SIZWE HOSMED
MEDICAL SCHEME
Your choice for quality care

2023 INTEGRATED ANNUAL REPORT

SIZWE HOSMED MEDICAL SCHEME
Your choice for quality care

NOTICE OF ANNUAL GENERAL MEETING (AGM) OF MEMBERS AND CALL FOR MOTIONS

To: Members

Notice is hereby given that the Sizwe Hosmed Medical Scheme AGM for the year ended December 2023 will be held as follows:

Date: 24th August 2024

Time: 10h00

Venue: President Hotel Naval Hill,
1 Union Avenue, Bloemfontein Central,
Bloemfontein
9301

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

Motions

Kindly note that the Scheme is calling for motions to be placed before the AGM. The Call for motions period is now open and will close on the **24th June 2024**. Motions can be sent to the office of the Principal Officer by emailing **agm@sizwe-hosmed.co.za**

IMPORTANT: Members attending the meeting should provide their South African Identity document and membership card to be able to participate at the Annual General Meeting.

IMPORTANT INFORMATION

IDENTIFICATION

Members attending the AGM are required to bring along a form of identification and their membership cards . A South African ID book , passport or driver's license will suffice for identification purposes.

PROXY FORMS

Every member who is present at the AGM has a right to vote, or may , subject to Rule 28 of the Scheme rule to appoint another member of the same Scheme as proxy to attend, speak and vote in his or her stead. Should you intend to be represented by a proxy at the AGM, you are required to fill out the official proxy form which is attached hereto.

Please ensure that the completed proxy form reaches the Scheme at least 72 hours prior to the AGM
(by close of business 17h00 , on Tuesday, 20th August 2024) by e-mailing the proxy form to agm@sizwe-hosmed.co.za

Also please remember to bring the original copy of the proxy form for verification at the AGM.

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

CIRCULAR

Reference:	Impact of the delays of CMS Annual Returns and Annual General Meetings
Contact person:	Ms Avril Jacobs
Tel:	012 431 0542
E-mail:	a.jacobs@medicalschemes.co.za
Date:	6 June 2023

Circular 20 of 2023: Guidance to medical schemes on the impact of the delay in the submission of Annual Returns and Annual General Meetings

The purpose of this Circular is to provide registered medical schemes with guidance on dealing with the impact of the delay of the submission of scheme Annual Financial Statements (AFS) and Annual Returns (AR) for the year ended 31 December 2022, caused by technical issues experienced on the return system.

In this regard, Circulars 14 and 16 of 2023 were issued by the CMS to update medical schemes on the progress of the annual return system.

The CMS is mindful that the delay in the submission of the annual returns adversely impacts the sign-off timelines by the external auditors. It is common cause that the scheme auditors sign off the AFS and the AR at the same time. In terms of Circular 19 of 2023, which was duly issued on 15 May 2023, medical schemes were advised that the electronically signed submission of the Annual Statutory Returns **must** be submitted by the 9th of June 2023.

Therefore, this delay might have impacted the ability of schemes to conduct their Annual General Meetings (AGMs) within the required timeframes, given the relevant notice periods as stipulated in the medical scheme rules.

Furthermore, it is important to note that the medical scheme rules are binding as provided in section 32 of the Medical Schemes Act (MSA) and that AGM dates and notice periods should be adhered to.

In order to assist medical schemes to hold relevant AGMs within the stipulated planned timeframes and ensure that medical schemes do not incur unnecessary non-healthcare expenditure due to cancellations and reprinting etc., medical schemes may submit the unsigned AFS as part of the AGM notice packs to members.

A clear disclaimer should be indicated as follows: **"*The signed audited financial statements of scheme XXX have not been submitted to the CMS and might be subject to change as may be directed by the CMS*"**.

Once the AFS are signed and approved, medical schemes may email the said copies of the AFS to members or issue notifications that the AFS has been published on the various schemes' websites.

Medical schemes are encouraged to openly communicate with members the reason for the delay in this year's submission of AFS and AR information. They may refer to the relevant circulars published by the CMS as it relates to updates on the Annual Statutory Return Systems.

Should medical schemes, however, decide to postpone AGMs in order to submit signed AFS in the AGM notice packs, it is encouraged that the relevant exemption applications should be made to the CMS urgently.

Kindly upload the required exemption documents in respect of the above on the Exemptions Portal (https://ftp.medicalschemes.com/login) and send the confirmation email/queries to exemptionapps@medicalschemes.co.za.

Yours sincerely,

Mr Mfana Maswanganyi
Executive: Regulation
Council for Medical Schemes


30 years of freedom

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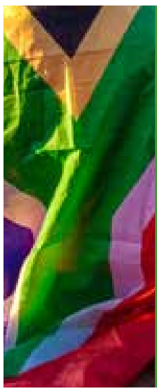
ANNUAL GENERAL MEETING AGENDA

No.	Item	Action	Responsible
1.	Opening and Welcome	Opening	Chairperson
2.	Quorum	Confirmation	Chairperson
3.	Safety Briefing	Information	Host
4.	Notice of the AGM	Confirmation	Chairperson
5.	Confirmation of the Agenda	Approval	Chairperson
6.	Declaration of Conflict of Interest	Noting	Chairperson
7.	Minutes of the 2023 AGM	Approval	Chairperson
8.	Resolutions (Matters arising)	Discussion	Chairperson
Business of the Day			
9.	Report from the Chairperson of the Board	Noting	Chairperson
10.	Report from the Principal Officer	Noting	Principal Officer
11.	Presentation and adoption of the Annual Financial Statements and External Audit Report	Approval	CFO & Deloitte
12.	Report of the Board of Trustees	Noting	Chairperson
13.	Confirmation of appointment of the external auditors for the 2024 Financial Year	Approval	Chair of the ARC
14.	"Presentation and approval of trustee remuneration for the ensuing year"	Approval	Chair of REMCO
15.	Motions	Noting	Chairperson
16.	Authorisation to sign off AGM Resolutions	Approval	Chairperson
17.	Declaration of the electoral process	Noting	Principal Officer
18.	Audit opinion on elections audit	Noting	Election Auditors
19.	Announcement of election results	Noting	Principal Officer
20.	Closure	Closure	Chairperson



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MINUTES OF 2023 AGM

MINUTES OF THE SIZWE HOSMED MEDICAL SCHEME ANNUAL GENERAL MEETING ("AGM") MEMBERS HELD ON SATURDAY, 22 JULY 2023 AT 10H00 AT THE ANEW RESORT HUNTERS REST, RUSTENBURG

Present:	
Mr. Songandaba Langa	Chairperson
Mr. Luyolo Makwabe	Deputy Chairperson
Mr. Mandla Shamase	Trustee
Mr. Martin Hennig	Trustee
Dr. Zinzi Limba	Trustee
Ms. Priscilla Dumelakgosi	Trustee
Mr. Arne Greyling	Trustee
Ms. Chrystolene van Rensburg	Trustee
Mr. Thomas Kgokolo	Trustee
Ms. Zukiswa Matikinca	Trustee
Mr. Ayanda Phikhani	Trustee
Mr. Zonwabele King	Trustee
Mr. Mpho Monei	Trustee
Mr. Alex Nhlapo	Trustee
Ms. Busisiwe Zinhle Maseko	Trustee
Mr. Luvuyo Pokomela	Trustee
Mr. Nicolaas Erasmus	Trustee

In Attendance:	
Ms. Nozibele Tshobeni	Acting Principal Executive Officer/ Chief Financial Officer
Dr. Lebogang Maroo	Clinical and Operations Executive
Mr. Milford Chuene	Legal, Compliance, and Governance Executive
Mr. Malema Pitsoane	Communications, Marketing, and Business Development Executive
Ms. Ophilia Mbatha	Compliance Administrator
Mr. Andre van Staden	Chairperson of the Audit and Risk Committee
Ms. Matlhodi Ngwenya	Chairperson of the HR and Remuneration Committee
Mr. Tebogo Malatji	Malatji & Co Attorneys
Mr. Kwena Mokoatedi	Council for Medical Schemes (CMS)
Mr. Clinton Mitchelson	PWC
Ms. Sandiswa Madlala	PWC
Ms. Bertha Chaora	Statucor(Pty) Ltd-Minutes

Apologies:
None

ITEM

1 OPENING AND WELCOME

The Chairperson, Mr. S Langa, opened the meeting. He welcomed all those present at the 2023 Sizwe Hosmed Medical Scheme Annual General Meeting (AGM) held at the ANEW Resort Hunters Rest.

The Chairperson requested Mr. Pitsoane to provide a safety brief to the meeting.

2 SAFETY BRIEFING

Mr. Pitsoane provided a safety brief to the meeting.

3 CONFIRMATION OF PROPER NOTICE GIVEN

Mr. M Chuene (the Legal, Governance & Compliance Executive) confirmed that in terms of Rule 27.1.2 of the Scheme, that a 90-day notice period was required to be sent to the members regarding the holding of the AGM.

Mr M Chuene confirmed that the notice of the AGM met the requirements of the Scheme Rules and accordingly confirmed proper notice of the AGM.

4 QUORUM

The Chairperson requested Mr Chuene to confirm that the meeting formed the quorum.

Mr. M Chuene confirmed that the quorum required in terms of the Scheme Rule 27 was met, with 76 members physically presented at the meeting and 12 members in attendance through online participation.

5 ATTENDANCE AND APOLOGIES

There were no apologies for this meeting.

6 ADOPTION OF THE AGENDA

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

RESOLUTION 1 OF 22 JULY 2023

IT WAS RESOLVED THAT, the agenda be adopted

Mr. T Mkhali and Mr. W Taylor moved and seconded, the adoption of the agenda.

7 ADOPTION OF THE MINUTES OF THE PREVIOUS MEETING

a. Mr Senamela requested that Page 1of the minutes be amended, under attendees: To delete the typo "Trustee Trustee".
b. On Page 2, item 4: To state the number of members that constituted the quorum at the previous meeting.
c. Mr Chuene highlighted that his recollection was that about 53 members would have constituted the quorum, however suggested that the accurate number be provided at the next minutes.
d. Mr Swarts confirmed that he was at that meeting and that the meeting did indeed quorate and that the numbers reflected under the matter dealing with Trustee remuneration would have arisen from the fact that some members who were Trustees would have been excused from the meeting.

RESOLUTION 2 OF 22 JULY 2023

IT WAS RESOLVED THAT, the minutes of the previous meeting be approved subject to the corrections.

Mr. S Zondi and Mr. M Maqungo moved and seconded, the approval of the minutes.

8 MATTERS ARISING FROM THE MEETING HELD ON 27 AUGUST 2022

The matters arising from the AGM held on 27 August 2022 were tabled and taken as read.

External Auditors Appointment
The APO confirmed that PwC was re-appointed as the external auditors for the FY2022 financial year.

Trustee Remuneration
A 4% fee increment was implemented for the Sizwe Hosmed Board of Trustees fees for FY2023.

Principal Officer
Mr M Maqungo inquired as to where the Principal Officer was after noting that there was Acting Principal Officer

The Chairman indicated that Dr. Mangcwatywa resigned from Sizwe Hosmed in 2022.

Scheme Rules
Mr. M Maqungo sought understanding regarding any developments on the new Scheme Rules since the 2022 AGM update. He further highlighted that the Sizwe Hosmed website reflects the 2021 Scheme Rules.

Both Mr. Chuene and the Chairman confirmed that the Scheme was currently using the stamped Scheme Rules, and those Rules were submitted to the CMS in 2021, but only approved in April 2022.

Composition of the Board
Mr. R Swarts inquired regarding the composition of the Board of Trustees and the terms of office of the Trustees. He was of the view that the first term of commencement was in Durban in 2021 and that there should be no different timelines.

The Chairperson responded that when the Sizwe AGM happened in Durban, there two Schemes had not merged as yet, but the merger only happened in November 2021.

Mr. Malatji further clarified that the merger of the Scheme was complicated by the refusal by the Registrar to approve the merger in 2020. The Schemes appealed the decision to the Council of Medical Schemes (CMS) and the decision only came through on the 5th of March 2021. Notwithstanding the decision, the SALGBC refused to grant accreditation and this necessitated another Court application to the High Court. The High Court in Durban granted accreditation that paved the way for the merger on the 7th of September 2021.

Mr Malatji further indicated that the Schemes had not merged when the AGM in Durban was convened in July 2021 due to pending accreditation of the Scheme by the Bargaining Council. The new Board of Trustees only became effective when the two Schemes were approved to merge. According to the exposition document, the first term of service for the Board of Trustees was at the 27 July 2022 AGM in Cape Town and the next election will be held at the July 2024 AGM.

Mr Maqungo suggested that the point raised by Mr Swart be parked until later when the state of the Fund is discussed.

The Chairman indicated that his report will be dealing with the size of the Board.

9 CHAIRMAN'S REPORT

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

a. The Sizwe Hosmed Medical Scheme has been in existence since 21 November 2021.
b. The Scheme is regulated by the Council of Medical Schemes (CMS) in terms of the Medical Schemes Act, and administered by 3Sixty Health Proprietary Limited.
c. The Scheme offers 11 benefit options namely:
   - Titanium Executive
   - Platinum Enhanced
   - Platinum Enhanced EDO
   - Plus
   - Value
   - Value Core EDO
   - Gold Ascend
   - Gold Ascend EDO
   - Access Saver
   - Silver Saver
   - Essential Copper
d. The Sizwe Hosmed Board of Trustees is currently made up of 18 members who in line with the exposition document are expected to serve until the 2024 elective AGM after which the Board will be reduced to a total of 12 Board members.
e. To fast-track this reduction of the Board, the Board of Trustees resolved to reduce the current number to 14 members by not replacing the four professional Board members whose term is coming to an end in September 2023.
f. This will allow the Board of Trustees to be reduced to 14 members until the 2024 elective AGM. Thereafter the Board of Trustees will be reduced to 9 elective Trustees and 3 professional Trustees.
g. As part of governance, the Board has appointed six sub-committees namely:
   - Audit and Risk Committee
   - Finance and Investment Committee
   - Clinical Governance Committee
   - Complaints and Dispute Resolutions Committee
   - HR and Remuneration Committee
   - Procurement Committee
h. The Board of Trustees monitors the effective performance of these sub-committees through annual assessments done by institutions like the IoDSA.
i. There was a vacancy created by the resignation of the former PO, Dr. Mangcwatywa which led to the Chief Financial Officer, Ms. Nozibele Tshobeni acting in the role of the PO.
j. The recruitment process for the PO role will be undertaken by the end of October 2023.
k. The Scheme recorded a deficit of R392m at the end of the financial year due to excessive claims.
l. It was noted that the Scheme continues to be a going concern with reserves above R1bn and a solvency ratio of 25.45% as of 31 December 2022.
m. The Scheme implemented an interim mid-term increase in 2023 to ensure that all benefit options become self sufficient.
n. In capacitating the APO, the Board appointed a specialist to assist in formulating and implementing a turnaround strategy that is expected to ensure that the Scheme achieves its efficiencies and deals with the loss-making options.

o. As of the end of December 2022, the Scheme recorded a deficit of R393m due to excessive claims and remains a going concern with reserves of above R1bn and with a solvency rate of 25.45%.
p. From an audit perspective, the Scheme received an unqualified audit opinion from PwC.
q. The Chairman thanked the Board, sub-committees, management, the Scheme staff, the members, 3Sixty Health, and all key stakeholders for all their efforts in ensuring a successful 2022.

Comments and Questions

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

a. Mr. M Maqungo highlighted that the Scheme should be worried regarding the solvency ratio which is currently sitting at 25% and should take the members into confidence regarding challenges being faced by the Scheme. He was of the view that the Scheme could be put under administration if anything happened between then and the end of the year
b. He cited the members' discontentment regarding the mid-term contribution increases. Furthermore, he queried the unallocated funds of R8.2m highlighted in the annual financial statements. Why was is it difficult to allocate those funds when the Scheme had details of all the members?
c. Lastly, he flagged the Board of Trustees meeting attendance that outlined that some of the Trustees were appointed in 2017 which was not in line with the Scheme Rules. He asked Mr Malatji to clarify this point.
d. Mr. R Swarts expressed that he was uncomfortable with the separation of former Hosmed and former Sizwe Trustees and needed clarity on the Trustee terms, considering that the two Schemes had merged to form one Scheme called Sizwe Hosmed. He needed clarity as to when the term of the Trustees started
e. Mr R Swarts further noted that the AGM was the highest decision-making structure of the Scheme, and that he had a concern regarding communication, particularly in regard to the mid-term increases, the resignation of the former PO, and the turnaround strategy. He further indicated that he had hoped that the Turn Around strategist and the Acting APO were working to turn around the solvency of the Scheme
f. Mr. E Masenamela sought understanding regarding the reason for the delay in the recruitment process of the PO role to October 2023 and if there was a provision in the Scheme Rules regarding filling of the PO vacancy.
g. He further indicated that, there seemed to be a contradiction regarding the Trustees' terms of office. The 2022 AGM alluded that the former Sizwe rules would apply going forward and he needed clarity on what constituted the Sizwe Hosmed Board. During the amalgamation, the solvency ratio was 34% and has since decreased to 25%. Emphasis was made that this decrease only impacted the members while the Board of Trustees fees remained unchanged.
h. The Chairman reiterated that the Board of Trustees' end date would be the same and requested the APO to respond to the other matters
i. APO explained that the issue of unallocated funds was a new issue that stemmed from the municipalities that deposit funds without the allocation schedules. This was being attended to by the Finance team, Risk Manager, and the Administrator. This had no impact on the solvency ratio as the accounts receivable are raised in the balance sheet
j. From a legal perspective, all the Trustees commenced on the same date which is informed by the consummation of the merger. She explained that the accounting rules and the legal aspect differed and could not be linked hence the manner the terms are coined in the annual report
k. Mr. M Maqungo had a dissenting view regarding the APO's view and emphasized that the unallocated had increased from R21m in the 2021 financial year to R38m in the 2022 financial year. He was of the view that the unallocated funds were in some way impacting some members. Some of these members could be told by doctors that they did not have money because of these unallocated funds
l. He shared historical background regarding the former PO Linda Gabela, who had mismanaged the Scheme funds . He requested that the Chairman should bring the members into confidence regarding the resignation of Dr. S Mangcwatywa considering that an independent investigation was undertaken regarding the matter.
m. Clarity was sought regarding the legal matters, particularly the R236m that was being sued against the Scheme in the Equality Court since the Scheme had no money
n. The Chairperson responded that the solvency issue would be dealt with the APO report and

noted that the issue around the Trustee term has already been addressed. He would the deal with the matter regarding the former PO. He highlighted that the former PO had mismanaged the Scheme's credit card, car rental services and that the Scheme was working on retrieving these funds from his Pension Fund.

o. Mr. Malatji concurred with the Chairman's sentiments regarding the recovery of funds. Furthermore, he outlined that a group of physiotherapists was suing 8 Medical Schemes in an endeavour to recover funds they were forced to pay due to fraudulent activities.
p. He explained that the R236m legal case was similar in nature, this service provider had submitted fraudulent claims and was suing about 30 medical schemes as he claimed that he had lost his income due to the closure of his practice.
q. In terms of the terms of Trustees, Mr. Malatji referred the members to page 20, and narrated that former Hosmed had 8 elected Trustees and 2 professional members while the former Sizwe Board's term came to an end in 2020 however no AGM was undertaken in 2020 due to COVID-19 therefore, the former Sizwe elections rolled over to 2021.
r. Both Schemes resolved to merge both full Boards into the new Scheme.
s. The exposition document outlined the composition of the Board of Trustees upon amalgamation and the outcome of the elective AGM.
t. It was noted that the appointed Trustees retire before the elected Trustees as their term of office was shorter than that of the elected Trustees therefore, the appointed Trustees will be retiring in September 2023.
u. The date of appointments outlined in the AGM report was an accounting and auditing reporting requirement and from an amalgamation and legal perspective, the term of office for all the Trustees commenced in 2021 when the two Schemes merged. The reason all the Trustees coming from Hosmed having the commencement date of the 13 September was that the transaction was a transfer where Hosmed was transferred into Sizwe
v. By the end of 2024 AGM the Board of Trustees will consist of 9 elected Trustees and 3 appointed Trustees.
w. Mr. R Swarts understood the explanation that the differentiated term was for audit purposes.
x. Mr R Swarts was concerned about the matter regarding the former PO and was of the view that there was not enough oversight over the PO roles and measures should be put in place in this regard to avoid fraudulent conducts.
y. Further Mr R Swarts indicated that the radiology and pathology specialists were operating in silos, previously Dr. O Mazwai had been working on a tariff negotiation proposal with no reported progress to date.
z. Mr. M Maqungo raised further concerns regarding the non-compliance matters particularly those related to employees' contributions that are not settled by employer groups. He highlighted that there were too many contraventions that the Board and sub-committees should be addressing expediently as the Scheme would close because of these matters.
aa. Mr Maqungo further indicated that it could not be the member's faults that employers were not paying contributions. He enquired with the CMS representative as to what could be done against the employer groups.
bb. The Chairman highlighted that financial reporting measures had been put in place to avoid any financial malpractices. The APO and Managers were approving expenditure for their subordinates and he was approving the expenditure of the APO.
cc. The Chairperson also indicated that the Board was taking the non-compliance matters seriously and that the Board and the Audit and Risk Committee will be implementing measures to make sure that they were addressed.
dd. The APO communicated that the Scheme was not comfortable with the non-compliance issues and was addressing them, especially matters that are not common in the industry.
ee. Regarding radiologists, the APO indicated that under the leadership, of the Clinical and Operations Executive, Dr. Maroo, the tariff negotiations were undertaken by the Administrator, and in the case that the agreed tariffs are exceeded then the member is required to pay a co-payment.
ff. In terms of the employer group withholding members' contributions, the Scheme has a 30-day provision for the employers to settle the contribution,which results in membership suspensions not being effected.
gg. Mr. T Tsibulane raised concerns regarding the suspension of members. He enquired whether members or employers were put on suspension for non-payment of contribution.
hh. Mr. R Swarts raised further concerns regarding the issue of co-payments by

members, highlighting that the member was not protected and that the Scheme should develop a relationship with the service provider.

ii. The APO noted both concerns, she indicated that suspensions were unfortunate and for that the operations teams were resolving such queries, particularly for members who had paid their contributions but ended up being suspended.

jj. Mr. Zondi seconded Mr. Tsibulane's sentiments.

kk. Mr Maqungo referred to the Scheme Rule that talks about the employer participation which places an obligation on the employer to settle all the contributions and asked why must members be suspended despite this obligation as suspension of membership led to termination of cover.

ll. Mr. T Kobese noted that the merger had cost the members significantly, the members were working hard to prevent the collapse of the Scheme, the Scheme had diverted from the mandates issued at the Cape Town AGM and should safeguard against all the issues outlined in the Annual Report. He referred to page 33 of the AGM report and asked how is the Board going to safe guard the Scheme against the challenges indicated therein.

mm. Regarding what the Scheme was doing to safe guard itself, the APO reported that a credit management policy was in place, had devised a strategy regarding co-payments, were tightening internal controls as well as governance procedures and the Board held management accountable.

nn. She further indicated that the SLA between the Scheme and the administrator required the Administrator to notify the members of non-receipt of contributions and suspensions .

oo. To date, a Fraud, Waste, and Abuse Forum was formulated and a Fraud, Waste, and Abuse service provider was appointed to audit any fraudulent claims noting that the impact of these interventions would take time.

pp. Mr. Kwena Mokoatedi from CMS introduced himself and their role as CMS at the meeting.

qq. He indicated that he noted the members' concerns, particularly regarding the issue of suspensions as in the majority of times it was not the member's fault but the employer. He indicated that the CMS was aware of the issue being raised hence Schemes are encouraged to have a Credit Management Policy.

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rr. He emphasized that it was unfortunate that members were victims as the relationship pertains to the Scheme and the member and not the employer.

ss. Ms. B Mama, W Maloisane, Mr. V Mlatshi and Mr. M Maqungo raised similar suspension-related queries.

tt. Mr Zondi made an example of a member who was suspended whilst on maternity leave.

uu. Mr Maqungo indicated that CMS was failing to protect the members, unlike in the pension fund space. He requested a list of the suspended members.

10 PRINCIPAL OFFICER'S REPORT

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

a. The Scheme was governed by 6 sub-committees under the leadership of the Board of Trustees.
b. It was noted that the Scheme was operating under challenging circumstances considering the inflationary increases, the Cholera outbreak, recently passed NHI bill among other things.
c. The Scheme strategy comprises three key pillars namely, sustainable membership growth, improved member health, and organizational sustainability.
d. From a sustainable membership growth, the Scheme adopted an integrated marketing and business development strategy with 3Sixty Health to assist in retaining and maintaining membership.
e. Various engagements were undertaken with members, employer groups, brokers, and various stakeholders were undertaken through roadshows as of January 2023 to address the mid-term increases.
f. The specialist network was a key focus of the Scheme as a measure to improve member health.
g. New programmes were implemented such as the Back and Neck and the HIV and AIDS programmes remains one of the best Scheme's programme in the industry. Furthermore, members were engaged regarding the benefit design process.
h. In terms of organizational sustainability, there were good returns from the investment portfolio.
i. The merger was still quite new, it was key to embed and extract the value and the promise of the merger.
j. The Scheme was focused on sustainable membership growth, improved member health, and organizational sustainability.
k. The Scheme ratio was noted as 25.45%, the claims ratio was quite high at 94% with the non-healthcare cost ratio reported at 11.7%. Principal members

were noted as 62,247, and the total age average was reported as 34.50.

l. In July 2022, the Scheme experienced a spike in claims and started paying about R100m weekly towards claims. There was an excess of unanticipated claims to the value of R300m resulting in a decrease in solvency from 37% to 25.45%.
m. In response to the decrease in solvency, a turnaround strategy and a business plan supported by actuarial projections were submitted to the CMS.
n. Claims risk management, cost containment, and claims investigation initiatives were undertaken. An underwriting policy was formulated and a new service provider was appointed to manage the Essential Copper-EDO and mid-term increases were implemented.
o. Business development initiatives were underway to attract new members to the Schemes. Furthermore, the Scheme appointed Mr. Joe Seoloane, a Turnaround Specialist to assist in turning the situation around.
p. From an achievements perspective, the Scheme was previously rated an A+ by the GRC and was downgraded to an A rating.
q. The Scheme obtained an unqualified audit opinion. Furthermore, the Scheme improved the B-BBEE status from Level 8 to Level 2.
r. Some of the initiatives underway were outlined as a product suite review, improvements to the broker app as well as the member app, and effective management of members' co-payments.

Comments and Questions

a. Mr. J Sibanyoni highlighted that he noted that the APO spoke about strategic growth. He suggested that the Scheme should consider doing a peer review to assess how the Scheme is fairing against other Schemes
b. He further enquired how the Scheme fairs on FWA.
c. Mr. V Phetshwa expressed concern that the Scheme lacked a monitoring and evaluation strategy that reduces the burden on the members. A commitment was required from management regarding the issue of suspensions and he was of the view that a lot still needed to be done.
d. Mr. Given Monama suggested if the Scheme is to experience similar financial issues that will lead to midterm increases in the future, that cost-cutting measures should start from the Board of Trustees level as the current size of the board has huge financial implications for the Scheme.
e. Furthermore, he envisaged that the majority of the members would leave the Scheme end of the year.
f. Mr. Mosiuwa indicated that the matter regarding suspension was a burning issue and was concerned that the matter was just being noted and therefore proposed that there be a 15mins break for the Board to deliberate offline regarding the matter and come and revert to the AGM.
g. Mr Magungo noted that the Scheme was without the PO for a period of nine months and it was important to fill the strategic position of the PO
h. He enquired the terms around the appointment of the Turn Around strategist and why he was engaged when the Scheme had a 19 member board. It was not sustainable to have Mr Seoloane as opposed to filling strategic positions
i. The APO responded that the Scheme had to broaden its business development channels and also increase visibility. The management was committed to resolving the challenges mentioned. The comment about the risk of losing members was noted
j. In response to Mr. M Maqungo's query regarding Mr. Joe Seoloane's appointment, the APO highlighted that his contract ends in October 2023, the Chairperson indicated that Mr Seoloane, had been recruited due to his vast experience. Furthermore, Mr. Seoloane and the Scheme had already commenced the implementation of the Turnaround Strategy.
k. The Chairperson further clarified that the position of the PO could not be filled pending the finalisation of the turnaround strategy but that the position would be filled in October when the contract of the Turn Around strategist expires
l. Mr Makwabe noted the issues being raised by members and the need to deal with them with immediate effect since the Board and staff were present at the meeting

The AGM had a break at 13:22.

The AGM resumed at 13:35

m. Mr. R Swarts noted that the non-healthcare costs was sitting at 11.7% . he further recollected that with the previous PO there was a drive to increase the membership numbers to 70 000 and that currently that the Scheme was sitting on 62 000.
n. He remembered that 3Sixty provided a marketing strategy to bring young members. He suggested that the marketing strategy should remain with 3Sixty as the fruits of their efforts had materialized.
o. He had further hoped that the APO was going to speak on what the plan was in terms of the elective AGM. He also proposed that the Scheme re-appoint the service provider Kwandlunkulu which ran elections in Durban, to undertake the election process as they made sure that all members participated in the election process.
p. The Chairman pointed out that the rules requires for appointment of the Nomination Committee

which will be tasked with the appointment the electoral body guided by the Scheme Rules and the Delegation of Authority and Procurement Policy.

q. Another member from VW appreciated a principle around the Rules requirements but however commended the previous service election body that it was able to provide access to members to participate in the process and hence he was suggesting that the request being made by another member be considered.
r. The Chairperson responded that the Scheme will be guided by the Scheme Rules and delegation of authority of the scheme
s. The Chairperson further highlighted that the suspension matter would be handled on a case-by-case basis with Dr. Maroo and her team taking charge of the matter and tabling the affected members' details.
t. Mr. M Maqungo indicated that they appreciated that they cannot give themselves the powers they did not have and then suggested that the Board hold a special board meeting and take a special resolution uplifting the suspension by the 1st of August 2023.
u. He also made a request to share the former PO's investigation report to be made to the members. He was also not convinced about the timeline regarding the appointment of the PO and that the appointment needed to be expedited
v. Mr. R. Swarts noted that the Chairperson was only noting the discussions. He was of the view that the reason the members were active was because of the love they have for the Scheme and that the AGM was the highest decision body. He reiterated that the suspensions should be uplifted, 3sixty to drive marketing and Kwandlunkhulu should be considered to run the election.
w. The chairperson responded that he could not drive the board to non-compliance with its Scheme Rules and that the Scheme will be guided by the delegation of authority and procurement processes, especially in the presence of the CMS.
x. Mr Senamela seconded the previous speakers on the suspensions and appointment of the PO.

11 PRESENTATION OF THE 2021 ANNUAL FINANCIAL STATEMENTS

Ms. N Tshobeni, the Chief Financial Officer (CFO) presented the 2021 Annual Financial Statements report and highlighted the following salient points:

a. It was noted that the Scheme made a net contribution income of R4.1bn in 2022 and paid claims slightly under 4bn.
b. The net deficit for the year was R372n, reserves were reported as R1bn, and an IBNR provision of R205m.
c. The statement of changes in members' funds and reserves outlined the decrease in reserves from R1.446bn (2021) to R1bn (2022) due to the reported deficit.
d. Approximately R430m was paid in settling operational expenses.
e. Total cash as of the end of 2022 was noted as R120m.

12 PRESENTATION AND ADOPTION OF THE 2022 AUDITORS' REPORT

Ms. S Madlala, from PwC, presented the audit report by the External Auditors. The following salient points were highlighted:

a. It was noted that the external auditors' priority objective was to obtain reasonable assurance that the financial statements as a whole were free from material misstatement due to fraud or error in line with the IFRS standards.
b. PwC confirmed that they had fulfilled these objectives in respect of the 2022 audit.
c. It was confirmed that PwC was given full access to information with no restrictions and was independent of the Sizwe Hosmed Medical Scheme.
d. It was confirmed that PwC expressed an unqualified audit opinion for the audit of the Scheme ended on 31 December 2022.
e. The key audit matter concerning the outstanding claims provision was noted.
f. In terms of regulatory matters, there were some material non-financial matters related to the sustainability of benefit options, and minimum accumulated funds to be maintained by the Scheme.
g. PwC was also required to report to the Regulatory Board the matter regarding the previous PO and this had been undertaken.

Comments and Answers

a. Mr. E Masenamela enquired regarding the outlined material non-compliance matters and PwC's recommendations in addressing these matters.
b. Mr. Mitchelson indicated that PwC's role was to identify these issues while the ARC, Board, and management's role was to resolve the identified issues.
c. The Chairman clarified that the Scheme drafted a business plan that was submitted to CMS in February 2023 on how to turnaround the options in view of the solvency. The CMS requested clarity on the business plan and the APO was busy with it.
d. Mr Maqungo asked what the Board did about the reportability of the incidents reported by the PWC.
e. In response to Mr. Maqungo's query regarding

reportable incidents, Mr. Malatji confirmed that PwC was required to report such incidents and that the mismanaged funds by the former PO funds were being recovered from his Pension Fund.

f. Mr Maqungo asked what has been done internally in regard to systems to avoid similar issues.
g. Measures had been put in place to manage the PO's operational expenses with the Chairman providing oversight over the Scheme's credit card and all payments had been centralized to the CFO's office.
h. It was further noted that a whistle-blower assisted in exposing the former PO's unethical behaviour.
i. Mr Monama requested that in the future the CFO adopted a more simpler way of presenting the annual financial statements for the benefit of the members

RESOLUTION 3 OF 22 JULY 2023

IT WAS RESOLVED THAT, the Annual Financial Statement be adopted.

Mr. M. Maqungo and Mr. K. Mawela moved for the adoption of the 2022 Auditors report.

13 CONFIRMATIONOFTHEAPPOINTMENT OF EXTERNAL AUDITORS

Mr. C Mitchelson and Ms. S Madlala were recused from the meeting.

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

a. That PwC had a three-year contract that will cease in 2023 and the Scheme was required to appoint new external auditors.
b. The Scheme issued a Request for Proposal (RFP) and received 3 proposals for consideration.
c. The evaluation criteria comprised the B-BBEE level, pricing, and functionality and the Scheme also had to consider CMS accreditation consideration.
d. Two audit firms met the evaluation criteria namely PwC and Deloitte with Deloitte scoring higher points than PwC.
e. Mr Maqungo enquired whether ARC did due diligence as Deloitte was part of Steinhoff and Tongaat and also quoted on state capture and media for wrong reasons
f. Mr Chuene responded that one of the elements introduced during the evaluation process was the request for an inspection report from IRBA that talks to Deloitte. The report became favourable. PwC could not disclose their inspection report despite the request.
g. The Chairman noted that the Scheme went out on a tender for the services. He also reminded the meeting in terms of the Rules, that failure to approve the appointment of the external auditors at the AGM meant the Board would be required to approve the same within 30 days and ultimately failure of approval by both the AGM and the Board, would result in CMS approving the external auditors on behalf of the Scheme.
h. Mr Maqungo indicated that the explanation offered regarding the IRBA report was understandable and wondered why PWC could not disclose their IRBA report. He moved for the appointment of Deloitte.

RESOLUTION 4 OF 22 JULY 2023

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

Mr. M Maqungo and Mr. Phetshwa moved and seconded the appointment of Deloitte as the external auditors for the next financial year.

14 APPROVAL OF BOARD OF TRUSTEES' REMUNERATION

The Board of Trustees was excused from the meeting.

a. The HR and Remuneration Committee Chairperson, Ms. Matlhodi Ngwenya presented the HR and Remuneration Committee achievements and the proposed Board of Trustees 2023 remuneration structure.
b. She highlighted that the Scheme approved a structure of 29 employees of which 21 were permanent employees, 2 temporary employees, and 6 vacancies.
c. Succession planning was in place and salary benchmarking was undertaken which confirmed that the majority of the Scheme employees were remunerated fairly and plans were in place to address those who are not adequately remunerated.
d. There were no incidents reported from an Occupational Health and Safety perspective.
e. The HR and Remuneration Committee proposed an increase of Board Trustee fees by 5.4%.

Comments and Questions

The HR and Remuneration Chairperson proceeded to open the floor to the members for comments and questions on the BoT remuneration as presented. The following was raised by members:

a. Mr. E Masenamela proposed that the proposed increases be decreased to 0% given the significant size of the Board and the current challenges in the

Scheme.

b. Mr. Tsibulane supported the first motion, highlighting that to date Sizwe Hosmed had two contribution increases.
c. Mr. Manamo, Ms. Plaatjie, and Mr. T Kobose supported the first two members sentiments.
d. Mr. M Maqungo sought clarity regarding the current Board of Trustees fees which were confirmed as a retainer of R10 300 a month and R13 000 attendance fees per meeting.
e. Considering the current solvency rate, the resignation of the former PO, and the current deficit, the members agreed that the proposed increase would be unreasonable.

RESOLUTION 5 OF 22 AUGUST 2023

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

Mr. E Masenamela moved for the current BoT remuneration structure to remain unchanged until the next AGM, seconded by Mr. Tsibulane.

The Trustees re-joined the meeting at 15:26.

15 MOTIONS RECEIVED IN TERMS OF RULE 27.1.5

Mr. Chuene confirmed that no motions were received in terms of Rule 27 but noted that queries disguised as motions were addressed during the presentations.

16 CLOSING REMARKS

The Chairman thanked those in attendance for their time and participation.

17 CLOSURE

There being no further business to discuss, the meeting was closed at 15h28.

Adopted as a true ref ection of proceeding at the meeting.

L Makwetla

Chairperson

Date 24 July 2024

RESOLUTIONS FROM THE PREVIOUS ANNUAL GENERAL MEETING (AGM) HELD ON 22 JULY 2023

Resolution	Action Taken	Responsibility	Status
Resolution 1 of 2023: The AGM resolved that the agenda be adopted "	The agenda was adopted, having being duly moved and seconded.	Board of Trustees	Completed
Resolution 2 of 2023: The AGM resolved that the minutes of the previous meeting be approved subject to corrections raised by the members."	The minutes of the 2022 AGM were updated to reflect the corrections raised at the AGM.	Board of Trustees	Completed
Resolution 3 of 2023: The AGM resolved that the Annual Financial Statement be adopted."	The financial statements were accordingly adopted by the Scheme	Board of Trustees	Completed
Resolution 4 of 2023: The AGM resolved that the appointment of Deloitte as Sizwe Hosmed Medical Scheme external auditor for the next audit year be approved."	Deloitte was duly appointed by the Scheme and subsequently conducted the 2023 audit of the Annual Financial Statements, after the approval of their appointment by CMS.	Board of Trustees	Completed
Resolution 5 of 2023: The AGM resolved that the current BoT remuneration structure remain unchanged."	The resolution was implemented and the BOT remuneration structure remained unchanged.	Board of Trustees	Completed

MESSAGE FROM THE CHAIRPERSON OF THE BOARD - MR L MAKWABE

We have come to the end of the first Board of the combined scheme since the merger of Sizwe Medical Fund and Hosmed Medical Aid. This merger was born out of a great struggle in court with the regulator and later with the South African Local Government Agency (SALGA), the birth pains and complications were severe, resulting in a hurried merger instructed by the court. This hurried merger resulted in serious service lapses as our service providers had to put together the services required for a merged Scheme on short notice, but despite service delivery challenges we have eventually achieved and settled.

I'm pleased to confirm our appointment of Ms Nozibele Tshobeni as the new Principal Officer of the Scheme. Nozibele was the Chief Financial Officer and has transitioned well into the role of Principal Officer and we thank her for all the hard work in running the Scheme.

In our last AGM, we reported to you that we experienced immense claims incidence that have resulted in the decline of the solvency of the Scheme. We have identified the causes of the solvency challenge with our actuaries as under-pricing of the Sizwe-Hosmed

benefits for a long time, in the main. Over the past 5 years, the Scheme took a position to price competitively for growth and to avoid taking more money from members than is necessary, however, we need to balance this against maintaining healthy solvency levels. These sentiments have been communicated to CMS and there is an understanding that has been achieved in this regard.

We have recently agreed with CMS to formalize the appointment of Mr Joe Seoloane to become the statutory Manager of the Scheme to help us with the solvency turnaround. Mr Seoloane has been working with the Board over the past year and half as a consultant and we have now agreed with CMS that he has been helpful in initiating with the Board a process to steer the Scheme out of our poor solvency position and he should continue to do so in a formal position approved by the CMS. We welcome Mr Seoloane in his new role.

In addition, we have also looked carefully at our claims experience we have been able to manage it to be lower than prior year in collaboration with our managed care origination. You may have seen recently in the media how certain hospital group was alleged to have defrauded Medical Schemes, such challenges remain in our industry. The future of the Scheme is that of intense and technology based management to enhance controls and avoid Healthcare costs, this program is bearing fruit and indicating a much swifter turnaround.

Whilst our solvency is challenged the global rating for the Scheme has remained at....indicating that whilst we have suffered temporary solvency deficiency, we remain a robust Scheme from Global Rating perspective.

As the Board, in collaboration with our Scheme Actuaries, we have developed a formidable Business Plan that seeks to provide a roadmap towards getting the Scheme solvency to and above the regulated ratio of 25% within a short time. This Business Plan has been submitted to CMS for their review and comments.

We continue to cooperate fully with CMS as we have ongoing face-to-face engagements with them on a regular basis. These engagements are underpinned by a common objective of enhancing our relationship with CMS, demonstrating transparency, seeking guidance where necessary and making sure that as we are working hard to pull our Scheme up towards improved solvency, we are always applying best practice and are compliant in our Business management.

At the beginning of 2024, CMS conducted an inspection of the Scheme, looking at our Financial practices, Business management and Governance, amongst other things. We are happy to report that results of that inspection came out with no findings from the regulator.

The merged Scheme had a big Board made up of former Sizwe and former Hosmed Board members, the CMS raised a concern over the large board compliment, and we have been working on plans to reduce the size of the board. Sadly, we also had a high level of resignation of former Hosmed board members, Including Mr Songandaba Langa who was the Chairperson of the Board.

As the industry we have observed renewed vigor from the state to implement the National Health Insurance Act (NHI). It is still not clear how NHI will affect Medical Schemes and members. As a Scheme we supported several NHI indabas with our administrator working with Professor JJ Tabane. The objective of these workshops was to get the country talking about NHI and for the Minister to give the country direction on this important subject.

This year we are electing a new Board of trustees that will serve us for another term. I would like to thank the outgoing Board members for the work they have done during their term and the committee members that have helped us with governance work in the management and administration of the Scheme. Please accept my sincere thanks and appreciation. We wish all those who have stood for elections the best of luck and promise our support to you as we have been supported as well.

I would also like to thank the Principal Officer and her Executive Team for supporting us during what has been one of the most interesting period in the life of the Scheme.

Sincerely,

Mr L Makwabe
Chairperson of the Board of Trustees

MESSAGE FROM THE PRINCIPAL EXECUTIVE OFFICER - NOZIBELE TSHOBENI

I am honoured to pen my maiden PO Report and grateful for the opportunity to serve our beloved Scheme. It is a serious responsibility that my team and I commit to undertake with great humility and dedication. I am thankful for the unwavering support of the Board of Trustees, who never cease to remind us to centre the member in everything we do. Governance is a critical pillar of our strategy. I would like to commend the members for exercising their rights and electing their preferred leadership. We look forward to working with the incoming Board of Trustees in taking the Scheme through the next phase of its growth trajectory.

It's hard to believe that nearly three years have passed since the merger, a momentous event in the Scheme's history. The Scheme has diligently working to bed down the merger and deliver on its inherent promise. Members are already enjoying a wide range of options designed for different segments within our membership, while a focused extraction of economies of scale has reduced various cost lines and supported the Scheme's financial sustainability efforts.

In April 2024, ahead of the national and provincial elections, President Cyril Ramaphosa signed the NHI Bill into law. The scheme, under the leadership of the Board of Healthcare Funders (BHF) and guided by its commitment to social solidarity principles, supports the idea of universal access to healthcare and looks forward to working with the government to play a significant role in the design and implementation of this important national project.

Our 25 by 25 Strategy is our true north, providing clarity and focus for the next five years. Implementation of the Strategy, including the priority areas of membership growth, service excellence, financial sustainability and compliance, is well underway. We acknowledge the challenging economic environment in which we operate. However, we are committed to striving for success through our unwavering passion and dedication, leveraging our unique value proposition; the benefit richness of our products and the value that they offer.

The Turnaround Strategy is an integral part of the Strategy and has been a key area of focus over the past year and a half. We have accomplished significant milestones in stabilising the Scheme's finances through various measures such as reducing the size of the board, cutting back on non-healthcare costs, stabilising membership, and improving operational processes. The product suite has been streamlined to cater to diverse market segments more efficiently; phase two of this process is currently underway. Working with the Scheme's new actuaries, we have established a clear and attainable financial roadmap to return the Scheme above a 25% solvency ratio.

SALGA is our second biggest market, with 24% of our membership coming from this segment, representing municipalities all over the country. We are proud of our ongoing relationship with SALGA and pleased to announce that the Scheme maintained the minimum threshold required for continued participation in that market. We aim to increase our SALGA membership through a focused implementation of our business development strategies.

The Scheme has as part of its offerings, an impressive number of programmes aimed at improving the health and wellbeing of its members, some of which are rated amongst the best in the industry, such as the HIV/ AIDS programme. The Scheme has amongst the lowest rates of caesarian births in the industry, a result of extensive member education and commitment to maternal health and safety. The recently introduced back and neck programme is reducing incidents of invasive surgery on our members across the country. We would like to encourage members to make full use of these programmes.

This year, the Scheme is launching an industry-leading survey initiative, the 'Voice of the Patient' (VoP). VoP measures a range of patient-reported hospital experience and outcomes metrics. It represents a comprehensive integration of data across multiple perspectives and sources that will allow the Scheme to continuously improve our members' experiences and outcomes during hospitalization.

During the 2023 open window period, the Scheme announced the launch of its Rewards Programme, which is managed by our partners, Just Rewards. The Scheme is hard at work on phase 2 of the project, to customize the programme into one that rewards members for a healthier lifestyle. The Rewards Programme, in its final form, will support both the 'Improved member health' and 'sustainable membership growth' pillars of our strategy.

The Scheme has indeed heeded the call by the members at the 2022 AGM in Rustenburg, for improved communication to the members. We have accordingly increased the rate at which we communicate with the members, including through the newly launched quarterly newsletter as well as more frequently via SMS and email. We are in the final stages of launching an omni-channel that will allow us to reach members on WhatsApp, which is widely accessible.

I would like to thank all our valuable stakeholders for their ongoing support and implore them to continue on this journey with us. Lastly, I want to extend my thanks to the staff at the scheme for embodying our shared commitment to service.

Sincerely,

Ms N Tshobeni
Principal Executive Officer

REPORT OF THE HR AND REMUNERATION COMMITTEE

This Report seeks to report at a high level, matters concluded by the HR & Remuneration Committee (REMCO) during the 2023 financial period.

1.1 Organisational Design

REMCO conducted an exercise to determine a suitable top-level organisational structure to deliver on the scheme's strategy, as approved by the Board of Trustees. The approved organogram was supported by evaluated and benchmarked job profiles.

The year concluded with a total of 23 permanent employees, six vacancies and one temporary employee.

The scheme is experiencing a significant turnover at an executive level. This result not only to loss of institutional memory but has an impact on the implementation of the strategy.

As a means of retaining key talent, the Scheme has developed a succession plan to thrive and avoid moments of crisis in the events of resignation, involuntary exits, and retirements.

A strong, committed management team has been developed to implement the Scheme's Strategy, despite the turnover experienced.

Total Employees	African Females	African Males	Exits 2023	Vacancies End 2023	Appointments 2023
23 (100%)	18 (78%)	5 (21,7%)	2	6	2

The process of appointing a permanent Principal Officer commenced in December 2023 and concluded with the appointment in February 2024, to allow the implementation of the ongoing Turnaround Strategy to be finalised by the incumbent team. We are pleased to confirm that Ms Nozibele Tshobeni was appointed as the new Principal Officer of the Scheme.

1.2 Compliance

It is the scheme's commitment to comply with the following relevant legislation. Statutory reports applicable to relevant Acts are submitted as per requirements by different departments. Compliance to the Acts is also driven through the approved policies which are revised every 3 years.

1.4 Broad-based Black Economic Empowerment (BBBEE)

The Scheme's BBBEE Strategy and related activities maintained a level 2 BBBEE status post the verification exercise. The status is valid for 12 months from the date of issue.

1.5 Labour relations

No referrals have been made to the CCMA during the period of review.

COMPLIANCE STATUS		
Applicable legislation	**Reporting Frequency**	**Status**
Basic conditions of employment Act	Ongoing	Compliant
Labour relations Act	Ongoing	Compliant
Skills development Act	Annually	Compliant
Skills development levies Act	Monthly	Compliant
Income tax	Monthly	Compliant
Occupational Health & Safety	Ongoing	Compliant
Employment Equity	Annually	Compliant
Broad-base Black Economic Empowerment	Annually	Compliant

1.3 Sizwe Hosmed Pension Fund

The registration process for the scheme's pension fund with Alexander Forbes was concluded in 2023. The process came from the intent of aligning all employee benefits post the merger.

1.6 Occupational Health and Safety

The year ended with one incident/ injury registered with the Compensation Fund.

The Board of Trustees (BoT) should strive to ensure that guidelines for an open and transparent model of remuneration are set out which are in line with the legislative framework and rules of the Scheme.

Sincerely,

Ms M. Ngwenya
Chairperson of the HR and Remuneration Committee

AMENDMENTS TO SCHEME RULE 19.3.1

AMENDMENTS TO SCHEME RULE 19.3.1

Purpose

The purpose of this document is to provide grounds to the members of the Scheme to consider a rule amendment to the Scheme Rule 19.3.1

Background

Currently, our Scheme Rule 19.3.1 stipulates that, "The Board shall establish a nominations committee responsible for the electoral process which shall consist of at least the Chairperson of the Board and three other members who may be the officials of the Scheme".

A Senior Counsel on the matter was sought and the Legal opinion was that:

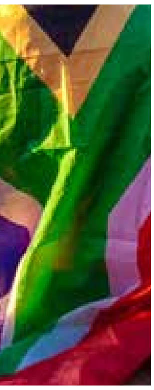
In a situation where the Chairperson of the Board is running for elections, "There will be actual or potential conflict of interest if the Chairperson of the Board of Trustees must serve on the nomination committee whilst also standing for election as trustee".

Recommendation

It is herein recommended that, the Rule 19.3.1 in its current prescripts be scraped off as Rule 19.3.2 clearly covers the requirement.

Rule 19.3.2 reads as follows:

"The Board shall ensure that the best practices are followed to ensure that the trustee nomination and election process is free and fair and shall, where appropriate, appoint an independent body to oversee and conduct the nomination process and the elections".



30 years of freedom

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

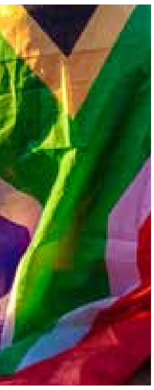
ANNUAL FINANCIAL STATEMENTS

The Board of Trustees (BOT) 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) 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.

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

The BOT are responsible for ensuring that proper accounting records are kept and maintained by the Scheme and the Administrator. The accounting records disclose with reasonable accuracy the financial position of the Scheme, which enables the trustees to ensure that the annual financial statements comply with the relevant legislation. The Scheme operates in an adequate control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute assurance, that assets are safeguarded and the risks facing the business are controlled.



The BOT 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 BOT also prepared the other information included in the AFS and is responsible for both its accuracy and consistency with the AFS.

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

The annual financial statements set out on pages 33 to 95 were approved by the board of trustees and were signed on (date to be confirmed) on their behalf by:

Mr L Makwabe
Chairperson and Trustee

Ms Z Matikinca
Deputy Chairperson

Ms N Tshobeni
Principal Officer

30 years of freedom

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Sizwe Hosmed Medical Scheme is committed to the principles and practice of fairness, openness, integrity, and accountability in all dealings with its stakeholders. The trustees are required to act with due care, diligence, and good faith in the best interest of the members. In pursuit of this, the trustees conduct themselves in accordance with the Rules of the Scheme. The trustees are proposed and elected by the members in accordance with the Medical Schemes Act no. 131 of 1998, as amended.

6. Board of Trustees

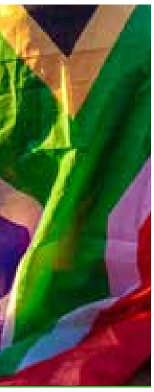
The trustees meet regularly and monitor the administration of the Scheme. They address a range of key issues and ensure that discussions of items of policy, strategy, and performance are critical, informed, and constructive.

All trustees have access to the advice and services of the Principal Officer and where appropriate, may seek independent professional advice at the expense of the Scheme.

7. Internal Controls and Risk Management

The BOT has adopted relevant principles of Corporate Governance as applicable to medical schemes as contained in the King IV report. The administrator of the Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the AFS and to safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by skilled personnel with the appropriate segregation of duties.

A formal internal audit function exists within the Scheme with regular reporting to the Audit and Risk Committee. This function is provided by SekelaXabiso CA Incorporated and SM Xulu Inc.



The Scheme's risk profile continues to be addressed by risk management, evaluation and management processes, including the use of a risk register utilising the Combined Assurance model.

8. 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 addressed by the BOT.

The Scheme's committees have mandates that set out their responsibilities that promote the principles of 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.

9. Compliance with the Medical Schemes Act

The Trustees monitor that the Scheme complies with the Medical Schemes Act no. 131 of 1998 (the "Act") and the Regulations issued in terms of the Act. The Trustees endeavour to apply the King IV Code of Corporate Governance where necessary and practical. The BOT noted non-compliance matters which are set out fully in the BOT Report.

10. Administrator performance

The administrator, 3Sixty Health (Pty) Ltd, as well as all providers of administrative services are charged with implementing a functioning control environment, which is well documented and regularly reviewed. The contracts and Service Level Agreements (SLA) provide for the monthly and quarterly submission of reports to the Scheme, which are then used to measure and monitor the service providers' performance.

11. Independent evaluation of the Board and Committees

The Scheme adopted a practice of performing annual evaluations on its BOT and its Committees with independent evaluations being undertaken every second year. The next evaluation will commence in the fourth quarter of 2024 and conclude in the first quarter of 2025. The evaluation will be carried out by the Institute of Directors in South Africa (IODSA).

Mr L Makwabe
Chairperson and Trustee

Ms Z Matikinca
Deputy Chairperson

Ms N Tshobeni
Principal Officer

30 years of freedom

BOARD OF TRUSTEES REPORT

BOARD OF TRUSTEES REPORT

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 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 contain a savings a plan in 2023.*

1.3 Risk Transfer Arrangement

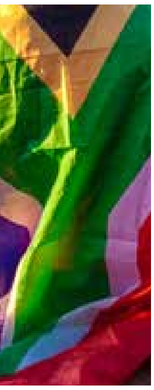
During the 2023 financial year there were no risk transfer arrangements, but for the 2022 financial year the Scheme had entered into a risk transfer arrangement with Isoleso Optics for optometry benefits.

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

	2023 R	2022 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).

BOARD OF TRUSTEES REPORT

1.5 Board of Trustees meeting attendance – 2023

	Designation	Date initially appointed/elected	Date Term ended	(BOT)		(REMCO)		(FIC)		(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		18	17	8	8	4	4	-	-	-	-	-	-	-	-
Mr L. Makwabe	Deputy Chairperson – Elected Trustee	13 September 2021		18	18	8	7	4	4	-	-	-	-	-	-	-	-
Ms Z. Matikinca	Elected Trustee	13 September 2021		18	18	8	8	-	-	8	8	-	-	-	-	-	-
Mr Z. King	Elected Trustee	13 September 2021		18	18	-	-	4	4	-	-	4	4	-	-	12	12
Mr A. Nhlapo	Elected Trustee	13 September 2021		18	18	-	-	4	4	-	-	-	-	-	-	12	12
Mr L. Pokomela	Elected Trustee	13 September 2021		18	18	8	8	-	-	-	-	4	4	-	-	-	-
Mr A. Phikani	Elected Trustee	13 September 2021		18	18	-	-	-	-	-	-	4	4	-	-	12	12
Mr A. Greyling	Appointed Trustee	13 September 2021	11 September 2023	18	12	-	-	4	4	-	-	-	-	-	-	12	12
Mr P. Shikwane	Elected Trustee	13 September 2021		18	18	-	-	-	-	-	-	4	4	-	-	12	12
Mr M. Monei	Elected Trustee	13 September 2021		18	18	8	8	-	-	-	-	-	-	-	-	12	12
Mr M. Hennig	Appointed Trustee	13 September 2021	11 September 2023	18	11	8	8	-	-	-	-	3	4	-	-	12	12
Ms P. Dumelakgosi	Elected Trustee	13 September 2021		18	18	8	8	-	-	-	-	-	-	-	-	12	12
Ms B. Maseko	Elected Trustee	13 September 2021		18	18	8	8	-	-	-	-	-	-	-	-	12	12
Mr V.M. Shamase	Elected Trustee	13 September 2021		18	18	8	8	4	4	-	-	-	-	-	-	-	-
Ms C. Rensburg	Elected Trustee	13 September 2021		18	18	-	-	-	-	-	-	4	4	-	-	12	12
Mr T. Kgokolo	Appointed Trustee	13 September 2021	11 September 2023	18	10	-	-	4	4	8	8	-	-	-	-	12	12
Dr B.Z. Limba	Appointed Trustee	13 September 2021	11 September 2023	18	12	8	8	-	-	-	-	4	4	-	-	-	-
Mr N. Erasmus	Elected Trustee	13 September 2021		18	18	-	-	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 FIC: Finance and Investment Committee ARC: Audit and Risk Committee
CGC: Clinical Governance Committee
CDRC: Complaints and Dispute Resolution Committee PC: Procurement Committee

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

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

1.6.1 Audit and Risk Committee (ARC)

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

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

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

Members		
Mr A. Van Staden	Chairperson and Independent member	(Appointed 30 November 2021) Resigned 26 February2024
Ms Z. Matikinca	Trustee representative	(Appointed 13 September 2021)
Mr T Ramawa	Independent member	(Appointed 13 January 2023)
Mr T. Kgokolo	Independent member	(Appointed 13 September 2021)
Mr L. Kubheka	Independent member	(Appointed 13 September 2021)

A report of the Audit and Risk Committee is presented on pages 26 to 28.

1.6.2 Other Committees

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

Clinical Governance Committee

Whilst there is no statutory requirement for this Committee, it has been established in order to give power to the BOT to appoint and delegate authority to a sub-committee consisting of such BOT members and other experts as it may deem necessary. The Committee reviews and monitors all initiatives to reduce unnecessary healthcare costs without negatively impacting on the quality of care. The Committee met four (4) times during the year and comprised the following members:

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

Complaints and Dispute Resolution Committee

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

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

Finance and Investment Committee

The role of the Committee is to advise the BOT and Management on the best possible investment of the Scheme's resources available for that purpose, amendments to, or the reinvestment of existing investments and possible steps that may be considered in respect of the investment of available funds. The Committee is mandated by the 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	(Appointed 13 September 2021)
Ms N. Maponya	Independent member	(Appointed 13 September 2021)
Ms M. Maubane	Independent member	(Appointed 13 September 2021)
Mr L. Makwabe	Trustee representative	(Appointed 13 September 2021)
Mr M. Shamase	Trustee representative	(Appointed 13 September 2021)
Mr N. Erasmus	Trustee representative	(Appointed 13 September 2021)
Mr A. Nhlapo	Trustee representative	(Appointed 13 September 2021)
Mr D. Langa	Trustee representative	(Appointed 13 September 2021)
Mr T. Kgokolo	Trustee Representative	(Appointed 13 September 2021)

HR and Remuneration Committee

The role of the Committee is to ensure that the remuneration policy and practices are regularly reviewed, that the Scheme remunerates the BOT, senior management and its employees fairly and responsibly, and that disclosure of trustee and senior management remuneration is accurate, complete, and transparent. The Committee is mandated by the BOT by means of 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:

HR and Remuneration Committee Members (continued)

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

2. MANAGEMENT

2.1 Registered office and postal address

Postal address:
P.O. Box 62345
Marshalltown 2017

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

Website:
www.sizwehosmed.co.za

2.2 Executive Management

The table 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
Dr L. Maroo	Clinical and Operations Executive	01 November 2021
Mr M. Chuene	Legal and Compliance Executive	01 November 2021
Mr M. Pitsoane	Marketing & Communications Executive	01 November 2021 - Resigned 31 October 2023

2.3 Medical Scheme Administrator and Managed Care provider

3Sixty Health (Pty) Limited
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
2199

SM Xulu Inc
4 Peltier Dr
Sunninghill
Sandton
2157

2.6 Investment managers during the year

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

Taquanta Asset Managers (Proprietary) Limited

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

P.O. Box 23540
Claremont
7735

Aluwani Capital Partners (Proprietary) Limited

24 Georgian Crescent
Bryanston East
2152
FSP 46196

Private Bag X75
Bryanston
2125

Argon Asset Management (Proprietary) Limited

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

P.O. Box 23254
Claremont
7735

Sanlam Investment Management (Proprietary) Limited

55 Willie van Schoor Avenue
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 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
Rivonia Campus
135 Rivonia Road
Sandown Sandton

P.O. Box 1144
Johannesburg

2000

3. INVESTMENT STRATEGY OF THE SCHEME

The Scheme's primary investment objective is to maximise the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and the Board of Trustees. The monitoring and implementation of the strategy are delegated to the Finance and Investment Committee. Details of investments are set out in the AFS in notes 4 and 5.

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. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the AFS and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing, and uncertainty of the Scheme's cash flows.

5. OPERATIONAL STATISTICS PER BENEFIT PLAN

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

BOARD OF TRUSTEES REPORT

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%	5%	36%	10%	14%	19%	17%	9%	6%
7	Dependent ratio	1.38	1.46	0.80	1.29	0.87	0.82	1.11	1.59	1.48
8	Beneficiaries per member as at 31 December 2023	0.42	0.41	0.55	0.44	0.53	0.55	0.47	0.39	0.40
9	Average net contributions per member, per month (R)	5,698	5,356	9,186	5,343	3,143	3,030	10,551	6,866	2,986
10	Average net contributions per beneficiary, per month (R)	2,397	2,181	5,095	2,333	1,679	1,663	5,006	2,650	1,205
11	Average claims incurred per member per month (R)	5,697	4,862	8,975	5,667	3,467	3,833	11,050	7,287	2,744
12	Average claims incurred per beneficiary, per month	2,397	1,980	4,978	2,474	1,852	2,104	5,243	2,812	1,107
13	Average administration costs per member per month (R)	565	573	597	566	584	576	570	560	495

**Comprises of Administration and Managed Care Fees paid to 3Sixty Health (Pty) Limited*

BOARD OF TRUSTEES REPORT

5.8 Operation Statistics – 31 December 2023 (continued)

		Total Scheme	Gold Ascend	Titanium Executive	Platinum Enhanced	Essential Copper Core	Silver Hospital	Plus Option	Value Option	Access Option
14	Average administration costs per beneficiary, per month (R)	238	233	331	247	312	316	270	216	200
15	Amount paid to administrator (R) *	409,644,520	154,971,906	14,303,075	84,640,959	21,885,246	2,546,055	15,893,223	91,521,883	23,882,173
16	Average managed care: management services per member, per month (R)	293	301	306	299	234	289	299	295	267
17	Average accumulated funds per member as at 31 December 2023 (R)	11,613	4,261	386	2,357	754	70	439	2,578	768
18	Non-healthcare expenditure per beneficiary per month (R)	273	265	369	284	344	384	307	249	261
19	Relevant healthcare expenditure 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 as a percentage of gross contribution	93%	91%	77%	82%	110%	127%	105%	106%	71%
21	Non-healthcare expenditure as a percentage of gross contribution	11%	13%	6%	10%	22%	23%	6%	10%	15%
22	Return on investment	13%	14%	19%	14%	0%	0%	14%	13%	11%
23	Managed care management services as a percentage of net contributions	5%	6%	3%	6%	7%	10%	3%	4%	9%
24	Administration expenses as a percentage of net contributions	10%	11%	7%	11%	19%	19%	5%	8%	17%
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

**Comprises of Administration and Managed Care Fees paid to 3Sixty Health (Pty) Limited*

BOARD OF TRUSTEES REPORT

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)	8%	4%	34%	10%	12%	14%	14%	6%	5%
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 at 31 December 2022	0.42	0.40	0.55	0.44	0.52	0.57	0.46	0.38	0.43
9	Average net contributions per member per month (R)	5,897	5,171	11,825	6,647	3,836	2,783	11,092	6,674	1,375
10	Average net contributions per beneficiary per month (R)	2,481	2,106	6,559	2,902	2,050	1,528	5,263	2,576	555
11	Average claims incurred per member per month (R)	5,839	4,835	11,416	6,474	4,866	2,509	10,774	6,966	1,312
12	Average claims incurred per beneficiary per month (R)	2,456	1,969	6,332	2,827	2,600	1,378	5,112	2,688	529
13	Average administration costs per member per month (R)	586	597	678	590	779	570	635	583	267

**Comprises of Administration and Managed Care Fees paid to 3Sixty Health (Pty) Limited*

BOARD OF TRUSTEES REPORT

5.9 Operation Statistics – 31 December 2022 (continued)

		Total Scheme	Gold Ascend	Titanium Executive	Platinum Enhanced	Essential Copper Core	Silver Hospital	Plus Option	Value Option	Access Option
14	Average administration costs per beneficiary per month (R)	247	243	376	257	416	313	301	225	108
15	Amount paid to administrator (R)*	402,815,117	153,626,246	15,481,148	83,997,101	27,292,996	2,383,349	16,872,069	91,072,095	12,090,115
16	Average managed care: management services per member per month (R)	294	305	340	302	305	285	326	299	133
17	Average accumulated funds per member at 31 December 2022 (R)	16,390	6,117	617	3,346	1,423	96	674	3,636	480
18	Non-healthcare expenditure per average beneficiary per month (R)	266	256	356	279	321	353	288	239	283
19	Relevant healthcare expenditure per average beneficiary per month (R)	2,232	1,746	5,076	2,577	1,695	1,329	4,114	2,401	1,165
20	Relevant healthcare expenditure as a % of gross contribution	99%	94%	97%	97%	127%	90%	97%	104%	73%
21	Non-healthcare expenditure as a % of gross contribution	12%	14%	7%	11%	24%	24%	7%	10%	18%
22	Return on Investment	6%	6%	8%	6%	0%	0%	6%	6%	6%
23	Managed care management services as a percentage of net contributions	5%	6%	3%	5%	8%	10%	3%	4%	10%
24	Administration expenses as a percentage of net contributions	10%	12%	6%	9%	20%	20%	6%	9%	19%
25	Number of dependants at the end of the accounting period	86,322	34,811	1,893	16,344	4,369	320	3,032	22,783	2,770

**Comprises of Administration and Managed Care Fees paid to 3Sixty Health (Pty) Limited*

5.3 Operational statistics for the scheme

	2023 R	2022 R
Accumulated funds per member	11,612	16,935
Breakdown of total amount paid to the administrator:		
Administration Fees	163,718,256	166,754,763
Managed Care Fees	190,418,740	192,321,463
Marketing Fees	42,550,000	41,883,000
Maternity Programme	1,642,216	1,855,891
Return on investment as a percentage of investments	9.04%	6,00%

5.4 Results of Operations

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

5.5 Solvency ratio

	2023 R	2022 Restated R
Accumulated funds	676,651,996	1,042,033,907
Less: Cumulative unrealised gains	-	-
Accumulated Funds per regulation 29	**676,651,996**	**1,042,033,907**
Gross contributions	4,301,705,163	4,142,609,981
Solvency ratio	15,73%	25,59%

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

5.6 Insurance contract liabilities

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

5.7 Liability for incurred claims

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

6. ACTUARIAL SERVICES

For the period 01 March 2019 to 30 June 2023, the Scheme had appointed Matlotlo Group (Pty) Ltd as the Scheme's actuaries. Matlotlo was consulted during 2022 in the determination of the contribution and benefits levels for the 2023 financial year. GLM actuaries and consultants were appointed on a consultancy basis on 01 July 2023 as the Scheme's actuaries. GLM was consulted in the determination of the 2023 claims IBNR disclosed in the AFS.

7. EVENTS AFTER REPORTING DATE

7.1 Appointment of Principal Officer

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

7.2 NHI Bill

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

8. RELATED PARTY TRANSACTIONS

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

9. GOING CONCERN

The going concern basis has been adopted in preparing the Annual Financial Statements. The BOT has reviewed the Scheme's Statement of Financial Position as at 31 December 2023, as well as the budget for the year ending 31 December 2024. The Scheme's Statutory Solvency Ratio is 15.73% as at 31 December 2023. The decline in the Statutory Solvency Ratio is attributable to the surge in claims during the first half of 2023; the surge in claims was driven by the clearing of pended claims during the first half of 2023.

The Scheme continues to pursue the turnaround strategy that was developed and approved in 2023, aimed at addressing the solvency decline

Management's plans included in the Turnaround Strategy include the following:

- A detailed review of the processing of claims since the merger. The process was completed in 2023
- Fraud, Waste & Abuse Investigation, Establishment of a Fraud, Waste & Abuse function at the scheme. The implementation is ongoing.
- Reduce operating costs by a minimum of R56m in 2023. Reduction achieved.
- Fee negotiations with service providers. The process was concluded in 2023.
- Youth recruitment. The process is ongoing.
- Claims Risk Management such as Outlier Management, Alternative Reimbursement Models, Case Management, and Authorisations. The process is ongoing.

The BOT has considered the plans for dealing with the adverse effects of the identified conditions and events and assessed the likelihood of effective implementation thereof. The BOT is therefore of the opinion that the Scheme does not appear to have a going concern problem. Based on this review, the BOT considers that:

- The scheme maintains reserves in excess of R676 million;
- Liquidity - The Scheme reports a Current Ratio of 1,51;
- Solvency (Non–Statutory) - The Scheme reports total assets of R1,09 billion currently exceed its liabilities of R419 million;
- Investments - The Scheme's Investment Committee's continued scrutiny of its investment strategy and financial markets, aims to ensure sound investment and reserve protection;
- There is no reason to believe that there will not be continuity in key management during 2024;
- Contingent Liabilities - There are no material contingent liabilities.

Based on the above, and the BOT review of the Scheme's financial position as at 31 December 2023 and the business plan for 2024, the BOT is of the opinion that there is no reason to believe that the Scheme will not continue as a going concern in the foreseeable future.

10. 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.

11. NON-COMPLIANCE WITH THE ACT

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

11.1 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.

11.2 Contravention of Section 35(8) of the Act – Investment in medical scheme 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 above mentioned.

Cause of non-compliance

The Scheme invests in a pool of funds through its investment managers which are invested in various portfolios which makes it difficult to manage the regulatory 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 Finance and 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 Scheme to continue renewing such exemption on an annual basis as required.

11.3 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	Operating deficit	Net result
Gold Ascend	21,381	(19,148,688)	(14,219,230)
Titanium	1,938	(8,135,577)	(7,556,627)
Platinum Enhanced	11,826	(125,265,444)	(122,593,963)
Essential Copper	3,781	(46,086,725)	(45,210,790)
Silver Saver	353	(6,388,750)	(6,309,893)
Plus	2,202	(28,114,954)	(27,617,960)
Value	12,936	(151,874,357)	(148,975,441)
Access	3,852	(11,947,092)	(11,138,687)

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. 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.

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

Nature

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

Cause of non-compliance

Claims were paid in part and the short payment 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.

11.5 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

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.

12. LEGAL MATTERS

12.1 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.

12.2 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.

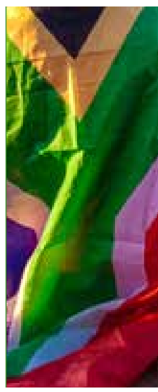
The Scheme has received legal advice that there is no prospect of success as the Scheme has previously settled all disputes and claims between itself and the Applicant (Mr Mokoditoa).

13. 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.

The annual financial statements set out on pages 34 to 99 (which have been prepared on the going concern basis) were approved by the board of trustees on (Date to be confirmed) and were signed on its behalf by:

Mr L Makwabe
Chairperson



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REPORT OF AUDIT AND RISK COMMITTEE

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

1. AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

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

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

The Committee is an independent statutory committee.

2. MEMBERS OF THE COMMITTEE AND ATTENDANCE OF MEETINGS

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

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

During the year under review eight meetings were held.

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

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

3. ROLES AND RESPONSIBILITIES

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

4. EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

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

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

5. FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

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

6. INTERNAL FINANCIAL CONTROLS

The Committee is responsible for overseeing the Scheme's internal control environment. In this regard, the Committee has, among other things, evaluated the adequacy and effectiveness of the Scheme's systems of internal control and made appropriate recommendations to the BOT. This included a formal documented review by the Internal Audit function of the effectiveness of the Administrator's system of internal financial controls pertaining to the Scheme. Based on the results of this review, it is the view of the Committee that reasonable assurance can be placed on the adequacy and effectiveness of the Scheme's internal controls, relative to the fair presentation of the annual financial statements.

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.

8. RISK MANAGEMENT

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

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

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

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

10. GOING CONCERN

The going concern basis has been adopted in preparing the Annual Financial Statements. The BOT has reviewed the Scheme's Statement of Financial Position as at 31 December 2023, as well as the budget for the year ending 31 December 2024. The Scheme's Statutory Solvency Ratio is 15.73% as at 31 December 2023. The decline in the Statutory Solvency Ratio is attributable to the surge in claims during the first half of 2023; the surge in claims was driven by the clearing of pended claims during the first half of 2023.

The Scheme continues to pursue the turnaround strategy that was developed and approved in 2023, aimed at addressing the solvency decline

Management's plans included in the Turnaround Strategy include the following:

- A detailed review of the processing of claims since the merger. The process was completed in 2023
- Fraud, Waste & Abuse Investigation, Establishment of a Fraud, Waste & Abuse function at the scheme. The implementation is ongoing.
- Reduce operating costs by a minimum of R56m in 2023. Reduction achieved.
- Fee negotiations with service providers. The process was concluded in 2023.
- Youth recruitment. The process is ongoing.
- Claims Risk Management such as Outlier Management, Alternative Reimbursement Models, Case Management, and Authorisations. The process is ongoing.

The BOT has considered the plans for dealing with the adverse effects of the identified conditions and events and assessed the likelihood of effective implementation thereof. The BOT is therefore of the opinion that the Scheme does not appear to have a going concern problem. Based on this review, the BOT considers that:

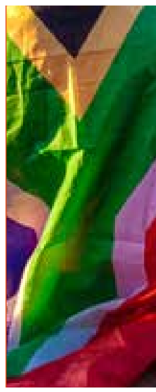
- The scheme maintains reserves in excess of R676 million;
- Liquidity - The Scheme reports a Current Ratio of 1,51;
- Solvency (Non–Statutory) - The Scheme reports total assets of R1,09 billion currently exceed its liabilities of R419 million;
- Investments - The Scheme's Investment Committee's continued scrutiny of its investment strategy and financial markets, aims to ensure sound investment and reserve protection;
- There is no reason to believe that there will not be continuity in key management during 2024;
- Contingent Liabilities - There are no material contingent liabilities.

Based on the above, and the BOT review of the Scheme's financial position as at 31 December 2023 and the business plan for 2024, the BOT is of the opinion that there is no reason to believe that the Scheme will not continue as a going concern in the foreseeable future.

11. CONCLUSION

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

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



Mr T Kgokolo
Chairperson: Audit and Risk

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REPORT OF THE INDEPENDENT AUDITOR

SIZWE HOSMED
MEDICAL SCHEME
Your choice for quality care

REPORT OF THE INDEPENDENT AUDITOR

To the members of Sizwe Hosmed Medical Scheme

REPORT OF THE INDEPENDENT AUDITOR

To the members of Sizwe Hosmed Medical Scheme

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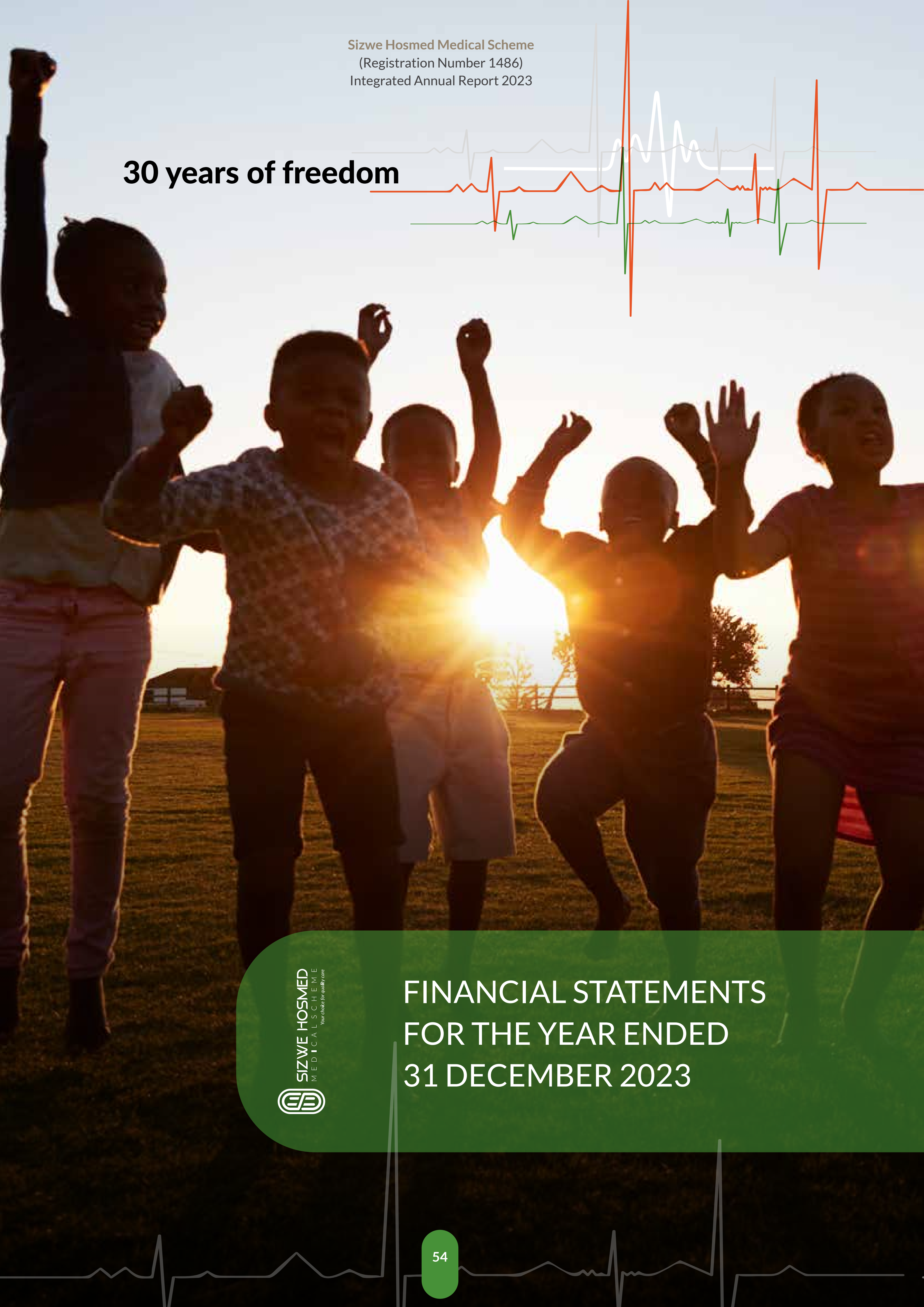
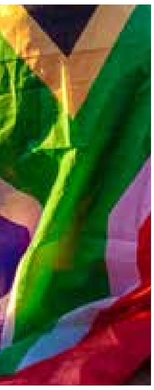


FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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	238,835,402	570,162,861	685,200,769
Total non-current assets		**790,011,545**	**1,022,270,772**	**1,240,943,983**
Current assets				
Right-of-use asset	4	-	764,211	2,265,763
Other receivables	5	68,237,829	46,726,818	36,515,366
Financial assets at fair value through OCI	7	83,245,895	127,890,557	293,755,676
Cash and cash equivalents	8	154,651,846	120,126,713	108,527,250
Total current assets		**306,135,570**	**295,508,299**	**441,064,055**
Total assets		**1,096,147,115**	**1,317,779,071**	**1,682,008,038**
Liabilities				
Non-current liabilities				
Insurance contract liability to future members		676,651,995	1,060,038,254	1,443,557,919
Total non-current liabilities		676,651,995	1,060,038,254	1,443,557,919
Current liabilities				
Trade and other payables	10	120,810,048	134,377,076	75,598,358
Insurance contract liabilities	9	298,685,072	122,435,619	160,024,702
Lease liability	12	-	928,122	2,827,054
Total current liabilities		**419,495,120**	**257,740,817**	**238,450,114**
Total liabilities		**1,096,147,115**	**1,317,779,071**	**1,682,008,034**
Total equity and liabilities		**1,096,147,115**	**1,317,779,071**	**1,682,008,034**



STATEMENT OF COMPREHENSIVE INCOME

Figures in R	Notes	2023	2022 Restated
Insurance revenue	9	3,964,645,864	4,118,927,074
Insurance service expenses	9	**(3,836,690,032)**	**(3,836,690,032)**
Claims incurred	9	(3,783,302,308)	(3,885,633,001)
Insurance acquisition cash flows (broker fees)	12	(72,758,701)	(73,399,349)
Attributable expenses incurred	12	(163,718,256)	(168,690,780)
Accredited managed healthcare services (no risk transfer)	16	(204,818,260)	(205,246,676)
Third-party claims recoveries	9	4,284,901	6,376,943
Amounts attributable to future members		383,622,592	379,307,109
Reinsurance expenses from reinsurance contracts held		-	(20,913,577)
Reinsurance income from reinsurance contracts held		-	22,574,365
Insurance service result		**(127,955,832)**	**(173,302,107)**
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		**(227,606,106)**	**(250,845,040)**
Administration fees and other operative expenses	21	(232,099,513)	(244,332,405)
Asset management fees		(4,229,922)	(6,054,940)
Sundry expenses			
Net impairment losses on healthcare receivables	22	8,743,989	(310,717)
Finance costs	20	(20,659)	(146,978)
PROFIT (LOSS) FOR THE YEAR		-	-
Other comprehensive income:			
Items that will be reclassified to profit or loss			
Debt instruments at fair value through OCI - net change in fair value		236,336	(13,357,327)
Debt instruments at fair value through OCI - reclassified to profit or loss		(236,336)	13,357,327
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-

STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES

Figures in R	FVOCI reserves	Amalgamation reserve	Accumulated funds	Total
Balance at 1 January 2022 (as previously reported)	7,630,046	503,152,267	932,775,606	1,443,557,919
Transition restatement	(7,630,046)	(503,152,267)	(932,775,606)	(1,443,557,919)
Balance as at 1 January 2023	-	-	-	-

STATEMENT OF CASH FLOWS

Figures in R	Notes	2023	2022
Cashflows from operating activities			
Cash receipts from members and providers		3,985,766,731	4,107,431,524
Cash receipts from members and providers – others		(3,866,453)	(2,518,970)
Cash paid to providers and employees – Claims		(3,824,184,572)	(4,094,871,493)
Cash paid to providers and employees – non-healthcare expenditure		(484,458,309)	(442,025,164)
Cash paid to members – savings plan refunds		(521,370)	(1,081,282)
Interest received on bank account	20	(20,659)	2,614,941
Interest paid on lease liabilities	20	4,949,488	(146,978)
Net cash used in operating activities		**(322,335,143)**	**(430,597,422)**
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	3	-	90,667
Purchase of property, plant and equipment	3	(104,575)	(912,486)
Purchase of investments	5	(2,798,188,938)	(1,882,593,616)
Proceeds from disposal of investments		3,156,081,912	2,327,511,252
Net cash generated from investing activities		**357,788,399**	**444,095,817**
Cash flows from financing activities			
Payment of lease liabilities	12	(928,122)	(1,898,932)
Net Cash used in financing activities		**(928,122)**	**(1,898,932)**
Cash and cash equivalents movement for the year		**34,525,133**	**11,599,463**
Cash and cash equivalents at beginning of the year		120,126,713	108,527,250
Cash and cash equivalents at end of the year	8	**154,651,846**	**120,126,713**

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.

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

1.5 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;

1.5 Right of use assets (continued)

- 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:
- 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

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.

1.6 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.

1.6 Property, plant and equipment (continued)

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.

1.7 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.

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

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.

Insurance 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.

Financial assets at amortised cost through 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.

1.7 Financial instruments (continued)

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.

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.

1.8 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.

1.9 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.

1.9 Lease Liability (continued)

Leases of low-value assets

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

1.10 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.

1.11 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.

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.

1.11 Impairment of Financial Assets (continued)

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.

INVENTORIES

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.

1.12 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.

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 Relevant Healthcare Expenditure

Relevant healthcare expenditure consists of net claims incurred and net income or expense from risk transfer arrangements.

1.18 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.

1.19 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.

1.20 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.

1.21 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.

1.22 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.

1.23 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.

1.24 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.

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1.25 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.

1.26 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

1.27 Personal Medical Savings Accounts

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.

1.28 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;

1.29 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.

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.

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.

1.29 IFRS 17 - Insurance Contracts (continued)

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:

	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	
Members funds	1,446,831,276	3,273,357	1,443,557,919	1,060,038,254

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

	31 December 2021 - IFRS 4 balances			Classification to IFRS 17 - Balances 1 January 2022		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Insurance contracts	1,841,958,712	395,127,436	1,446,831,276	1,682,008,038	1,674,377,988	7,630,050
	1,841,958,712	**395,127,436**	**1,446,831,276**	**1,682,008,038**	**1,674,377,988**	**7,630,050**

Definition, classification and separation of components

The adoption of IFRS 17 did not change the classification of the Scheme's insurance contracts issued.

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).

1.29 IFRS 17 - Insurance Contracts (continued)

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. "

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.

1.29 IFRS 17 - Insurance Contracts (continued)

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.

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.

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

1.29 IFRS 17 - Insurance Contracts (continued)

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.

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.

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.

1.29 IFRS 17 - Insurance Contracts (continued)

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

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.
(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.

1.29 IFRS 17 - Insurance Contracts (continued)

Areas of judgement	Applicable to the scheme
(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 2023, the scheme recognised operational losses which may indicate the existence of loss making contracts.
(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.
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.

1.29 IFRS 17 - Insurance Contracts (continued)

Areas of judgement	Applicable to the scheme
(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 cìrcumstances 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.

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.

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.

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 contracts within its scope in three different areas:

- 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.

2.1 Standards and Interpretations effective and adopted in the current year (continued)

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.

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 expects to adopt the standard in the 2023 annual financial statements. The impact of the standard is being assessed.

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 expects to adopt the standard in the 2023 annual financial statements. The impact of the standard is being assessed.

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.

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.

2.3 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.

2.3.1 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.

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

Advances on savings contributions are funded from the Scheme's monies and the Scheme will assess the advances for impairment in accordance with IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

Figures in R

3. Property, plant and equipment

Balances at year end and movements for the year

	Leasehold improvements	Motor vehicles	Fixtures and fittings	Office equipment	Computer equipment	Total
Reconciliation for the year ended 31 December 2023						
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						
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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Figures R	2023	2022
	Land and Buildings	Total
4. Right-of-use asset		
Balances at year end and movements for the year		
Reconciliation for the year		
Balance as at 1 January 2022	764,211	764,211
Depreciation charge for the year	-	-
Leasehold expenses	-	-
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	-	-
5. Other receivables		
Recoveries from members / providers for co-payments	12,650,289	10,085,484
Prepayment	31,097,311	21,747,530
Interest receivables	464,447	584,736
Other	24,025,782	14,309,068
Other receivables	**68,237,829**	**46,726,818**
6. Financial assets at Fair value through profit or loss		
Financial assets at Fair value through profit or loss comprise the following balances		
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)
Business combinations take on	15,033,151	7,045,166
Interest received	-	-
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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Figures R	2023	2022
	Land and Buildings	Total
7. Financial assets at fair value through OCI		
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	238,835,402	570,162,861
Current assets at FVTOCI		
Bonds and money market	83,245,895	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)
Business combinations take on	61,719,517	65,838,815
Interest received	-	-
Portfolio Management Fees	(1,755,509)	(3,332,816)
Realised Profit / (Loss)	(8,723,785)	(7,553,548)
Fair Value through OCI (unrealized gains)	236,336	(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)	2,521,416,595	1,793,163,009
Total	2,867,518,357	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	(78,083,263)	(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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Figures R	2023 Land and Buildings	2022 Total
9. Reserves		
FVOCI reserves	(5,490,945)	(5,727,281)
10. Trade and other payables		
Member balance liability	25,747,031	30,754,043
Unallocated funds	2,360,602	8,246,753
Accrued expenses	2,473,296	4,710,396
Creditors	86,546,231	88,593,681
Provision for leave pay	833,617	869,185
Provision for bonus	2,871,727	1,219,986
Total	**120,810,047**	**134,377,079**
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)
Provisions from business acquisition	-	-
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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Figures in R	2023				2022 - Restated			
	LFRC	LIC			LFRC	LIC		
	Excluding loss component	BEL	RA	Total	Excluding loss component	BEL	RA	Total
Net balance as at 31 December	**171,135,509**	**(293,571,128)**		**(122,435,619)**	**159,950,676**	(319,975,379)		(160,024,702
Insurance revenue	3,964,645,865			3,964,645,865	4,118,927,074			4,118,927,074
Insurance service expenses: with accrual								
Incurred claims and other directly attributable expenses		(4,299,853,943)		(4,299,853,943)		(4,341,544,814)		(4,341,544,814)
Other directly attributable expenses								
Changes that relate to past service - adjustments to LIC changes in the risk adjustment for non financial risk			75,256,420	75,256,420			8,575,008	8,575,008
Insurance service result	**3,964,645,865**	**(4,299,853,943)**	**75,256,420**	**(259,951,658)**	**4,118,927,074**	**(4,341,544,814)**	**8,575,008**	**(214,042,732)**
Total amount recognised in statement of comprehensive income	**3,964,645,865**	**(4,299,853,943)**	**75,256,420**	**(259,951,658)**	**4,118,927,074**	**(4,341,544,814)**	**8,575,008**	**(214,042,732)**
Investment component (PMSA premiums received)	**(317,640,776)**	**317,640,776**		**-**	**(19,192,735)**	**19,192,735**		**-**
Cash flows - actual income statement								
Premiums received	(3,659,381,967)			(3,659,381,967)	(4,088,549,506)			(4,088,549,506)
Claims and other directly attributable expenses paid		4,158,408,307		4,158,408,307		4,356,006,168		4,356,006,168
PMSA claims and PMSA refunds		215,672,519		215,672,519		16,183,681		16,183,681
Insurance acquisition cash flows				-				-
Recoveries from RAF		4,284,900		4,284,900		6,376,943		6,376,943
Total cash flows	**(3,659,381,967)**	**4,378,365,726**		**718,983,759**	**(4,088,549,506)**	**4,378,566,792**		**290,017,286**
Net balance as at 31 December	**158,758,631**	**(532,700,121)**	**75,256,420**	**(298,685,070)**	**171,135,509**	**(302,146,136)**	**8,575,008**	**(122,435,619)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Figures R	2023	2022

11. Reconciliation of insurance contracts - All contracts {aggregate} (continued)

Opening balance	**1,060,038,254**	**1,443,557,919**
Movement in insurance liability attributable to future members	**(383,386,252)**	**(383,519,666)**
Amount settled in the current year		
Closing balance	**676,652,002**	**1,060,038,254**

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)
Additions through business combination	-	-
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
One to three years	-	-
	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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	1,366,457,396	212,906,281	753,968,569	142,583,444	12,834,011	278,029,720	1,061,225,744	136,640,700	3,964,645,864
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)	(141,073,960)	(4,220,312,624)
Insurance service result	31,165,654	(3,873,536)	(98,312,046)	(30,499,388)	(4,911,513)	(22,883,980)	(121,918,689)	(4,433,260)	(255,666,759)
Investment income	34,325,197	3,877,815	19,211,042	-	-	3,466,519	20,110,642	5,299,401	86,290,615
Other operating expenses	(84,639,539)	(8,139,856)	(46,164,440)	(15,587,337)	(1,477,237)	(8,697,493)	(50,066,310)	(12,813,233)	(227,585,445)
Operating profit / (Loss)	(19,148,688)	(8,135,577)	(125,265,444)	(46,086,725)	(6,388,750)	(28,114,954)	(151,874,357)	(11,947,092)	(396,961,588)
Finance income	4,937,206	579,673	2,675,708	877,375	78,980	497,786	2,903,458	809,473	13,359,658
Finance costs	(7,747)	(723)	(4,226)	(1,440)	(122)	(792)	(4,542)	(1,069)	(20,661)
Net (deficit)/surplus for the year	(14,219,230)	(7,556,627)	(122,593,963)	(45,210,790)	(6,309,893)	(27,617,960)	(148,975,441)	(11,138,687)	(383,622,592)

	2022 - Restated								
Insurance revenue	1,322,267,368	280,379,037	941,010,113	174,067,484	11,790,861	292,633,121	1,033,637,317	63,141,773	4,118,927,074
Insurance service expenses	(1,330,927,499)	(274,563,834)	(968,126,622)	(241,616,852)	(11,998,242)	(294,657,145)	(1,135,163,049)	(67,878,832)	(4,324,932,075)
Insurance service result	(8,660,130)	5,815,203	(27,116,509)	(67,549,368)	(207,381)	(2,024,024)	(101,525,732)	(4,737,059)	(206,005,001)
Investment income	31,049,902	3,784,920	17,383,324	-	-	3,386,549	18,099,911	2,522,788	76,227,394
Other operating expenses	(94,267,082)	(9,456,468)	(51,448,712)	(20,896,029)	(1,454,278)	(10,229,954)	(55,251,173)	(7,694,365)	(250,698,061)
Operating profit / (Loss)	(71,877,311)	143,655	(61,181,897)	(88,445,397)	(1,661,659)	(8,867,429)	(138,676,994)	(9,908,636)	(380,475,668)
Finance income	377,360	319,003	163,938	128,019	6,032	44,978	243,770	32,438	1,315,538
Finance costs	(54,565)	(5,572)	(30,074)	(13,054)	(869)	(6,059)	(32,633)	(4,153)	(146,979)
Net (deficit)/surplus for the year	(71,554,516)	457,086	(61,048,033)	(88,330,432)	(1,656,496)	(8,828,510)	(138,465,857)	(9,880,351)	(379,307,109)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	1,366,457,396	**212,906,281**	**753,968,569**	**142,583,444**	12,834,011	**278,029,720**	**1,061,225,744**	**136,640,700**	3,964,645,864
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)**	**(141,073,960)**	(4,220,312,624)
Insurance service result	31,165,654	**(3,873,536)**	**(98,312,046)**	**(30,499,388)**	(4,911,513)	**(22,883,980)**	**(121,918,689)**	**(4,433,260)**	(255,666,759)
Investment income	34,325,197	3,877,815	19,211,042	-	-	3,466,519	20,110,642	5,299,401	86,290,615
Other operating expenses	(84,639,539)	(8,139,856)	(46,164,440)	(15,587,337)	(1,477,237)	(8,697,493)	(50,066,310)	(12,813,233)	(227,585,445)
Operating profit / (Loss)	(19,148,688)	**(8,135,577)**	**(125,265,444)**	**(46,086,725)**	(6,388,750)	**(28,114,954)**	**(151,874,357)**	**(11,947,092)**	(396,961,588)
Finance income	4,937,206	579,673	2,675,708	877,375	78,980	497,786	2,903,458	809,473	13,359,658
Finance costs	(7,747)	(723)	(4,226)	(1,440)	(122)	(792)	(4,542)	(1,069)	(20,661)
Net (deficit)/surplus for the year	(14,219,230)	**(7,556,627)**	**(122,593,963)**	**(45,210,790)**	(6,309,893)	**(27,617,960)**	**(148,975,441)**	**(11,138,687)**	(383,622,592)

	2022 - Restated								
Insurance revenue	1,322,267,368	**280,379,037**	**941,010,113**	**174,067,484**	11,790,861	**292,633,121**	**1,033,637,317**	**63,141,773**	4,118,927,074
Insurance service expenses	(1,330,927,499)	**(274,563,834)**	**(968,126,622)**	**(241,616,852)**	(11,998,242)	**(294,657,145)**	**(1,135,163,049)**	**(67,878,832)**	(4,324,932,075)
Insurance service result	(8,660,130)	**5,815,203**	**(27,116,509)**	**(67,549,368)**	(207,381)	**(2,024,024)**	**(101,525,732)**	**(4,737,059)**	(206,005,001)
Investment income	31,049,902	3,784,920	17,383,324	-	-	3,386,549	18,099,911	2,522,788	76,227,394
Other operating expenses	(94,267,082)	(9,456,468)	(51,448,712)	(20,896,029)	(1,454,278)	(10,229,954)	(55,251,173)	(7,694,365)	(250,698,061)
Operating profit / (Loss)	(71,877,311)	**143,655**	**(61,181,897)**	**(88,445,397)**	(1,661,659)	**(8,867,429)**	**(138,676,994)**	**(9,908,636)**	(380,475,668)
Finance income	377,360	319,003	163,938	128,019	6,032	44,978	243,770	32,438	1,315,538
Finance costs	(54,565)	(5,572)	(30,074)	(13,054)	(869)	(6,059)	(32,633)	(4,153)	(146,979)
Net (deficit)/surplus for the year	(71,554,516)	**457,086**	**(61,048,033)**	**(88,330,432)**	(1,656,496)	**(8,828,510)**	**(138,465,857)**	**(9,880,351)**	(379,307,109)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Attributable expenses incurred

Figures R	2023	2022
Administration fees	163,718,256	168,690,780
Accredited managed healthcare	204,818,260	205,246,676
Insurance acquisition cash flows	72,758,701	73,399,349
	441,295,217	**447,336,805**

15. Analysis of Insurance Contracts Assets and Liabilities

	2023		2022 - Restated	
Description	Liabilities	Assets	Liabilities	Assets
	(457,443,701)	158,758,630	(293,571,128)	171,135,509
	(457,443,701)	**158,758,630**	**(293,571,128)**	**171,135,509**

16. Healthcare Risk - Reinsurance contracts held

2023

Figures R	Remaining Coverage Component		Incurred claims for contracts under the PAA		
	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening reinsurance contract assets	-	-	-	-	-
Opening reinsurance contract liabilities	-	-	-	-	-
Net balance as at 1 January	**-**	**-**	**-**	**-**	**-**
Net income/(expenses) from reinsurance contracts held	-	-	-	-	-
Reinsurance expenses	-	-	-	-	-
Claims recovered	-	-	-	-	-
Changes that relate to past service	-	-	-	-	-
- adjustments to incurred claims	-	-	-	-	-
Net income/ (expenses) from reinsurance contracts held	**-**	**-**	**-**	**-**	**-**
Total amounts recognised in comprehensive income	**-**	**-**	**-**	**-**	**-**
Cash flows	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Premiums paid net of ceding commissions and other directly attributable expenses paid	-	-	-	-	-
Recoveries from reinsurance	-	-	-	-	-
Directly attributable expenses paid	-	-	-	-	-
Total cash flows	**-**	**-**	**-**	**-**	**-**
Net balance as at 31 December	**-**	**-**	**-**	**-**	**-**
Closing reinsurance contract assets	-	-	-	-	-
Closing reinsurance contract liabilities	-	-	-	-	-
Net balance as at 31 December	**-**	**-**	**-**	**-**	**-**

16. Healthcare Risk - Reinsurance contracts held (continued)

2022

Figures R	Remaining Coverage Component		Incurred claims for contracts under the PAA		
	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening reinsurance contract assets	-	-	-	-	-
Opening reinsurance contract liabilities	-	-	-	-	-
Net balance as at 1 January	**-**	**-**	**-**	**-**	**-**
Net income/(expenses) from reinsurance contracts held	-	-	-	-	-
Reinsurance expenses	(20,913,577)	-	-	-	(20,913,577)
Claims recovered	-	-	22,574,365	-	22,574,365
Changes that relate to past service	-	-	-	-	-
- adjustments to incurred claims	-	-	-	-	-
Net income/ (expenses) from reinsurance contracts held	**20,913,577)**	**-**	**22,574,365**	**-**	**1,660,788**
Total amounts recognised in comprehensive income	**(20,913,577)**	**-**	**22,574,365**	**-**	**1,660,788**
Cash flows	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Premiums paid net of ceding commissions and other directly attributable expenses paid	20,913,577	-	-	-	20,913,577
Recoveries from reinsurance	-	-	(22,574,365)	-	(22,574,365)
Directly attributable expenses paid	-	-	-	-	-
Total cash flows	**20,913,577**	**-**	**(22,574,365)**	**-**	**(1,660,788)**
Net balance as at 31 December	**-**	**-**	**-**	**-**	**-**
Closing reinsurance contract assets	-	-	-	-	-
Closing reinsurance contract liabilities	-	-	-	-	-
Net balance as at 31 December	**-**	**-**	**-**	**-**	**-**

Figures R	2023	2022
17. Broker fees		
Commission paid	72,758,701	73,399,349
Total other expenses	**72,758,701**	**73,399,349**

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.

Figures R	2023	2022
18. Sundry Income		
Claims liability prescribed	974,003	871,886
Unidentified deposit prescribed	73,637	132,878
Other income	12,312,018	310,774
Total	**13,359,658**	**1,315,538**
19. Accredited managed healthcare services (no risk transfer)		
ACCREDITED MANAGED HEALTHCARE SERVICES (NO RISK TRANSFER) COMPRISE:		
Current year claims excluding OCR	3,707,364,312	3,645,324,851
Movement in outstanding claims provision	309,076,160	(20,553,809)
(Under)/over provision in previous year	(34,348,087)	(20,553,809)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Current year claims as per scheme rules	**4,016,440,472**	**3,624,771,042**
Less: Claims paid out of savings	(217,754,770)	(14,440,507)
Accredited managed healthcare services	204,818,260	205,246,676
Claims incurred	4,003,503,962	3,815,577,211
Claims incurred in respect of risk transfer arrangements	-	22,574,365
Current year claims	-	22,574,365
Third-party recoveries	(4,284,901)	(6,376,943)
Net claims incurred per statement of comprehensive income	**3,999,219,061**	**3,831,774,633**
The claims ratio is calculated as claims incurred expressed as a percentage of risk contributions received. The Scheme recorded a claims ratio of 92,96% (2022: 99.02%)		
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**

19. Accredited managed healthcare services {no risk transfer} (continued)

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

Terms and conditions of the accredited managed healthcare service agreement.
The accredited managed healthcare services agreement with 3Sixty Health is in accordance with instructions given by trustees of the Scheme. The agreement signed in 2019 is for a duration of 60 months. The outstanding balance bears no interest and is due within 30 days.

Figures R	2023	2022
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	4,949,489	2,614,941
	33,294,886	**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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Administration fees and other operative expenses

Figures R	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
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	31,353,588	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	**232,099,513**	**244,332,405**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Administration fees and other operative expenses (continued)

Administrative expenses comprise:

Figures R	2023	2022
Accredited services		
Member management	15,749,298	26,826,025
Contribution Management	15,749,298	22,035,664
Claims management	20,474,088	43,134,409
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**	**168,690,780**

22. Net Impairment losses on healthcare receivable

Contribution owed by members that are not collectable	8,743,989	(310,717)

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.

23. Finance costs

Figures R	2023	2022
Lease obligations	20,659	146,978

24. INSURANCE RISK MANAGEMENT

24.1 Risk 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 (CONTINUED)

24. Insurance risk management (continued)

24.1 Risk management objectives, policies, processes, and methods for mitigating insurance risk (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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Insurance risk management (continued)

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
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Services								
Age grouping Insured claims (in years)								
<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 (CONTINUED)

24. Insurance risk management (continued)

24.4 For the year ended 31 December 2022

	General Practitioner	Specialist	Dentistry	Optometry	Medicines	Hospitals	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Services								
Age grouping Insured claims (in years)								
<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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Insurance risk management (continued)

24.5 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.

Figures R	2023			2022		
	LIC as at 31 December	Impact on LIC	Impact on SOCI	LIC as at 31 December	Impact on LIC	Impact on SOCI
Insurance contract liabilities	**298,685,070**			**122,435,619**		
Net insurance cintract liabilities	298,685,070			122,435,619		
Unpaid claims and expenses - 5% increase						
Insurance contract liabilities (before mutualisation)		14,934,254	14,934,254		6,121,781	6,121,781
Insurance contract liabilities (after mutualisation)		–	–		–	–
Expenses - 5% increase						
Insurance service expense (before insurance service expense relating to future members)	(3,836,690,031)			(3,947,285,755)		
Insurance service expenses			(191,834,502)			**(197,364,288)**

Figures R	2023	2022
Risk adjustment - with a 75% confidence level - as reported	75,256,420	8,575,008
Risk adjustment with a 80% confidence level	81,707,372	15,542,618

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Related parties

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. 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 at the same terms as offered to all members of the Scheme.

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

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

Figures in R	2023	2022
Compensation paid to key management personnel		
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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Related parties (continued)

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 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) Limited provides administration and managed care services to the Scheme.

Figures in R	2023	2022
3Sixty Health (Proprietary) Limited Statement of comprehensive income Administration fees paid	163,718,256	166,754,763
Managed care fees	190,418,740	192,321,463
Maternity programme management	1,642,216	1,855,891
Marketing fees incurred	49,450,000	41,883,000
Marketing fees recouped	3,249,000	-
Statement of financial position – Assets		
Statement of financial position		
Administration fees due	14,506,772	14,758,189
Managed care fees due	16,176,758	16,416,185
Receivable due to membership updates-Managed care	(308,602)	(466,385)
Receivable due to membership updates-Administration fees	(283,521)	(443,500)
Marketing fees prepaid	25,104,500	21,275,000
Marketing fees recouped	3,249,000	4,303,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Related parties (continued)

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 July 2019 and will terminate on 30 June 2022.

Figures in R	2023	2022
Statement of comprehensive income		
Marketing fees incurred	42,550,000	41,883,000
Statement of financial position		
Marketing fees prepaid	25,104,500	21,275,000
Marketing fees recouped	4,303,000	4,303,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Related parties (continued)

Compensation paid to board of trustees and prescribed officers

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 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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Related parties (continued)

2022

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	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 (CONTINUED)

26. Going concern

The going concern basis has been adopted in preparing the Annual Financial Statements. The BOT has reviewed the Scheme's Statement of Financial Position as at 31 December 2023, as well as the budget for the year ending 31 December 2024. The Scheme's Statutory Solvency Ratio is 15.73% as at 31 December 2023. The decline in the Statutory Solvency Ratio is attributable to the surge in claims during the first half of 2023; the surge in claims was driven by the clearing of pended claims during the first half of 2023.

The Scheme continues to pursue the turnaround strategy that was developed and approved in 2023, aimed at addressing the solvency decline.

Management's plans included in the Turnaround Strategy include the following:

- A detailed review of the processing of claims since the merger. The process was completed in 2023
- Fraud, Waste & Abuse Investigation, Establishment of a Fraud, Waste & Abuse function at the scheme. The implementation is ongoing.
- Reduce operating costs by a minimum of R56m in 2023. Reduction achieved.
- Fee negotiations with service providers. The process was concluded in 2023.
- Youth recruitment. The process is ongoing.
- Claims Risk Management such as Outlier Management, Alternative Reimbursement Models, Case Management, and Authorisations. The process is ongoing.

The BOT has considered the plans for dealing with the adverse effects of the identified conditions and events and assessed the likelihood of effective implementation thereof. The BOT is therefore of the opinion that the Scheme does not appear to have a going concern problem. Based on this review, the BOT considers that:

- The scheme maintains reserves in excess of R676 million;
- Liquidity - The Scheme reports a Current Ratio of 1,51;
- Solvency (Non–Statutory) - The Scheme reports total assets of R1,09 billion currently exceed its liabilities of R419 million;
- Investments - The Scheme's Investment Committee's continued scrutiny of its investment strategy and financial markets, aims to ensure sound investment and reserve protection;
- There is no reason to believe that there will not be continuity in key management during 2024;
- Contingent Liabilities - There are no material contingent liabilities.

Based on the above, and the BOT review of the Scheme's financial position as at 31 December 2023 and the business plan for 2024, the BOT is of the opinion that there is no reason to believe that the Scheme will not continue as a going concern in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial instruments and financial risk management

2023

Investments	Total	Credit risk	Liquidity risk	Equity Price	Market risk interest rate
- Listed equities	68,580,913			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	154,350,818	x	x		
Other receivables	234,379,810	x	x		
Other payables	120,810,048		x		
Insurance contract liability	298,685,072		x		

2022

- 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	46,726,818	x			
Other payables	134,377,076		x		
Insurance contract liability	122,435,619		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.

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 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 (CONTINUED)

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

	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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

As at 31 December 2023	Current	More than 30 days	More than 60 days	More than 90 days	From 121	Total
	R	R	R	R	R	R
Expected credit loss rate	5.43%	19.16%	32.35%	52.02%	100%	14.25%
Estimated total gross carrying amount	228,084,755	19,943,400	4,190,124	2,876,405	13,271,628	248,422,912
Expected Credit Loss	**12,394,037**	**3,820,517**	**1,355,643**	**1,496,328**	**13,271,628**	**28,517,636**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial instruments and financial risk management (continued)

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Financial instruments and financial risk management (continued)

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.

	Up to 1 month	1- 4 Months	5-12 Months	Over 12 months	Total
	R	R	R	R	R
As at 31 December 2023					
Insurance contract liability	216,355,040	126,313,124	8,076,495	106,699,043.54	457,443,702
Trade and other payables	41,513,708	6,132,019	4,110,767	69,053,552	120,810,047
Total	**257,868,748**	**132,445,143**	**12,187,262**	**69,053,552**	**578,253,748**

As at 31 December 2022					
Insurance contract liability	233,226,781	11,264,779	7,717,759	41,361,809	293,571,128
Trade and other payables	47,210,710	1,085,729	1,105,445	84,975,188	134,377,071
Lease liability	150,198	477,528	300,396	-	928,122
Total	**280,587,689**	**12,828,036**	**9,123,600**	**126,336,997**	**428,876,320**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

	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
2023										
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					68,237,830	68,237,830				-
Other payables					(120,810,047)	(120,810,047)				-
Liability for remaining coverage					158,758,631	158,758,631				
Liability for incurred claims					(457,443,702)	(457,443,702)				-
	549,408,098	**322,081,297**	**154,651,845**		**(351,257,288)**	**674,883,951**	**334,857,060**	**515,402,309**	**21,230,025**	**871,489,394**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Analysis of carrying amounts of financial assets and liabilities per category (continued)

	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
2022										
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	-	-			46,726,818	46,726,818	-	-	-	-
Other payables	-	-	-		(134,377,079)	(134,377,079)	-	-	-	-
Liability for remaining coverage					171,135,509	171,135,509				
Liability for incurred claims	-	-	-		(293,571,129)	(293,571,129)	-	-	-	-
	449,751,488	**698,053,418**	**120,126,715**		**(210,085,881)**	**1,057,845,740**	**754,259,957**	**370,047,984**	**23,496,965**	**1,147,804,906**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. 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).

	Total	Neither past due nor impaired	30 days	60 days	90 days	120 days	Impaired
2023							
Other receivables	**68,237,829**	7,706,016	3,429,337	840,064	1,947,006	54,315,405	(32,338,153)
	68,237,829	**7,706,016**	**3,429,337**	**840,064**	**1,947,006**	**54,315,405**	**(32,338,153)**
2022							
Other receivables	**46,726,818**	2,065,941	-	525	128,059	44,532,293	(12,919,630)
	46,726,818	**2,065,941**	**-**	**525**	**128,059**	**44,532,293**	**(12,919,630)**

28.2.1 Reconciliation of Level 3 fair values

	Financial assets at fair value through profit or loss	
	Equity nvestments	Total
Opening Balance	23,319,101	**23,319,101**
Change in fair value (unrealised/realised)	(2,479,500)	**(2,479,500)**
Purchases	390,424	**390,424**
Closing Balance	21,230,025	**21,230,025**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 (CONTINUED)

29. Fair value estimation (continued)

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

	Net asset value of investee fund (R)	Fair value of Scheme's assets of investment (R)	% of net assets attributable to Sizwe Hosmed
2023			
Prescient Yield Quantplus Fund B	7,335,532,400	128,202,660	1.75%
Razorite	1,304,225,621	21,477,300	1.65%
SIM Property Fund B2			
Sanlam Inst Special Opportunities Fund			
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			
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 094 644. The total value of the cover is R125 000 000.

The following voluntary changes have been made to the accounting policies during the current financial year. The details and impact on these financial statements are detailed below.

The following prior period errors were corrected in the current year. The effect of the error is disclosed below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Sensitivity analysis to underwriting risk variables

The following tables present information on how reasonably possible changes in assumptions made by the company with regard to underwriting risk variables impact product line insurance liabilities and profit or loss and equity before and after risk mitigation by reinsurance contracts held.

	2023			2022 - Restated		
	LIC as at 31 December	Impact on LIC	Impact on equity	LIC as at 31 December	Impact on LIC	Impact on equity
Description						
Insurance contract liabilities	250,609,611			246,856,682		
Reinsurance assets						
Net insurance contract liabilities	**250,609,611**			**246,856,682**		
Unpaid claims and expenses - 10% increase						
Insurance contract liabilities		25,060,961			24,685,668	
Reinsurance assets						
Net insurance contract liabilities		**25,060,961**			**24,685,668**	
Expenses - 10% increase						
Insurance contract liabilities						
Reinsurance assets						
Net insurance contract liabilities		-	-		-	-

The analysis is based on a change in an assumption while holding all other assumptions constant. No changes were made by the Scheme in the methods and assumptions used in preparing the above analysis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. 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:

32.1 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.

32.2 Contravention of Section 35(8) of the Act – Investment in medical scheme 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 above mentioned.

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 Finance and 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Non-compliance with the act (continued)

32.3 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	Net healthcare deficit	Net result
Gold Ascend	21,381	(19,148,688)	(14,219,230)
Titanium	1,938	(8,135,577)	(7,556,627)
Platinum Enhanced	11,826	(125,265,444)	(122,593,963)
Essential Copper	3,781	(46,086,725)	(45,210,790)
Silver Saver	353	(6,388,750)	(6,309,893)
Plus	2,202	(28,114,954)	(27,617,960)
Value	12,936	(151,874,357)	(148,975,441)
Access	3,852	(11,947,092)	(11,138,687)

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. 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.

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

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

Cause of non-compliance
Claims were paid in part and the short payment 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. Non-compliance with the act (continued)

32.5 Contravention of Section 57(4)(d) – Duty to communicate appropriate information to members

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
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. 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.

34. Commitments and other contingent liabilities

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

35. Events after reporting date

35.1 Appointment of Principal Officer

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

35.2 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.


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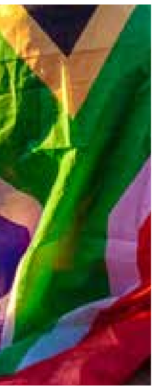

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PROXY FORM

Appointment of a proxy to attend, speak and vote at the Annual General Meeting (AGM) of Sizwe Hosmed Medical Scheme, 24th August 2024 at President Hotel Naval Hill, 1 Union Avenue, Bloemfontein Central, Bloemfontein, 9301 at 10h00.

A member in good standing, entitled to attend and vote at an AGM, is entitled to appoint a proxy to attend, speak and vote on his or her behalf.

The rules of Sizwe Hosmed Medical Scheme specify that the proxy must be another member of Sizwe Hosmed Medical Scheme and must attend the Annual General Meeting.

(as per ID)
I (First name(s)

Surname: Title: Initials:

Membership No.:
being a member of Sizwe Hosmed Medical Scheme, hereby nominate (name in full)

(as per ID)
First Name (s):

Surname: Title: Initials:

Membership No.:
as my proxy to attend, speak and vote in my stead at the AGM of Sizwe Hosmed Medical Scheme, and at any adjournment thereof.

	In Favour	Against	Abstain
1. Adoption of the Minutes of the Annual General Meeting held on 22nd July 2023			
2. Adoption of the 2023 Annual Financial Statements			
3. Confirmation of Appointment of the External Auditor for the ensuing year			
4. Approval of Trustee Remuneration			

Indicate your instructions to the person appointed as your proxy by way of a cross or tick in the space provided above for the resolutions. Important notes are listed below.

This proxy is valid for all matters to be voted on at the AGM

Signature of Member

Signature of Proxy

D D M M Y Y Y Y
Date

D D M M Y Y Y Y
Date

Please ensure that the completed proxy form reaches the Scheme at least 72 hours prior to the AGM
(by close of business on Tuesday, 20th August 2024) by e-mailing the proxy form to agm@sizwe-hosmed.co.za

Also please remember to bring the original copy of the proxy form for verification at the AGM.

No photocopies will be considered.

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