2025, Mr Seloane no longer holds the position of statutory manager.

37.5 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 January 2025.
The Scheme appointed Ms Asathi Mamane to the position of Chief Financial Officer effective 01 May 2025.

37.6 Delays in the Finalisation of Annual Financial Statements

A combination of factors resulted in delays in the finalisation of the audit of the 2023 and 2024 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 2023 annual financial statements and the commencement of the audit of the 2024 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 of the 2023 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.

37.7 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 curatorship was made permanent on 09 October 2025. The appointment of Ms Lebogang Grace Mpakati as curator was cancelled by order of the court and Mr Ian Fleming appointed effective 11 February 2026.

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

37.8 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.

37.9 Self-Administration

The Scheme filed a formal application with the Council for Medical Schemes (CMS) for self-administration. The CMS granted the Scheme approval to self – administrate for period of eight (8) months effective 01 September 2026 and ending on 30 April 2027.

Self-administration is expected to strengthen the Scheme and enhance the quality of service delivered to members.

In order to retain the critical skills and administrative expertise, the Scheme absorbed some of the employees of the former administrator under Section 197 of the South African Labour Relations Act.

37.10 Resignation of External Auditors

Deloitte resigned as the Scheme's external auditors at the Special General Meeting which was held on 27 September 2025.

The resignation of Deloitte followed the complexities of the 2023 audit which resulted in two Reportable Irregularities (RI) being reported to the Independent Regulatory Board for Auditors, and the issuing of a Disclaimer Audit Opinion. The RIs stemmed from the material weaknesses in internal controls of the Scheme.

37.11 Appointment of External Auditors

The Scheme appointed Nexia SAB&T at the Special General Meeting which was help on 27 September 2025. Nexia SAB&T will be responsible for the audit of the 2024 annual financial statements.

37.12 Termination of The South African Local Government Bargaining Council

On 26 August 2025, after the reporting date of 31 December 2024 but before the financial statements were authorised for issue, The South African Local Government Bargaining Council notified the Scheme that it was terminating its accreditation. The termination resulted from the Scheme's failure to maintain the minimum membership threshold of 15 000 principal members.

The South African Local Government Bargaining Council members accounted for a material percentage of the Scheme's membership for the year ended 31 December 2024. This event does not relate to conditions that existed at the reporting date and has therefore been treated as a non adjusting event.

The Scheme has assessed the effect of this event on the Scheme's ability to continue as a going concern and concluded that the going concern basis preparation of annual financial statements remains appropriate

GOVERNANCE – RULE AMENDMENT/S



PROPOSED AMENDMENTS TO RULES 19.1.1.2.1 AND 19.1.1.2.2 – COMPOSITION OF THE BOARD OF TRUSTEES AND APPOINTMENT OF PROFESSIONAL TRUSTEES

1. PURPOSE

To seek members' consideration and approval of the proposed amendments to Rules 19.1.1.2.1 and 19.1.1.2.2 of the Scheme's registered Rules, relating to the composition of the Board of Trustees and the appointment of professional trustees, respectively.

2. BACKGROUND AND MOTIVATION

The Scheme has undertaken a review of its governance framework, including the composition of the Board of Trustees and the provisions regulating the appointment of professional trustees, to ensure that the governance structure remains appropriate to the Scheme's current membership profile and operational requirements.

The Scheme's membership has reduced significantly from approximately 45,000 members historically to approximately 9,000 members currently. In light of this reduction, it is proposed that the number of Elected Trustees be reduced from nine (9) to six (6).

In addition, Rule 19.1.1.2.2 currently provides for the appointment of professional trustees by the newly Elected Trustees after the 2024 elective AGM. As the reference to the 2024 elective AGM is time specific and relates to a past event, it is proposed that the wording be amended to provide for the appointment of professional trustees by the Elected Trustees without reference to that particular AGM.

The proposed amendments seek to promote a proportionate, streamlined and practical governance framework while maintaining appropriate member representation, professional expertise, effective collective oversight and accountability.

The proposed amendments do not diminish the fiduciary duties or statutory responsibilities applicable to members of the Board of Trustees.

2.1 CURRENT RULE 19.1.1.2.1

Rule 19.1.1.2.1 currently provides as follows:

"At least 9 (nine) members of the Board shall at all times be members of the Scheme nominated and elected by members of the Scheme at an annual general meeting ('Elected Trustees')."

2.2 PROPOSED AMENDMENT TO RULE 19.1.1.2.1

It is proposed that Rule 19.1.1.2.1 be amended by replacing the words "9 (nine)" with "6 (six)", so that the rule reads as follows:

"At least 6 (six) members of the Board shall at all times be members of the Scheme nominated and elected by members of the Scheme at an annual general meeting ('Elected Trustees')."

2.3 CURRENT RULE 19.1.1.2.2

Rule 19.1.1.2.2 currently provides as follows:

"A maximum of 3 (three) professional trustees ('Appointed Trustees') shall be appointed by the newly Elected Trustees after the 2024 elective AGM. The Elected Trustees shall give consideration to the following factors in selecting the Appointed Trustees:"

2.4 PROPOSED AMENDMENT TO RULE 19.1.1.2.2

It is proposed that Rule 19.1.1.2.2 be amended by removing the words "newly" and "after the 2024 elective AGM", so that the rule reads as follows:

"A maximum of 3 (three) professional trustees ('Appointed Trustees') shall be appointed by the Elected Trustees. The Elected Trustees shall give consideration to the following factors in selecting the Appointed Trustees:"

The proposed amendment is intended to remove the time specific reference to the 2024 elective AGM and ensure that the provision is framed in a manner that is not tied to a past election cycle.

3. RATIONALE FOR THE PROPOSED AMENDMENTS

The proposed amendments are intended to:

1. Align the composition of the Board with the Scheme's current membership profile.
2. Promote a more efficient and streamlined governance structure.
3. Facilitate effective and timely collective decision making.
4. Reduce unnecessary governance and administrative costs.
5. Maintain appropriate member representation and oversight.
6. Provide for the appointment of professional trustees without reference to a specific past elective AGM.
7. Support effective governance through an appropriate balance between elected member representation and professional expertise.
8. Support the restoration and continuation of effective member-elected governance.

4. PROPOSED RESOLUTION FOR ADOPTION

IT IS PROPOSED THAT:

The members of Sizwe Hosmed Medical Scheme consider and approve the proposed amendments to Rules 19.1.1.2.1 and 19.1.1.2.2 of the Scheme's registered Rules, as follows:

4.1 Amendment to Rule 19.1.1.2.1

That the reference to "9 (nine)" Elected Trustees be replaced with "6 (six)", so that the rule reads:

"At least 6 (six) members of the Board shall at all times be members of the Scheme nominated and elected by members of the Scheme at an annual general meeting ('Elected Trustees')."

4.2 Amendment to Rule 19.1.1.2.2

That the words "newly" and "after the 2024 elective AGM" be removed, so that the rule reads:

"A maximum of 3 (three) professional trustees ('Appointed Trustees') shall be appointed by the Elected Trustees. The Elected Trustees shall give consideration to the following factors in selecting the Appointed Trustees:"

Upon approval by the members, the proposed amendments shall be submitted for the applicable regulatory approval and registration in accordance with the Medical Schemes Act 131 of 1998 and the Scheme's registered Rules.

5. RECOMMENDATION

Members are requested to consider and approve the proposed amendments to Rules 19.1.1.2.1 and 19.1.1.2.2 to reduce the number of Elected Trustees from nine (9) to six (6) and remove the outdated reference to the 2024 elective AGM in the provision governing the appointment of professional trustees, in the interests of a proportionate, efficient and sustainable governance structure that supports appropriate member representation, professional expertise and accountability.

NOTES

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