BANKMED

ANNUAL FINANCIAL STATEMENTS

31 December 2023

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2023

The reports and statements set out below comprise the annual financial statements presented to members:

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

1 DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

Bankmed (the Scheme) is a restricted membership medical scheme registered in terms of the Medical Schemes Act No. 131 of 1998 (the Act) and the Regulations thereto, as amended.

1.2 Benefit options within the Scheme

In terms of its rules, the Scheme offered six benefit options during 2023:

Bankmed Essential Plan
Bankmed Basic Plan
Bankmed Core Saver Plan
Bankmed Traditional Plan
Bankmed Comprehensive Plan
Bankmed Plus Plan

1.3 Personal Medical Savings Accounts

In order to provide a facility for members to set funds aside to meet future healthcare costs not covered in the benefit options, the Trustees have made the option of a savings plan available to meet this objective. The savings plan is available on the Bankmed Core Saver Plan, Bankmed Comprehensive Plan and Bankmed Plus Plan.

Unexpended savings amounts are accumulated for the long-term benefit of members and 50% of the interest earned on these funds are allocated to members.

The liability to the members in respect of the Personal Medical Savings Accounts is reflected in the Insurance contract liabilities in the financial statements, repayable in terms of Regulation 10 of the Act.

1.4 Risk transfer arrangements

The Scheme had the following risk transfer agreements in place during 2023:

- Discovery Health (Pty) Ltd - To cover primary healthcare for members on the Bankmed Essential Plan and Bankmed Basic Plan as well as specialised diabetes and cardiometabolic management services to members on all benefit options.
- Centre for Diabetes and Endocrinology (Pty) Ltd - To cover diabetes claims for members on the Bankmed Core Saver Plan, Bankmed Traditional Plan, Bankmed Comprehensive Plan and Bankmed Plus Plan.

2 MANAGEMENT

2.1 Board of Trustees in office during the year under review

The Board of Trustees comprises 12 members constituted as follows:

- Six members are appointed by the three largest employer groups.
- Six members are elected by the members on a rotation basis at the Annual General Meeting. Two of the elected Board members retire at each Annual General Meeting and the vacancies thus created are filled.

Appointed by employer groups

Mr G Betela	Absa Bank Limited
Dr L Rametsi	Absa Bank Limited
Ms F Butler-Emmett (Appointed 20 July 2023)	FirstRand Limited
Ms S Moodley (Resigned 21 June 2023)	FirstRand Limited
Ms L Nkosi	FirstRand Limited
Mr W MacFarlane	The Standard Bank of South Africa Limited
Ms G Noemdoe	The Standard Bank of South Africa Limited

Elected by members

Mr J Cresswell (Chairman)
Mr D Armstrong
Mr DW Bolt
Mr RP Gush (Re-elected 22 June 2023)
Mr D le Grange (Elected 22 June 2023)
Ms D Mantle
Mr EA Schaffrath (End of term 22 June 2023)

The Board of Trustees met six times during 2023 on the following dates:

22 to 24 February 2023 (Annual Strategic Planning Session)
19 April 2023
21 June 2023
20 July 2023
28 September 2023
30 November 2023

2.2 Principal Officer

Mr T Mosomothane
WeWork Rosebank (The Link), 1F
173 Oxford Road
Rosebank
2196

2 MANAGEMENT (continued)

2.3 Registered office address and postal address

WeWork Rosebank (The Link), 1F
173 Oxford Road
Rosebank
2196

Private Bag X2
Rivonia
2128

2.4 Medical scheme administrator

Discovery Health (Pty) Ltd
1 Discovery Place
Sandton
2196

PO Box 786722
Sandton
2146

2.5 Managed care and wellness providers

Discovery Health (Pty) Ltd
1 Discovery Place
Sandton
2196

PO Box 786722
Sandton
2146

MediKredit Integrated Healthcare Solutions (Pty) Ltd
10 Kikuyu Road
Sunninghill
Sandton
2157

PO Box 521058
Saxonwold
2132

2.6 Capitation providers

Discovery Health (Pty) Ltd
1 Discovery Place
Sandton
2196

PO Box 786722
Sandton
2146

Centre for Diabetes and Endocrinology (Pty) Ltd
81 Central Street
Houghton
2198

P.O. Box 2900
Saxonwold
2132

2.7 Investment managers

Ninety One SA (Pty) Ltd
14 Dock Rd, Victoria & Alfred Waterfront
Cape Town
8001

P.O. Box 1655
Cape Town
8000

Taquanta Asset Managers (Pty) Ltd
7th Floor
Newlands Terraces
8 Boundary Road
Newlands
7700

P.O. Box 23540
Claremont
Cape Town
7708

M&G Investment Managers (Pty) Ltd
7th Floor
Protea Place
30 Dreyer Street
Claremont
7735

P.O. Box 44813
Claremont
Cape Town
7708

Allan Gray South Africa (Pty) Ltd
1 Silo Square
V&A Waterfront
Cape Town
8001

P.O. Box 51318
V&A Waterfront
Cape Town
8002

Abax Investments (Pty) Ltd
The Oval
1 Oakdale Road
Newlands
7700

P.O. Box 23851
Claremont
Cape Town
7708

2.8 Investment consultant

Willis Towers Watson
1st Floor
Illovo Edge
1 Harries Road
Illovo
2196

Postnet Suite 154
Private Bag X1
Melrose Arch
2076

2.9 Actuary

NMG Consultants and Actuaries (Pty) Ltd
9th Floor
19 Ameshoff Street
Braamfontein
2001

P.O. Box 3075
Randburg
2194

2.10 External auditor

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090

Private Bag X36
Sunninghill
2157

2.11 Internal auditor

BDO South Africa
Wanderers Office Park
52 Corlett Drive
Illovo
2196

Private Bag X60500
Houghton
2041

2.12 Attorney

Edward Nathan Sonnenbergs Inc.
150 West Street
Sandton
2196

PO Box 783347
Sandton
2146

3 INVESTMENT STRATEGY OF THE SCHEME

The overall objective is that the return on the assets should be such that:

- the highest rate of return is achieved within the determined risk tolerance level;
- assets are broadly selected to obtain real growth relative to the Consumer Price Index (CPI);
- the negative effect of equity volatility is mitigated by diversifying investment holdings over various types of asset classes, and by employing multiple investment managers to administer these holdings; and
- risk mitigation provisions are applied.

This means that the multi-asset portfolios are expected to provide real rates of return over a three-year period at the lowest possible rates of volatility, whilst the money market portfolio aims to ensure capital preservation and will be limited to investing in cash and fixed-interest instruments.

An investment consultant has been appointed to assist with design and implementation of the Investment Policy, appointment, and termination of asset managers, periodic review of each asset manager's performance against an agreed benchmark and assistance with all other investment consulting matters. Professional asset managers have been appointed to manage the assets of the Scheme. The Trustees will not undertake investment decisions in respect of the allocated assets without consulting the professional investment consultant.

The Trustees will not encumber asset managers with restrictions or pre-determinations, other than limitations documented in the Statement of Investment Policy or applicable to the Regulations of the Act. The asset managers will be free to invest assets under their control according to a specified mandate on the understanding that their performance will be assessed according to the benchmarks set by the Scheme.

The Scheme utilises a current account and a liquid money market portfolio to manage its working capital cash requirements. Temporarily unused funds are kept in the higher interest yielding money market portfolio to maximise investment returns. When funds are required for monthly operational purposes, they are transferred to the Scheme's transactional current account.

The Trustees have appointed an Investment Committee to recommend an appropriate Investment Policy, and strategy, to the Board of Trustees, and to oversee the implementation thereof.

4 ENVIRONMENTAL, SOCIAL AND GOVERNANCE INITIATIVES AND MEASURES

The importance of the impact that the operations of an organisation has on Environmental, Social and Governance (ESG) factors, is appreciated by the Scheme. The effect of an organisation's operations on the environment is an ever increasing point of focus, mainly due to the rapidly increasing number of climate change events. Along with this, the impact an organisation has on the social aspects of the community in which it operates, are direct indicators of the long-term sustainability and overall success of the organisation. Bankmed complies with the provisions of the Medical Schemes Act and the Regulations thereto. Bankmed insists on the highest standards of Governance practices within the Scheme, as well as within the Scheme's various service providers.

The Scheme's major sphere of influence on ESG factors is via the investment of its reserves. The Scheme's Investment Committee devotes substantial time to interrogating the Scheme's five investment managers' ESG analysis and assessment methodologies. All of the Scheme's appointed investment managers subscribe to the five principles of the Code of Responsible Investing in the Republic of South Africa, of which the first principle addresses ESG requirements. The investment managers are required to report to the Investment Committee annually on various aspects of their investment performance and processes, one of the aspects being their consideration of an organisation's ESG factors, and any initiatives in this regard that the organisation has adopted.

As mentioned in section 3, part of the Scheme's investment strategy is that the investment managers are mandated to decide which organisations they invest in. The Investment Committee does not dictate asset choice within investment managers' portfolios. The Scheme's investment managers undergo extensive scrutiny and due diligence before being appointed. But once appointed, their expertise in investing is not interfered with. Therefore, the regular analysis of their application of ESG considerations is carried-out instead of instructing the investment managers to invest or disinvest in any particular organisation.

The Scheme has also conducted an official assessment of the Scheme's office carbon footprint, which yielded very favourable results. The Scheme continues to monitor its carbon footprint.

5 REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

5.1 Operational statistics

	Essential Plan		Basic Plan		Core Saver Plan		Traditional Plan		Comprehensive Plan		Plus Plan		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Number of members at year end	5,527	4,696	23,387	22,064	32,960	31,497	11,515	11,542	31,483	33,064	2,701	2,830	107,573	105,693
Number of beneficiaries at year end	7,698	6,569	45,633	42,754	69,338	65,809	25,149	25,388	68,645	71,829	4,807	5,090	221,270	217,439
Average number of members for the year	5,256	4,129	23,126	21,469	32,695	31,066	11,599	11,658	31,788	33,515	2,755	2,892	107,219	104,729
Average number of beneficiaries for the year	7,320	5,782	45,025	41,624	68,540	65,147	25,378	25,762	69,374	73,140	4,927	5,223	220,564	216,678
Dependant-to-member-ratio at year end	0.39	0.40	0.95	0.94	1.10	1.09	1.18	1.20	1.18	1.17	0.78	0.80	1.06	1.06
Pensioner ratio (65 Years +)	0.82%	0.88%	2.20%	2.16%	3.32%	3.23%	11.74%	11.33%	16.56%	15.61%	46.10%	43.85%	8.99%	8.93%
Average age of beneficiaries	28.93	28.64	26.52	26.21	27.30	26.99	36.14	35.67	39.39	38.73	57.00	56.90	32.61	32.48
Avg Insurance revenue per member per month (R)	1,759	1,648	3,023	2,811	3,427	3,177	5,784	5,383	5,612	5,189	8,401	7,816	4,289	4,059
Avg Insurance revenue per beneficiary per month (R)	1,263	1,177	1,553	1,450	1,635	1,515	2,643	2,436	2,572	2,378	4,697	4,328	2,085	1,962
Avg Insurance service expense per member per month (R)	961	914	2,543	2,408	2,854	2,567	6,458	6,022	6,909	6,077	11,262	10,293	4,502	4,190
Avg Insurance service expense per beneficiary per month (R)	690	653	1,306	1,242	1,362	1,224	2,952	2,725	3,166	2,785	6,298	5,699	2,189	2,025
Insurance service expense as a percentage of insurance revenue	54.64%	55.45%	84.13%	85.67%	83.29%	80.80%	111.66%	111.88%	123.10%	117.11%	134.07%	131.68%	104.98%	103.23%
Amounts paid to administrator (R'000)	13,023	9,404	57,304	48,898	74,828	65,469	26,527	24,568	72,739	70,631	6,304	6,095	250,725	225,065
Attributable and non-attributable expenses as a percentage of net contributions	21.4%	20.36%	12.63%	12.11%	10.65%	10.53%	6.37%	6.31%	6.50%	6.54%	4.36%	4.30%	8.62%	8.33%
Liability attributable to future members per member at 31 December (R)													31,072	31,565
Average Healthcare management expense per member per month (R)	124	114	123	114	113	104	116	104	112	104	113	104	116	107
Average Healthcare management expense per beneficiary per month (R)	89	81	63	59	54	50	53	47	51	48	63	58	56	52
Return on investments as per an independent review by the Scheme's investment consultants													9.87%	7.20%

5 REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (continued)

5.2 Results of operations

The financial results of the Scheme are clearly set out in the financial statements accompanying this report.

5.3 Solvency ratio

	2023 R'000	2022 R'000 Restated
Liability attributable to future members per the statement of financial position	3,342,502	3,336,198
Less: Cumulative unrealised net gain on remeasurement of investments to fair value	(261,172)	(227,068)
Accumulated funds per Regulation 29 of the Act	3,081,330	3,109,130
Gross annual contributions	6,290,897	5,833,283
Insurance revenue (Note 4)	5,517,890	5,101,280
PMSA contributions received (Note 4)	773,007	732,003
Accumulated funds ratio	48.98%	53.30%

The Scheme's reserve ratio exceeds the statutory reserve requirement of 25% of gross annual contribution income.

5.4 Provision for outstanding claims

At year-end, a provision is made for those claims outstanding that have been incurred but not yet reported. Movements in this provision is included in the Insurance contract liabilities and are set out in Note 4 to the financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

6 ACTUARIAL SERVICES

The Scheme's actuary has been consulted in determining the contribution increases, the provision for outstanding claims, the risk adjustment and the viability of benefit levels.

7 INVESTMENTS IN PARTICIPATING EMPLOYERS OF MEMBERS OF THE SCHEME

The Scheme holds the following investments in employer groups:

	2023 R'000	2022 R'000
Financial assets at fair value through profit or loss	872,049	782,170
Cash and cash equivalents	529,940	620,182
Total	1,401,989	1,402,352

Refer to Note 13 for detailed disclosure in terms of related parties. The Scheme obtained an exemption from Section 35(8)(a) of the Act and is therefore permitted to hold investments in the participating employers of members.

8 AUDIT COMMITTEE

The Audit Committee (the Committee) operated in accordance with the provisions of the Act. The primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems, IT governance and financial reporting practices. The internal and external auditors formally report to the Committee on significant findings arising from their audit activities.

The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review. At all times the majority of the Committee is independent.

The Committee has adopted a Combined Assurance Model to facilitate a coordinated approach to all assurance activities. The Combined Assurance Model aims to optimise the assurance coverage obtained from Scheme management, auditors, service providers and other assurance providers.

The Committee comprised of:

Mr T Carrim (Independent Chairman)(Appointed 21 June 2023)
Ms F Petersen-Cook (Independent Chairman)(Resigned 6 April 2023)
Ms R Gani (Independent)
Ms F Levy-Hassen (Independent)
Mr B Phillips (Independent)
Mr G Betela (Trustee)
Ms F Butler-Emmett (Trustee)(Appointed 20 July 2023)
Mr EA Schaffrath (Trustee)(End of term 22 June 2023)

The Committee met four times during 2023 on the following dates:

15 February 2023
6 April 2023
2 August 2023
26 October 2023

The Chairman of the Board of Trustees, the Principal Officer, the Finance Executive of the Scheme, the administrator, the internal auditor as well as the external auditor are invited to attend all Audit Committee meetings and have unrestricted access to the Chairman of the Committee. The Chairman of the Audit Committee is also a member of the Risk Management Committee.

9 REMUNERATION COMMITTEE

The Remuneration Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. Membership of the Remuneration Committee comprises four Trustees. The Remuneration Committee meetings are attended by an independent advisor to provide expert advice and guidance to the Committee.

The Committee comprised of:

Mr DW Bolt (Chairman)
Mr D Armstrong (Chairman of the Investment Committee)
Mr J Cresswell (Chairman of the Board of Trustees)
Ms G Noemdoe (Chairman of the Risk Management Committee)

The Committee met three times during 2023 on the following dates:

8 February 2023
6 September 2023
7 November 2023

10 RISK MANAGEMENT COMMITTEE

The Risk Management Committee enabled the Board to oversee the risks against which the Scheme should be protected. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:

Ms G Noemdoe (Chairman)(Trustee)
Mr J Cresswell (Trustee) (Appointed 21 June 2023)
Ms D Mantle (Trustee)
Ms L Nkosi (Trustee)
Dr L Rametsi (Trustee)
Ms F Petersen-Cook (Independent Audit Committee Chairman) (Resigned 6 April 2023)
Mr T Carrim (Independent Audit Committee Chairman) (Appointed 21 June 2023)
Mr T Mosomothane (Principal Officer)
Mr N Coghlan (Executive: Finance and Risk)
Dr N Naidoo (Executive: Clinical and Operations)

The Committee met four times during 2023 on the following dates:

9 March 2023
4 May 2023
25 July 2023
12 October 2023

11 INVESTMENT COMMITTEE

The Investment Committee ensures that the investment process is operated within the parameters of the Scheme's investment strategy. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:

Mr D Armstrong (Chairman)(Trustee)
Mr RP Gush (Trustee)
Mr G Betela (Trustee)
Mr J Cresswell (Trustee) (Appointed 20 July 2023)
Mr EA Schaffrath (Trustee) (End of term 22 June 2023)

The Committee met four times during 2023 on the following dates:

23 March 2023
18 May 2023
4 September 2023
23 November 2023

12 NOMINATIONS COMMITTEE

The Nominations Committee ensures that the process of assessing the suitability of potential trustee candidates is thorough, fair and complete. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:

Mr J Cresswell (Chairman)(Trustee)
Ms S Moodley (Trustee)
Ms G Noemdoe (Trustee)
Mr D Armstrong (Trustee)

The Committee met once during 2023 on the following date:

13 April 2023

13 MEETING ATTENDANCE

The following schedule sets out trustee meeting attendances where column A indicates the total number of meetings that could have been attended and B the actual number of meetings attended.

	Board of Trustees meetings		Remuneration Committee meetings		Audit Committee meetings		Risk Management Committee meetings		Nominations Committee meeting		Investment Committee meetings	
Trustee	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Mr J Cresswell	6	6	3	3	-	-	2	2	1	1	2	2
Mr DW Bolt	6	6	3	3	-	-	-	-	-	-	-	-
Mr D Armstrong	6	6	3	3	-	-	-	-	1	1	4	4
Mr G Betela*	6	5	-	-	4	4	-	-	-	-	4	3
Ms F Butler-Emmett	3	3			2	2					-	-
Mr D le Grange	3	3	-	-	-	-	-	-	-	-	-	-
Mr RP Gush	6	6	-	-	-	-	-	-	-	-	4	4
Ms D Mantle	6	6	-	-	-	-	4	3	-	-	-	-
Mr W MacFarlane	6	6	-	-	-	-	-	-	-	-	-	-
Ms S Moodley	3	3	-	-	-	-	-	-	1	1	-	-
Ms L Nkosi	6	5			-	-	2	2				
Ms G Noemdoe	6	5	3	3	-	-	4	4	1	1	-	-
Dr L Rametsi	6	6	-	-	-	-	4	4	-	-	-	-
Mr EA Schaffrath*	3	3	-	-	2	2	-	-	-	-	2	2

*Attended two External Audit Tender Committee meetings on 2 June 2023 and 9 June 2023.

14 NON-COMPLIANCE MATTERS

14.1 Non-compliance with Section 33(2)(b) and Section 33(2)(c) - Financial performance and soundness of the Bankmed benefit options

Nature and impact

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Traditional Plan, Comprehensive Plan and Plus Plan incurred insurance service result deficits for the year ended 31 December 2023, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

Causes for the failure

The Scheme's benefit design process always includes considerations which look at the Scheme as a whole, needing to provide a full range of benefit options to cater for the target population, and takes into account the Scheme's financial stability and current reserve levels. Similar losses were anticipated in the budget, which were approved by the Council for Medical Schemes (the CMS).

Corrective action

The benefits and contributions proposal approved by the CMS for 2023 included a budgeted loss. As required by the CMS, the Scheme continues to submit monthly management accounts reflecting the performance of the benefit options.

14 NON-COMPLIANCE MATTERS (continued)

14.2 Non-compliance with Section 26(7) – Late payment of contributions

Nature and impact
Contributions due from a number of participating employers were received more than three days after becoming due in certain months during 2023, which is in contravention of Section 26(7) of the Act.

Causes for the failure
Due to internal process delays in some participating employers, the contributions paid on behalf of members were not paid within three days of becoming due. As a result the Scheme is in contravention of Section 26(7) of the Act.

Corrective action
Scheme management continues to engage any employer group that pays late, and appropriate action is taken as and when necessary. Continuous improvement have been instrumental in timeous payment of contributions by employer groups.

14.3 Non-compliance with Section 35(8)(a) – Investments in participating employers

Nature and impact
The Scheme holds investments, via various instruments, with Absa Bank Limited, FirstRand Limited, Landbank SOC Limited and The Standard Bank of South Africa Limited all of who are participating employers of the Scheme. The Scheme also banks with FirstRand Limited and therefore has various current accounts with this participating employer. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

Causes for the failure
As these institutions are major banks, an investment portfolio excluding these participating employers would fail to diversify optimally in the South African investment markets. Funds are therefore invested in various instruments issued by these participating employers. Investments in publicly traded instruments of participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

Corrective action
The Scheme applied to the CMS and received an exemption from this section of the Act. The exemption granted is effective from 7 April 2022 to 7 April 2025.

14 NON-COMPLIANCE MATTERS (continued)

14.4 Non-compliance with Section 35(8)(c) – Investments in any administrator

Nature and impact
The Scheme has investments in other administrators via unitised fund holdings within the Ninety One Absolute Opportunity and M&G Global Real Return portfolios.

Causes for the failure
The Scheme invests in pooled investment products with independent third party asset managers who have full discretionary mandates in terms of asset purchases. All such investment decisions are made by these third party asset managers based on their own investment theses. The Scheme is not involved in this investment decision making process as the asset manager is solely responsible for the asset selection and investment performance of the portfolio.

Corrective action
The Scheme applied to the CMS and received an exemption from this section of the Act. The exemption granted is effective from 1 December 2022 to 30 November 2025.

14.5 Non-compliance with Section 59(2) – Payment of claims within 30 days

Nature and impact
A medical scheme shall, in the case where an account has been rendered, subject to the provisions of the Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.

Causes for the failure
A small number of claims were paid later than 30 days of the date of receipt. Delays occur when accounts are referred for clinical audit or other investigations. These are however exceptions and claims are generally paid within the prescribed time.

Corrective action
The Scheme continuous to comply as far as possible. It is however an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.

14 NON-COMPLIANCE MATTERS (continued)

14.6 Disclosure of personal information

Nature and impact
Regulation 15J(2)(b) requires the Scheme to ensure that there are provisions in place for ensuring confidentiality of clinical and proprietary information, including the diagnosis and treatment pertaining to any beneficiary. Condition 7 of the Protection of Personal Information Act (POPIA) requires that personal information be kept secure against the risk of loss, unauthorised access, interference, modification, destruction or disclosure.

Causes of failure
During the year under review there were incidents where minor amounts of personal information were unintentionally shared, by the Scheme's administrator, with 3rd parties.

Corrective action
These incidents were reported to the Information Registrar as required. Remedial action taken included additional training and the strengthening of control systems.

14.7 Non-compliance with Section 29(1)(o) – Prescribed minimum benefits

Nature and impact
Section 29(1)(o) and Regulation 8 provide the scope and level of minimum benefits that the Scheme must provide to members and dependants.

Causes of failure
During the year under review there were isolated instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits.

Corrective action
These identified claims are reprocessed and paid as far as possible.

15 MEMBERSHIP

The membership of the Scheme increased by 1.78% to 107,573 at the end of 2023 when compared to the total membership at the end of 2022 of 105,693. The Board of Trustees continue to monitor membership movements and the matter is receiving the necessary attention in terms of both risk management and future strategic options. At the end of 2023, the Scheme's average beneficiary age was 32.61 years (2022: 32.48 years). The pensioner ratio increased from 8.93% at the end of 2022 to 8.99% at the end of 2023.

16 BENEFIT OPTIONS

Benefit design is a dynamic process and aimed at fulfilling the needs and healthcare benefit requirements of the Bankmed member and employer base. For this reason, the Scheme offers six benefit options which are reviewed on an on-going basis in terms of affordability, financial viability, membership choice and legislative compliance.

17 SERVICE AND ADMINISTRATION

The Scheme's administration is outsourced to Discovery Health (Pty) Ltd. The Scheme regularly reviews its service level agreements. The Scheme also ensures that effective service delivery and service levels are monitored and evaluated on an on-going basis.

18 FINANCIAL OVERVIEW

The financial position of the Scheme and its robust risk management approach resulted in a reaffirmation of the AA+ rating from the Global Credit Ratings Agency in 2023, indicating its strong ability to pay claims.

18.1 Implementation of new accounting standards

The Scheme implemented the new IFRS17 Insurance contracts accounting standard, effective 1 January 2023, which replaced IFRS4. See Implementation of new standards in the financial statements for more detail.

18.2 Review of financial results

The overall claims for 2023 were 0.51% higher than that budgeted for the year.

Incurred claims expenditure, expressed as a percentage of insurance revenue, was 98.46% for 2023 (2022: 96.71%).

The net surplus for the year (Note 14 to the financial statements) amounted to R6.3m, comparing favourably to the budget deficit of R1.4m for the year. The comparative actual result for 2022 was a surplus of R36.3m.

18.3 Administration expenditure

Administration expenditure (attributable and non-attributable to insurance contracts) remained stable at 5.00% of insurance revenue in 2023 (2022: 4.98%). The overall administration expenditure figure compares favourably with the average administration expenditure of medical schemes (as obtained from the 2022 Council for Medical Scheme (CMS) annual report) in the healthcare industry.

18 FINANCIAL OVERVIEW (continued)

18.4 Investments

The Scheme has a clearly documented Investment Policy and employs the services of independent investment managers in order to manage its various investment portfolios. Net investment income (including fair value gains after deducting asset management fees and finance expenses) during 2023 amounted to R367.9 million, which is 39.72% better than the R263.3 million generated in 2022. The performance of the Scheme's managers was in line with market performance. All of the Scheme's investment managers operate in terms of strict mandates that have been delegated to them by the Board of Trustees, which comply with the requirements of the Act and Regulations, and which are closely monitored.

The Board of Trustees has appointed an Investment Committee that in turn utilises the services of an independent investment consultant with the objective of advising the Board of Trustees regarding the implementation, benchmarking and monitoring of appropriate investment mandates. The investment mandates incorporate strategies which aim to outperform real growth relative to Consumer Price Inflation.

19 COMMUNICATION

Scheme communications continue to be aimed at the education and empowerment of members and elevating the profile of the Bankmed brand in order to retain the current membership and attract new members. Ongoing evaluation of communication tools and channels has ensured continuous improvement of the impact of the marketing and communication messages and strategies.

20 MANAGED CARE

The Scheme constantly reviews the manner in which it mitigates its clinical and financial risks while at the same time ensuring the provision of the highest quality of care to members. The Managed Care programmes will continue to undergo improvement and development in order to cater for the prevailing conditions in the industry, and the interest of the members.

21 ROAD ACCIDENT FUND (RAF) CLAIMS

The Scheme has the right to recover medical expenditure incurred on members who have been involved in motor vehicle accidents (MVAs), from those members, if the value of the medical expenditure is reimbursed by the RAF. Usually a portion of the award to claimant by the RAF is compensating for medical expenditure incurred. Bankmed members, on joining the Scheme, agree to reimburse the Scheme for medical expenses paid by the Scheme, in the event that such expenses are reimbursed by the RAF.

The Scheme has no legal right to these funds until a court order has been issued instructing the RAF to reimburse the member for the medical costs incurred as a result of the MVA. Because of the significant uncertainty as to the outcomes of these claims, the Scheme, from an accounting perspective, can therefore not raise an amount owing, or contingent asset, until such an award is made by the court. As at the 31 December 2023, the Scheme had potential reimbursements of medical expenditure incurred on members involved in MVA’s who had pending claims against the RAF, of R102.7 million.

22 EVENTS AFTER THE REPORTING DATE

There have been no significant events that have occurred subsequent to the end of the accounting period that effect the financial statements, and that the Trustees consider should be brought to the attention of the members of the Scheme.

23 GOING CONCERN

The Trustees have no reason to believe that the Scheme will not be a going concern in the year ahead.

24 VOTE OF APPRECIATION

On behalf of Bankmed the Board would like to express its thanks to:

- All members of Bankmed and their employers.
- Independent members of the Board committees for their support.
- The Executive team and staff for the diligent manner in which they have managed the affairs of the Scheme.
- The Registrar of Medical Schemes and his staff for their co-operation and assistance.
- Our contracted service suppliers, industry associations and healthcare service providers.

25 CONCLUSION

The Scheme is well positioned to meet the current industry challenges, as well as future changes in the legislative framework. The Scheme continues to be financially strong and its products are competitive in terms of pricing, benefits and service levels.

J CRESSWELL	DW BOLT	T MOSOMOTHANE
CHAIRMAN	VICE CHAIRMAN	PRINCIPAL OFFICER
23 April 2024		
DATE		

TRUSTEES' RESPONSIBILITY AND APPROVAL

The Trustees are responsible for the preparation of the financial statements, which fairly present the state of affairs of Bankmed, comprising the statements of financial position and funds and reserves at 31 December 2023, and the statements of comprehensive income and cash flows for the year then ended, and the notes to the financial statements. These include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards, and in the manner required by the Medical Schemes Act of South Africa as amended, and the Regulations thereto. In addition, the Trustees are responsible for preparing the Board of Trustees report and the Statement of Corporate Governance.

The Trustees are responsible for such internal controls as they deem necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The Trustees ensure the use of appropriate accounting policies and prudent judgements and estimates. The Trustees are also responsible for maintaining adequate accounting records and an effective system of risk management.

The Trustees have made an assessment of the ability of the Scheme to continue as a going concern and have no reason to believe that the Scheme will not be a going concern in the year ahead.

The external auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements, as identified in the first paragraph, were approved by the Board of Trustees on 23 April 2024 and are signed on its behalf by:

J CRESSWELL	DW BOLT	T MOSOMOTHANE
CHAIRMAN	VICE CHAIRMAN	PRINCIPAL OFFICER

23 April 2024
DATE

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Bankmed is committed to the principles and practice of responsibility, fairness, transparency, integrity and accountability in all dealings with its stakeholders. The Scheme conducts its affairs according to ethical values, and in compliance with a governance framework based on the principles published by the King Commission.

BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the Scheme. They address a range of key issues and ensure that the discussion of items of policy, strategy and performance are critical, informed and constructive. The performance of third party service providers is monitored against contracted service level agreements. The Trustees have adopted, and maintain, a process of risk identification, assessment and management.

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.

The Board of Trustees has appointed an Audit Committee, a Remuneration Committee, a Risk Management Committee, an Investment Committee and a Nominations Committee to assist it in executing its duties. The performance of the Board of Trustees, and the appointed sub-committees, is assessed annually against agreed upon terms of reference for each committee.

INTERNAL CONTROL

The Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and adequately maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties. The adequacy and effectiveness of the systems are assessed by the Scheme's Internal and External Auditors.

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

J CRESSWELL	DW BOLT	T MOSOMOTHANE
CHAIRMAN	VICE CHAIRMAN	PRINCIPAL OFFICER

23 April 2024
DATE

Independent Auditor's Report

To the Members of Bankmed Medical Scheme

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bankmed Medical Scheme (the Scheme), set out on pages 26 to 83, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended, and notes to the financial statements including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of the liability for incurred claims in relation to insurance contract liabilities Refer to the following disclosure in the financial statement for details: • Note Significant judgements and estimates in Accounting policies section; • Note Insurance contracts scope and grouping in Accounting policies section; and • Note 4 Insurance contract liability. As at 31 December 2023 the Scheme recognised insurance contract liabilities attributable to current members amounting to R 1,232,691,000. The Scheme applied IFRS 17 - *Insurance Contract*	Our audit addressed this key audit matter as follows: We obtained an understanding from the Scheme's actuaries regarding the process followed in calculating the LIC from healthcare events that have occurred but have not yet been reported, which included the design and implementation of controls within the process. We obtained the actual claims data from the member administration system covering the year ended 31 December 2023 used in

Key audit matter	How our audit addressed the key audit matter
Liabilities ("IFRS 17") retrospectively for the first time in the current financial year ended in accounting for its insurance contract liabilities. The Scheme's insurance contract liabilities comprise the liability for remaining coverage (LFRC) and the liability for incurred claims (LIC). In determining the LIC, the Scheme applies significant judgement and estimation uncertainties, due to the Scheme having to determine claims from healthcare events that have occurred but have not yet been reported. The value of the LIC from healthcare events that have occurred but have not yet been reported is the sum of the probability-weighted estimate of the expected future cash flows and the risk adjustment. The LIC reported is calculated by the Scheme's *actuaries* which is reviewed by management and the Audit Committee and recommended to the Board of Trustees for approval. The LIC from healthcare events that have occurred but are not yet reported amounts to R 206,258,000. The most significant assumptions made in the determination of the LIC are: ● the future cash flow projections; and ● the risk adjustment for non-financial risk. *Future cash flow projections* The future cash flow projections comprise estimates of all future claim payments, receivables from third parties as well as the directly attributable expenses arising from the healthcare events within the boundary of the insurance contracts. The Scheme's actuaries use an actuarial model, based on the Scheme's actual claim development patterns throughout the year, to determine the probability-weighted estimate of expected future cash flows. This model applies the Risk-Based Solvency ("RBS") method. *Risk adjustments for non-financial risk* In determining the Scheme's risk adjustment for non-financial risk, the Scheme uses a confidence level technique (value at risk) under IFRS 17. The Scheme's calibrated risk adjustment (using value at risk) is such that the insurance contract liabilities are held to be sufficient at the 90th percentile of the ultimate loss distribution.	calculating the LIC from healthcare events that have occurred but are not yet reported. We assessed the completeness of the claims data on the member administration system by understanding management's controls. We selected a sample of claim transactions from the claim source and agreed these to the member administration system. No material inconsistencies were noted. We substantively tested a sample of claims received by the Scheme in the 31 December 2023 financial year, selected from the member administration system, and evaluated the accuracy of the service and process dates and the validity of the claim against the relevant Scheme rules. No material inconsistencies were noted. We assessed the completeness of the claims data in the Scheme's actuarial model by obtaining an understanding of management's controls and testing the reconciliation between the claims data per the member administration system and the claims data per the actuarial model. No material inconsistencies were noted. To assess the reasonableness of the Scheme actuaries' estimation process, we compared the actual claim results in the current year to the prior year LIC from healthcare events that have occurred but are not yet reported. We noted no matters for further consideration with respect to the estimation process. With the assistance of our internal actuarial experts we independently calculated the Scheme's probability-weighted estimate of future cash flow projections of the LIC from healthcare events that have occurred but are not yet reported, taking into account the claims data tested above. We compared our results with that of the Scheme and did not note any material exceptions. With the assistance of our internal actuarial experts we tested the risk adjustment component of the LIC from healthcare events that have occurred but are not yet reported by performing the following procedures: ● We evaluated the Scheme's methodology relative to the principles of IFRS 17 to assess whether this approach is consistent

Key audit matter	How our audit addressed the key audit matter
We considered the valuation of the LIC from healthcare events that have occurred but have not yet been reported to be a matter of most significance to the current year audit due to the significant judgement and estimation uncertainties in determining the future cash flow projections and the risk adjustments for non-financial risk.	with the principles of the risk adjustment under IFRS 17. The risk adjustment covers non-financial risk relating to insurance contracts and the compensation required by the Scheme in lieu of this risk, with reference to Scheme's risk appetite. We did not identify any matters requiring further consideration; ● We tested the risk adjustment by performing independent calculations using the Scheme's data and taking into consideration the Scheme's risk adjustment methodology. Based on the work we performed, we did not identify any matters requiring further consideration; and ● Based on the output of our independent stochastic models, we assessed whether our independently calculated liabilities are sufficient at the 90th percentile. We noted no matters requiring further consideration. We performed the following procedures to assess the adequacy of the LIC from healthcare events that have occurred but are not yet reported; ● We obtained the actual claims run-off report up to 31 March 2024 from the Scheme's administrator and compared the claims paid post year-end to the LIC from healthcare events that have occurred but are not yet reported at year-end as part of subsequent event procedures. No material inconsistencies were noted. ● For a sample of claims from the claims run-off report, we tested the occurrence and accuracy of the claims as well as the accuracy of the related service dates by agreeing the claims to underlying supporting documents on the policy administration system and we identified no material inconsistencies. ● We inquired from the Scheme's administrator whether there were delays in processing claims at year-end that could possibly impact the claims run-off pattern subsequent to year-end. No such delays were identified. ● We obtained a list of pre-authorisations approved prior to year-end from the administrator. For a sample of

Key audit matter	How our audit addressed the key audit matter
	pre-authorisations with a service date before year-end, we requested the related claim documentation and assessed if the related claim had been included correctly in the claims run-off report up to 31 March 2024. No material inconsistencies were noted.

Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the information included in the document titled "Bankmed Annual Financial Statements 31 December 2023". The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Scheme's Trustees for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.

- Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

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

- **Non-compliance with Section 29(1)(o) c – Prescribed Minimum Benefits not paid in full:** There were instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits. These identified claims are being processed and paid as far as possible.
- **Non-compliance with Section 33(2) – Option self sufficiency:** Certain benefit options were not self-supporting in terms of financial performance.

Audit Tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc. has been the auditor of Bankmed Medical Scheme for five years.

The engagement partner, Linda Pieterse, has been responsible for Bankmed Medical Scheme's audit for five years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Linda Pieterse
Registered Auditor
Johannesburg, South-Africa
31 May 2024

STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

Bankmed
Yours in good health

	Notes	2023 R'000	31 December 2022 R'000 Restated	1 January 2022 R'000 Restated
ASSETS				
Equipment		552	635	881
Financial assets at fair value through profit or loss	1	4,530,321	4,399,738	4,125,703
Financial assets at amortised cost	2	3,039	3,038	2,255
Cash and cash equivalents	3	59,794	102,779	344,312
TOTAL ASSETS		**4,593,706**	**4,506,190**	**4,473,151**
LIABILITIES				
Total insurance contract liabilities		4,575,193	4,490,535	4,457,644
Liability attributable to current members	4.1	1,232,691	1,154,337	1,157,693
Liability attributable to future members	4.2	3,342,502	3,336,198	3,299,951
Financial liabilities at amortised cost	6	13,056	9,473	9,249
Post-retirement medical aid benefit liability		5,457	6,182	6,258
TOTAL LIABILITIES		**4,593,706**	**4,506,190**	**4,473,151**

*Restated for:
1) the implementation of IFRS 17 Insurance Contracts (refer to page 30), and
2) prior period error (refer to page 28)

STATEMENT OF CHANGES IN FUNDS AND RESERVES
as at 31 December 2023

	1 January 2022 R'000
Balance at 1 January 2022 (as previously reported)	3,313,940
Transition restatement (see impact of the adoption of IFRS 17, page 32)	(3,313,940)
Balance at 1 January 2022 (restated)	-

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

Bankmed
Yours in good health

	Notes	2023 R'000	2022 R'000 Restated #
Insurance revenue	7	5,517,890	5,101,280
Insurance service expenses	7	(5,799,178)	(5,302,402)
Net (expense)/income from reinsurance contracts held	7	(4,707)	16,091
Insurance service result		**(285,995)**	**(185,031)**
Interest income from financial assets not measured at fair value through profit or loss	8	6,582	9,947
Investment income from investments held at fair value through profit or loss	8	295,188	246,595
Fair value gains from investments held at fair value through profit or loss	8	114,543	47,575
Net investment income		**416,313**	**304,117**
Finance expenses on Personal Medical Savings Accounts	9	(30,311)	(23,115)
Net insurance finance expenses		**(30,311)**	**(23,115)**
Net insurance and investment result		**100,007**	**95,971**
Asset management fees		(18,068)	(17,656)
Other operating expenses	11	(92,607)	(80,162)
Sundry income	10	10,668	1,847
Net result*		**0**	**0**

*See mutual entity disclosure on page 34
Restated for the implementation of IFRS 17 Insurance Contracts (refer to page 30)

	Notes	2023 R'000	2022 R'000 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from members and providers		6,311,968	5,818,197
Cash receipts from members - contributions	4.1	6,311,160	5,818,197
Cash receipts from members and providers - other		808	-
Cash paid to members and providers		(6,622,215)	(6,071,918)
Cash paid to members and providers - claims and other directly attributable expenses paid	4.1	(6,291,850)	(5,779,255)
Cash paid to providers - non-healthcare expenditure		(274,171)	(238,963)
Cash paid to members - savings plan refunds	4.1	(56,194)	(53,700)
Asset management fees		(18,068)	(17,656)
Dividends received		42,101	59,768
Interest received #		259,368	142,770
Net cash (utilised in)/generated from operating activities		**(26,846)**	**(68,839)**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase)/proceeds on sale of equipment		(100)	32
Purchase of investments		(5,541,388)	(4,936,374)
Proceeds on disposal of investments		5,525,349	4,763,648
Net cash utilised in investing activities		**(16,139)**	**(172,694)**
Net decrease in cash and cash equivalents		**(42,985)**	**(241,533)**
Cash and cash equivalents at beginning of the year #		**102,779**	**344,312**
Cash and cash equivalents at end of the year #		**59,794**	**102,779**

* Certain prior year cash flows have been restated in line with IFRS 17 Insurance contracts. These restatements have not had an impact on the net cash flows in operating activities.

Accrued interest was historically incorrectly accounted for as part of cash and cash equivalents, this was corrected for in the current year. Cash and cash equivalents as at 1 January 2022 was reported as R315,0m. This was restated in the current year to include the accrued interest of R29,3m resulting in Cash and cash equivalents being restated to R344,3m. Cash and cash equivalents as at 31 December 2022 was reported as R68,6m. This was restated in the current year to include the accrued interest of R34,2m resulting in Cash and cash equivalents being restated to R102,8m.

GENERAL INFORMATION

Bankmed (the Scheme) is a medical scheme that offers hospital, chronic illness and day-to-day benefits and is administered by Discovery Health (Pty) Ltd, a wholly owned subsidiary of Discovery Limited, listed in the insurance sector of the Johannesburg Stock Exchange (JSE).

The Scheme is a restricted membership medical scheme registered in terms of the Medical Schemes Act No. 131 of 1998, as amended (the Act), and is domiciled in the Republic of South Africa.

BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with IFRS® Accounting Standards (IFRS) and IFRIC® Interpretations, which are set by the International Accounting Standards Board (IASB). The Financial Statements are also prepared in accordance with the Act, which requires additional disclosures for registered medical schemes.

The accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been applied consistently to all years presented, except for changes required by the mandatory adoption of new and revised IFRS.

The preparation of the Financial Statements in conformity with IFRS® Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies.

The Financial Statements are prepared in accordance with the going concern principle using the historical cost basis except for certain financial assets and liabilities, which include:

- Financial instruments at fair value through profit or loss; and
- Insurance and reinsurance assets and liabilities – measured in terms of IFRS 17.

Due to the short-term nature of the Scheme's financial assets and liabilities, all values are shown as current unless otherwise stated.

All monetary information and figures presented in these Financial Statements are stated in South African Rand thousand (R'000), which is the Scheme's functional currency, unless otherwise indicated.

EVENTS AFTER REPORTING DATE

There have been no significant events that have occurred subsequent to the end of the accounting period that effect the financial statements, and that the Trustees consider should be brought to the attention of the members of the Scheme.

IMPLEMENTATION OF NEW STANDARDS

New standards, amendments and interpretations not yet effective and relevant to the Scheme

The following new standards, amendments and interpretations to the existing standards have been published and are not yet effective for the current financial year. The Scheme has not early adopted them and it is not expected that they will have any material impact on the Scheme's assets, liabilities and results but may result in additional disclosure in the Financial Statements.

IMPLEMENTATION OF NEW STANDARDS (continued)

Standard	Scope	Effective date
Amendments to IAS 1- Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. This amendment has no further impact on the Scheme.	1 January 2024
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	The amendments aim to improve accounting policy disclosures and to help users of the Financial Statements to distinguish changes in accounting policies from changes in accounting estimates. The Scheme discloses the accounting policy for each note as well as the critical judgements and estimates applicable to the individual Financial Statement line items. The standard has no further impact on the Scheme.	1 January 2024
Amendments to IAS21 Lack of Exchangeability (Amendments to IAS21)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. This amendment has no further impact on the Scheme.	1 January 2025

Implementation of IFRS 17 Insurance contracts

Introduction

The effective date of IFRS 17 Insurance Contracts is for reporting periods beginning on or after 1 January 2023. IFRS 17 is mandatory for the Scheme effective from 1 January 2023.

IFRS 17 is a new accounting standard for insurance contracts that provides guidelines on recognising, measuring, presenting, and disclosing insurance contracts. It was introduced by the IASB in May 2017. IFRS 17 replaces the previous standard, IFRS 4 Insurance Contracts, issued in 2005 as an interim standard with limited prescribed changes to pre-existing insurance accounting practices applied by insurers.

IFRS 17 represents a positive step towards enhancing transparency, comparability, and understanding of how insurers earn profits from insurance contracts, namely insurance service results and financial results. The framework established by IFRS 17 outlines the specific requirements that entities must adhere to when reporting information related to both the insurance contracts they issue and the reinsurance contracts they hold. One of the noteworthy distinctions introduced by IFRS 17 pertains to the level of granularity at which insurance contracts are recognised and measured.

IMPLEMENTATION OF NEW STANDARDS (continued)

Implementation of IFRS 17 Insurance contracts (continued)

Introduction (continued)

IFRS 17 is not limited to insurance companies, but also includes those entities that issue any contract that results in the transfer of significant insurance risk. Contracts issued by the Scheme fall within the scope of IFRS 17. These contracts are entirely aligned with those recognised under the previous standard, IFRS 4.

Whilst the underlying contractual terms and economic risks and rewards of each insurance contract remain unaltered, IFRS 17 impacts the accounting treatment of insurance contracts and most notably the timing of recognition of insurance related profits or losses for accounting purposes. Importantly, it also separates the insurance related profit or losses between those arising from insurance service results and those arising from financial results.

Transition to IFRS 17

Upon first-time adoption, IFRS 17 requires the standard to be applied fully retrospectively as if the standard always applied unless impracticable. If impracticable to do so, the entity can elect to either apply a modified retrospective approach or use the fair value approach.

The Scheme has determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued within three years prior to the transition and is in a position to apply a fully retrospective restatement from inception for its groups of insurance contracts issued. The fully retrospective approach requires that the Scheme identify, recognise, and measure groups of insurance contracts as if IFRS 17 had always applied, derecognising any existing balances that would not exist had IFRS 17 always applied and recognise any resulting net difference in the Liability attributable to future members.

The retrospective approach has limited impact on the Scheme, with the most significant impact being applying the treatment under IFRS 17 for mutual entities and a risk adjustment for non-financial risk to insurance cash flows. The purpose of the risk adjustment is to measure the effect of uncertainty in the fulfilment cash flows that arise from insurance contracts, other than uncertainty arising from financial risk.

The Scheme has applied the fully retrospective transition provision in IFRS 17.

Impact of transition to IFRS 17

The Scheme considered its substantive rights and obligations arising from its insurance contracts in applying IFRS 17.

The Scheme does not have any contracts with specified embedded derivatives, however, it does issue contracts which contain Personal Medical Savings Accounts (PMSAs). Under IFRS 4 the criteria for unbundling were met and the PMSAs were unbundled and accounted for as financial instruments.

IMPLEMENTATION OF NEW STANDARDS (continued)

Implementation of IFRS 17 Insurance contracts (continued)

Impact of transition to IFRS 17 (continued)

The condition whereby the investment component (PMSA) can be separated from the insurance component if not highly interrelated is not met and the PMSA cannot be separated from the insurance component. IFRS 17 is therefore applied to the entire contract including the PMSA.

The PMSA is a non-distinct investment component with the balances included in the total Insurance contract liabilities in the Scheme's Statement of financial position.

The net impact of the retrospective application on the Scheme's Statement of financial position is summarised as follows:

	R'000
Accumulated funds as at 31 December 2021 - audited and previously reported	**3,313,940**
IFRS 17 adjustments	
- Adjustment as a result of the risk adjustment for non-financial risk	(10,060)
- Adjustment as a result of the revision to the best estimate liability of claims incurred but not yet reported	(3,929)
Liability for future members as at 31 December 2021	**3,299,951**
Accumulated funds as at 31 December 2022 - audited and previously reported	**3,348,701**
IFRS 17 adjustments	
- Adjustment as a result of the risk adjustment for non-financial risk	(11,100)
- Adjustment as a result of the revision to the best estimate liability of claims incurred but not yet reported	(1,403)
Liability for future members as at 31 December 2022	**3,336,198**

Change in accounting policy due to IFRS 17 implementation

Classification of contribution receivables

The Scheme has accounted for all contribution debtors that relate to insurance services already rendered in the *Liability for remaining coverage* (LRC) at year end (Note 4).

IMPLEMENTATION OF NEW STANDARDS (continued)

Implementation of IFRS 17 Insurance contracts (continued)

Change in accounting policy due to IFRS 17 implementation (continued)

Classification of expenditure/income outstanding at year end that meet the definition of financial liabilities or financial assets

The fulfilment cash flows may include expenditure incurred in accounting standards other than IFRS 17, for example administration fees payable. When administration fees are outstanding, this would meet the definition of a financial liability. Where expenditure/income outstanding at year end meet the definition of financial liabilities or financial assets, the Scheme has an accounting policy choice to either include the payables/receivables in the insurance contract liabilities or to recognise it as a separate IFRS 9 liability/asset such as trade and other payables/receivables. The Scheme has elected to include these payables in the insurance contract liabilities.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the application of the Scheme's accounting policies, which are described below and in the notes, the Board of Trustees is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Following are the significant judgements, apart from those involving estimations (which are dealt with separately below), that have been made in the process of applying the Scheme's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Significant Judgements

Unit of account

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

The above is demonstrated by the following:
- Hospital claims are managed on a scheme level.
- Chronic conditions are managed on a scheme level, i.e. no matter the option the member will have access to the chronic condition management benefit.
- Risk transfer arrangements are based on conditions and not on benefit options.
- Pricing and benefit option changes are determined at a scheme level to manage member migration between different benefit options to ensure each option is sustainable.
- Risk (utilisation and concentration) is managed holistically.

SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Significant Judgements (continued)

Risk adjustments - liability for incurred claims

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. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Scheme's degree of risk aversion. The Scheme estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment was calculated at the portfolio level as the Scheme does not have groups due to laws that constrain the Scheme's ability to set a price for different members. The confidence level method was used to derive the overall risk adjustment for non-financial risk. In the confidence level method, the risk adjustment is determined by applying a confidence level to run-off triangles used to calculate the *Liability for incurred claims* . The confidence level is set at 90%.

The Scheme will present the changes in the risk adjustment for non-financial risk in the insurance service result.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed during the transition to IFRS17.

Risk adjustments - risk transfer arrangements

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Scheme to the reinsurer. The same methodology applies to the risk transfer agreements as for the insurance contracts with regards to the determination of the risk adjustment.

Assessment as to whether the Scheme is a mutual entity

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

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

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

SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Significant Judgements (continued)

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

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

Consequently the Statement of comprehensive income reflects no total comprehensive income for the year as this is now accounted for in the movement in the Liability attributable to future members as included in the insurance service expenses.

Due to the Scheme being a mutual entity, the assessment of onerous contracts is also affected.

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 a scheme should be distributed to the members on liquidation if there are any and if the scheme does not amalgamate with another scheme. Even if the assets are distributed by a regulator or by the policyholders to an independent third party e.g. another medical scheme, an administrator or a charity, the important aspect is that the choice resides with the members or the regulator acting on behalf of the members, not with an equity holder.

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

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

The Scheme 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 profits or losses as part of the Liability attributable to future members (which forms part of the Insurance contract liabilities on the face of the Statement of financial position).

SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Significant estimates

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

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios.

The sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, are detailed in the Insurance Risk Management note in the Financial Statements.

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of the *Liability for incurred claims* of a group of contracts are all the future cash flows within the boundary of the group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Scheme estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Scheme uses information about past events, current conditions and forecasts of future conditions. The Scheme's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing, and probability of cash flows. The probability weighted average of the future cash flows is calculated using a deterministic scenario representing the probability weighted mean of a full range of scenarios.

The uncertainty in the insurance contracts lies in the number, severity and timing of claims.

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

Methods used to measure the insurance contracts

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

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

The chain ladder method involves an analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each period (in the Scheme's case, for the four months post year-end) that is not yet fully developed to produce an estimated ultimate claims cost for each reporting period. The chain ladder method is the most appropriate for this claim pattern.

SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Methods used to measure the insurance contracts (continued)

Run-off triangles are used in situations where it takes time after the treatment date for the full extent of the claims to become known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

The following was taken into account when estimating the *Liability for incurred claims* :
- The homogeneity of the data.
- Changes in pattern of claims.
- Changes in the composition of members and their beneficiaries.
- Changes in benefit limits.
- Changes in the prescribed minimum benefits.

INSURANCE CONTRACTS SCOPE AND GROUPING

Definition and classification

Contracts under which the Scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary are classified as insurance contracts. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Scheme uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant.

Separating components within insurance contracts

Before the Scheme accounts for an insurance contract it analyses whether the contract contains components that should be separated. There are three categories of components that have to be accounted for separately:

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

The Scheme does not have contracts with specified embedded derivatives. Certain of the contracts with members contain a Personal Medical Savings Account (PMSA) component. The PMSA, an investment component, and the insurance component of the insurance contract is highly interrelated.

The PMSA is a non-distinct investment component with the balances included in Insurance contract liabilities in the Statement of financial position. While the cash flows are not recorded in the Statement of comprehensive income, they are considered in assessing onerous contracts.

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Level of aggregation

The level of aggregation has a significant impact on accounting for the insurance contract, including the measurement of insurance contracts and the extent of offsetting or cross subsidisation to determine onerous contracts. A portfolio comprises contracts subject to similar risks and managed together. Once the group of insurance contracts has been established, it becomes the unit of account.

The contracts issued by the Scheme are subject to similar risks and managed together thus falling into the same portfolio with no further disaggregation into groups. The level of aggregation is assessed to be at a Scheme level.

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.

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

- the Scheme has the practical ability to reassess the risks of the portfolio of insurance contracts and set a price or level of benefits that fully reflects the risks of that portfolio; and
- the pricing of contributions related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the member to the Scheme are considered.

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

The Scheme has assessed its portfolio of insurance contracts to have a contract boundary of one year, which coincides with the Scheme's financial year.

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Recognition and derecognition

The group of insurance contracts issued are initially recognised from the earliest of the following:
- the beginning of the coverage period; or
- the date when the first payment from the member is due or actually received, if there is no due date; or
- when the Scheme determines that a group of contracts becomes onerous.

An insurance contract is derecognised when it is:
- extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- if the terms are modified due to an agreement between the Scheme and its member or by regulation and the modification terms meet the requirements in IFRS 17.

If the modification does not comply with all the requirements of IFRS 17, the Scheme shall treat the changes in cash flow as changes in estimates of fulfilment cash flows.

Initial and subsequent measurement

The coverage period of each contract in the Scheme's portfolio of insurance contracts is one year or less. Therefore, the Scheme has made the accounting policy choice to simplify the measurement of its group of contracts using the Premium Allocation Approach (PAA).

For insurance contracts issued, on initial recognition, the Scheme measures the *Liability for remaining coverage* at the amount of contributions received.

The carrying amount of the group of insurance contracts issued at each reporting period is the sum of:
- the *Liability for remaining coverage* decreased by any investment component paid or transferred to the *Liability for incurred claims* ; and
- the *Liability for incurred claims* , comprising the fulfilment cashflows related to past service at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the *Liability for remaining coverage* is:

- increased for contributions received in the period;
- decreased by any investment component paid or transferred to the *Liability for incurred claims* ; and
- decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

For insurance contracts issued at each of the subsequent reporting dates the *Liability for incurred claims* is:
- the probability weighted estimate of the present value of the future cash flows; and
- the risk adjustment for non-financial risk.

Refer to Judgements and Estimates earlier in this note for the significant judgements and estimates used to determine the *Liability for incurred claims* and the estimates to determine the fulfilment cash flow.

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Onerous contract assessment

In the consideration of whether facts and circumstances indicate that a group of insurance contracts is onerous, the Scheme considers whether the expected deficit of the following year exceeds the Liability attributable to future members. In the rare scenario where the following year's deficit exceeds the Liability attributable to future members – the contracts written would be onerous and an onerous contract liability should be raised. Where the amounts attributable to future members exceed the following year's expected deficit the contracts would not be determined as onerous.

Insurance revenue

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

For the group of insurance contracts measured under the PAA, the Scheme recognises insurance revenue based on the passage of time over the coverage period of the group of contracts.

Insurance service expenses

Insurance service expenses include:
- incurred claims and benefits excluding investment components;
- other incurred directly attributable insurance service expenses;
- changes that relate to past service (i.e. changes in the fulfilment cashflows relating to the *Liability for incurred claims*);
- changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components);
- amounts attributable to future members; and
- recoveries from third parties (including reimbursement from the Road Accident Fund).

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

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Other incurred directly attributable insurance service expenses include:

Accredited managed care healthcare services (no risk transfer)

Accredited managed healthcare services (no risk transfer) fees comprise amounts 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. Accredited managed healthcare services are part of healthcare expenditure as they directly impact on the delivery of cost-effective and appropriate healthcare benefits to beneficiaries of the Scheme.

Accredited administration services

Expenses for accredited administration services are paid to the Scheme's administrator.

Cash flows that are not directly attributable to a group of insurance contracts are recognised in other operating expenses as incurred and include the Scheme's operating expenses and other administration services fees paid to the Scheme's administrator.

Insurance interest income and expenses

The non-distinct investment component (PMSA) accrues interest. This is disclosed in the finance expense on Personal Medical Savings Accounts.

Interest payable on members' Personal Medical Savings Accounts is expensed when incurred.

RISK TRANSFER ARRANGEMENTS (REINSURANCE)

Definition

Risk transfer arrangements are contractual arrangements entered into by the Scheme with a provider. The provider is paid a fixed fee per member to cover the risk of the number of incidents that occur during a specified period and the cost of providing the service. Risk transfer arrangements do not reduce the Scheme's primary obligations to its members and their dependents.

Unit of account

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

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Scheme tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

RISK TRANSFER ARRANGEMENTS (REINSURANCE) (continued)

Recognition and derecognition

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

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

Initial and subsequent measurement

The coverage period of each reinsurance contract in the Scheme's group of reinsurance contracts, is one year or less. Therefore the Scheme has made the accounting policy choice to simplify the measurement of it's group of reinsurance contracts using the PAA.

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

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

- the *Liability for remaining coverage* ; and
- the *Liability for incurred claims* , comprising the fulfilment cashflows related to past service allocated to the group at the reporting date.

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

- increased for the reinsurance fees paid in the period; and
- decreased for the amount of reinsurance fees recognised as reinsurance expenses for the services received in the period.

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

Contract boundary

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

The Scheme's reinsurance agreements held have a duration of one year or less.

RISK TRANSFER ARRANGEMENTS (REINSURANCE) (continued)

Net income/(expense) from reinsurance contracts held

The amount that depicts the value the Scheme benefits from entering into a risk transfer arrangement (i.e. the value of services received from the capitation provider).

Reinsurance expenses consist of:
- reinsurance premiums;
- effect of changes in risk of reinsurer non-performance.

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

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

EQUIPMENT

Equipment is measured at cost less accumulated depreciation and impairment losses.

Subsequent expenditure
Subsequent expenditure is capitalised when it is reliably measurable and will result in probable future economic benefits. Expenditure incurred to replace a separate component of an item of equipment is capitalised to the cost of the item and the component replaced is derecognised. All other expenditure is recognised in the Statement of comprehensive income as an expense when incurred.

Disposal or retirement
On disposal or retirement of an item of equipment, any gain or loss, determined as the difference between the net disposal or retirement proceeds and the carrying amount of the asset, is included in the Statement of comprehensive income in the period of disposal or retirement.

Depreciation
Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of equipment that are accounted for separately.

The estimated maximum useful lives of items of equipment are:

Computer equipment	3 years
Office equipment, furniture and fittings	5 years

FINANCIAL INSTRUMENTS

Recognition

The Scheme recognises a financial instrument when, and only when, it becomes a party to the contractual provisions of the instrument. The Scheme classifies its financial instruments into the following categories: financial assets or financial liabilities at fair value through profit or loss, derivatives, and other receivables. Other receivables are receivables other than those arising from insurance contracts and include sundry accounts receivable and interest receivable. Other receivables are disclosed under “Financial assets at amortised cost”.

Classification

The classification depends on the purpose for which the financial instruments are acquired. Management determines the classification of financial instruments at initial recognition. All purchases and sales of financial instruments are recognised on the trade date, which is the date on which the Scheme commits to purchase the financial asset or assume financial liability.

Offsetting financial instruments

This applies where a legally enforceable right to set off exists for recognised financial assets and financial liabilities, and there is an intention and ability to realise the asset and settle the liability simultaneously or to settle on a net basis.

The Scheme will disclose the net asset or liability in the Statement of financial position and on a gross basis in the accompanying notes if the above conditions are met.

Derecognition of financial assets and liabilities

The Scheme derecognises a financial asset or part of a financial asset when:
- The contractual right to the cash flows from the asset expires.
- The Scheme retains the contractual right to receive cash flows of the asset, but assumes the obligation to pay one or more third parties the cash flow without material delay.
- The Scheme transfers the asset, while transferring substantially all the risks and rewards of ownership.
- The Scheme neither transfers the financial asset nor retains significant risk and reward of ownership, but has transferred control of the financial asset.

The Scheme derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

FINANCIAL ASSETS

IFRS 12 Unconsolidated investment structures

The Scheme has determined that 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 do 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.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value, net of transaction costs incurred. After initial recognition the financial liabilities are measured at amortised cost, using the effective interest method. In addition, the Scheme is not permitted to borrow, in terms of Section 35 (6)(c) of the Act. The Scheme therefore has no long-term financial liabilities.

PROVISIONS

The Scheme recognises a provision when the following conditions are met:
- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

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 non-occurrence of one or more uncertain future events not wholly within the control of the Scheme.
- A present obligation that arises from past events but not recognised because:
  - It is not probable that an outflow of resources will be required to settle an obligation.
  - The amount of the obligation cannot be measured with sufficient reliability.

INCOME TAX

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

STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor 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 agreements. A structured entity often has some or all of the following features or attributes:

- Restricted activities;
- 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;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Scheme has determined that some of its investments in pooled funds and in collective investments ("funds") are investments in unconsolidated structured entities. Disclosure of these investments has been made in Note 17 to the Financial Statements. The objectives include achieving medium to long-term capital growth. The investment strategy does not include the use of leverage.

These funds are managed by independent asset managers who 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 "Fair value gains from investments held at fair value through profit or loss".

ALLOCATION OF INCOME AND EXPENDITURE TO BENEFIT PLANS

The following items are directly allocated to benefit plans:

- Insurance revenue;
- Insurance service expense; and
- Finance expenses on Personal Medical Savings Accounts

The risk adjustment for non-financial risk is calculated at Scheme level. The allocation to benefit plans is based on the proportion of each benefit option's share in the provision for outstanding claims in the Insurance Contract Liability.

The following items are apportioned based on the number of members per benefit plan:

- Other operating expenditure;
- Investment income, excluding interest on Personal Medical Savings Accounts;
- Fair value gains from investments held at fair value through profit or loss;
- Sundry income; and
- Asset management fees.

1. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting policy

The Scheme's investment strategy ("business model objective") is determined by means of an allocation across different asset classes and grouping of financial assets into specific portfolios. Independent asset managers manage these portfolios under fully discretionary, active mandates with performance evaluated at portfolio level on a fair value basis. All asset managers are remunerated based on the fair value of the portfolios under management. The business model objective is achieved through the selling of assets per the documented strategy for realisation of gains with the collection of contractual cash flows being incidental to the primary business model objective. The financial assets are managed together and grouped into specific portfolios. Based on the business model objective the financial assets are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recognised at fair value and the transaction costs, if applicable, are expensed in the Statement of comprehensive income.

The fair value of the financial instruments traded in an active market is determined by using quoted market prices or dealer quotes. The fair value of financial instruments not traded in an active market is determined by using valuation techniques that maximise the use of observable market data and rely as little as possible on entity specific estimates.

Gains or losses arising from subsequent changes in fair value are recognised under Investment income in the Statement of comprehensive income within the period in which they arise.

Note

The Scheme's Financial assets at fair value through profit or loss are summarised by measurement classes as follows:

	2023 R'000	2022 R'000
Listed equities	1,224,849	1,288,433
Commodity linked instruments	52,224	60,865
Collective investment schemes	618,020	417,017
Offshore collective investment schemes	118,453	131,568
Money market instruments	305,569	549,226
Bonds	1,509,572	1,319,173
Linked Insurance Policies	701,634	633,456
	4,530,321	**4,399,738**

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

Note	2023 R'000	2022 R'000
Fair value at the beginning of the year	4,399,738	4,125,703
Dividends recapitalised	42,101	58,483
Interest recapitalised	253,088	180,351
Realised gains on disposal	80,439	62,452
Asset management fees	(18,068)	(17,656)
Acquisition of Financial assets at fair value through profit or loss	5,246,200	4,751,273
Proceeds on disposal of Financial assets at fair value through profit or loss	(5,507,281)	(4,745,992)
Net movement on revaluation of Financial assets at fair value through profit or loss	34,104	(14,876)
Fair value at the end of the year	**4,530,321**	**4,399,738**
Current assets	1,592,424	1,546,495
Non-current assets	2,937,897	2,853,243

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

The weighted average effective interest rate on bonds for the year was 9.70% (2022: 4.30%).

2. FINANCIAL ASSETS AT AMORTISED COST

Accounting policy

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those the Scheme intends to sell in the short term.

Receivables are initially recognised at fair value, plus transaction costs. The Scheme holds its other receivables with the objective to collect the contractual cash flows and measures them subsequently at amortised cost using the effective interest method.

Impairment of other receivables

The Scheme applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for other receivables. To measure the expected credit losses, other receivables are grouped based on shared credit risk characteristics and days past due. There are no impairments of other receivables.

2. FINANCIAL ASSETS AT AMORTISED COST (continued)

Note	2023 R'000	2022 R'000
Interest receivable	959	660
Prepayments	1,988	1,681
Sundry accounts receivable	92	697
	3,039	**3,038**

At 31 December 2023, the carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets. Interest is not charged on overdue balances.

3. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents are short-term, highly liquid instruments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

In the Statement of cash flows, cash and cash equivalents comprise:
- Money on call and short notice; and
- Balances with banks.

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing or other purposes and are carried at cost, which, due to their short-term nature, approximates fair value.

Note	2023 R'000	2022 R'000*
Current accounts	4,305	9,871
Cash held in segregated portfolios	55,489	92,908
	59,794	**102,779**

The weighted average effective interest rate earned on cash held in segregated portfolios for the year was 8.10% (2022: 5.20%). The cash held in segregated portfolios have a weighted average maturity of 1 day (2022: 1 day).

The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

*Restated for prior period error (refer to page 28).

4. INSURANCE CONTRACT LIABILITIES

4.1 LIABILITY ATTRIBUTABLE TO CURRENT MEMBERS

Insurance contracts issued	2023 R'000				2022 R'000			
	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC)		Total	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC)		Total
		Present value of future cash	Risk adjustment			Present value of future cash	Risk adjustment	
Net opening balance	**(58,996)**	**1,202,233**	**11,100**	**1,154,337**	**(39,363)**	**1,186,996**	**10,060**	**1,157,693**
Insurance service result	(5,517,890)	5,785,644	7,230	274,984	(5,101,280)	5,265,115	1,040	164,875
Insurance revenue	(5,517,890)	-	-	(5,517,890)	(5,101,280)	-	-	(5,101,280)
Insurance service expense	-	5,785,644	7,230	5,792,874	-	5,265,115	1,040	5,266,155
Incurred claims and directly attributable expenses	-	5,601,770	-	5,601,770	-	5,101,631	-	5,101,631
Changes in fulfilment cash flows relating to the liability for incurred claims - past service	-	(4,054)	(11,100)	(15,154)	-	1,213	(10,060)	(8,847)
Changes in fulfilment cash flows relating to the liability for incurred claims - current service	-	187,928	18,330	206,258	-	162,271	11,100	173,371
Finance income from insurance contracts issued	-	30,311	-	30,311	-	23,115	-	23,115
Total amounts recognised in the Statement of comprehensive income	(5,517,890)	5,815,955	7,230	305,295	(5,101,280)	5,288,230	1,040	187,990
Investment component - PMSA	(777,804)	777,804	-	-	(736,550)	736,550	-	-
PMSA contributions received	(773,007)	773,007	-	-	(732,003)	732,003	-	-
Transfers received from other schemes	(4,797)	4,797	-	-	(4,547)	4,547	-	-
Total movement	**(6,295,694)**	**6,593,759**	**7,230**	**305,295**	**(5,837,830)**	**6,024,780**	**1,040**	**187,990**
Cash flows								
Contributions received	6,311,160	-	-	6,311,160	5,818,197	-	-	5,818,197
Claims, PMSA refunds and other directly attributable expenses paid	-	(6,348,044)	-	(6,348,044)	-	(5,832,955)	-	(5,832,955)
Claims related to recoveries from reinsurance (Note 5)	-	(190,057)	-	(190,057)		(176,588)		(176,588)
Total cash flows	**6,311,160**	**(6,538,101)**	**-**	**(226,941)**	**5,818,197**	**(6,009,543)**	**-**	**(191,346)**
Net closing balance	**(43,530)**	**1,257,891**	**18,330**	**1,232,691**	**(58,996)**	**1,202,233**	**11,100**	**1,154,337**

4. INSURANCE CONTRACT LIABILITIES (continued)

4.1 LIABILITY ATTRIBUTABLE TO CURRENT MEMBERS (continued)

	2023 R'000	2022 R'000
Breakdown of cash flows		
Contributions received	**6,311,160**	**5,818,197**
Risk contributions	5,533,356	5,081,647
PMSA contributions	777,804	736,550
Claims and directly attributable expenses paid	**(6,348,044)**	**(5,832,955)**
Risk claims	(5,185,582)	(4,726,002)
PMSA claims	(723,441)	(708,664)
Expenses	(382,827)	(344,589)
	(6,291,850)	(5,779,255)
PMSA refunds	(56,194)	(53,700)
Included in Insurance contracts liabilities		
Personal Medical Savings Account monies	**959,782**	**931,302**
Balance at the beginning of the year	931,302	934,373
Plus:		
PMSA contributions received	773,007	732,003
Transfers received from other schemes	4,797	4,547
Interest on PMSA monies	30,311	23,115
Less:		
PMSA claims	(723,441)	(708,664)
Refunds on death or resignation	(56,194)	(53,700)
Prescribed balance written off	-	(372)

4.2 LIABILITY ATTRIBUTABLE TO FUTURE MEMBERS

Balance at the beginning of the year	3,336,198	3,299,951
Amounts attributable to future members (Note 7)	6,304	36,247
Balance at the end of the year relating to Liability attributable to future members	**3,342,502**	**3,336,198**
Current liability	13,667	1,400
Non-current liability	3,328,835	3,334,798

5. REINSURANCE CONTRACT ASSETS

	2023 R'000				2022 R'000			
	Remaining coverage component	Incurred claims for contracts under the PAA		Total	Remaining coverage component	Incurred claims for contracts under the PAA		Total
Healthcare Risk – Reinsurance contracts held		Present value of future cash flows	Risk adjustment for non-financial risk			Present value of future cash flows	Risk adjustment for non-financial risk	
Net opening balance	-	-	-	-	-	-	-	-
Net expenses/(income) from reinsurance contracts held	**194,764**	**(190,057)**	**-**	**4,707**	**160,497**	**(176,588)**	**-**	**(16,091)**
Reinsurance expenses	194,764	-	-	194,764	160,497	-	-	160,497
Claims recovered	-	(190,057)	-	(190,057)	-	(176,588)	-	(176,588)
Total amounts recognised in the Statement of comprehensive income	**194,764**	**(190,057)**	**-**	**4,707**	**160,497**	**(176,588)**	**-**	**(16,091)**
Cash flows								
Premiums paid	(194,764)	-	-	(194,764)	(160,497)	-	-	(160,497)
Recoveries from reinsurance*	-	190,057	-	190,057	-	176,588	-	176,588
Total cash flows	**(194,764)**	**190,057**	**-**	**(4,707)**	**(160,497)**	**176,588**	**-**	**16,091**
Net closing balance	-	-	-	-	-	-	-	-

* Recoveries from reinsurance represent the value of the services provided by the risk transfer provider. This represents a non-cash transaction.

6. FINANCIAL LIABILITIES AT AMORTISED COST

Accounting policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Unallocated funds

Unallocated funds arise on the receipt of unidentified deposits in favour of the Scheme. Unallocated funds that have legally prescribed, that is funds older than three years, are written back and included under Sundry income on the face of the Statement of comprehensive income.

A liability for unallocated funds that have not legally prescribed is recognised below. The liability is measured at amortised cost using the effective interest method.

Note

	2023 R'000	2022 R'000
Financial liabilities		
Accruals	12,551	9,170
Unallocated funds	505	303
Total arising from financial liabilities at amortised cost	**13,056**	**9,473**

At 31 December 2023 the carrying amounts of financial liabilities at amortised cost approximate their fair values due to the short-term maturities of these liabilities.

7. INSURANCE REVENUE AND SERVICE EXPENSES

	2023 R'000	2022 R'000
Insurance revenue		
Insurance revenue from contracts measured under the PAA	5,517,890	5,101,280
Insurance service expenses	(5,792,874)	(5,266,155)
Incurred claims	(5,433,178)	(4,933,263)
Third party recoveries	23,131	11,697
Directly attributable expenses	(382,827)	(344,589)
Accredited administration services	(221,956)	(199,240)
Accredited managed healthcare services (no risk transfer)	(148,974)	(134,073)
Other directly attributable expenses	(11,897)	(11,276)
Amounts attributable to future members (Note 4.2)	(6,304)	(36,247)
Insurance service expenses	(5,799,178)	(5,302,402)
Net (expense)/income from reinsurance contracts held	(4,707)	16,091
Reinsurance expense	(194,764)	(160,497)
Reinsurance income	190,057	176,588
Total insurance service result	**(285,995)**	**(185,031)**

7. INSURANCE REVENUE AND SERVICE EXPENSES (continued)

Detail of accredited administration services, accredited managed healthcare services and net (expense)/income from reinsurance contracts held has been provided below:

	2023 R'000	2022 R'000
Accredited administration services		
Member record management	22,889	20,546
Contribution management	20,102	18,045
Claims management	25,325	22,733
Financial management	812	729
Information management and data control	41,046	36,845
Customer services	111,782	100,342
	221,956	**199,240**
Accredited managed healthcare services (no risk transfer)		
Clinical risk management	46,223	41,597
Hospital referrals and pre-authorisations	41,807	37,476
Medical provider network management	38,870	34,844
Pharmacy benefit management	22,074	20,156
	148,974	**134,073**
Net (expense)/income from reinsurance contracts held		
Made up as follows:		
Discovery Health (Pty) Ltd	(9,042)	14,384
Reinsurance expense	(188,117)	(152,103)
Claims recovered	179,075	166,487
Centre for Diabetes and Endocrinology (Pty) Ltd	4,335	1,707
Reinsurance expense	(6,647)	(8,394)
Claims recovered	10,982	10,101
	(4,707)	**16,091**

8. INVESTMENT INCOME

Accounting policy

Investment income comprises dividends and interest received and accrued on Financial assets at fair value through profit or loss and interest on financial assets not measured at fair value through profit or loss.

Interest income is recognised using the effective interest method, taking into account the principal amount outstanding and the effective interest over the period to maturity, when it is determined that such income will accrue to the Scheme.

Dividend income from investments is recognised when the right to receive payment is established - this is on the "last day to trade" for listed shares and on the "date of declaration" for unlisted shares.

Realised gains and losses represent amounts realised when investments at fair value through profit or loss have been derecognised through disposal. Unrealised gains or losses represent changes in fair value of these investments.

Note

	2023 R'000	2022 R'000
Interest income from financial assets not measured at fair value through profit or loss	6,582	9,947
Investment income from investments held at fair value through profit or loss	295,188	246,595
- Dividend revenue from investments at fair value through profit or loss	42,101	58,483
- Interest revenue from investments at fair value through profit or loss	253,087	188,112
Net gains on investments at fair value through profit or loss	114,543	47,575
Net investment income	**416,313**	**304,117**

9. INSURANCE FINANCE EXPENSES

Accounting policy

Interest payable on members' Personal Medical Savings Accounts is expensed when incurred.

Note

Interest allocated on Personal Medical Savings Accounts	(30,311)	(23,115)

10. SUNDRY INCOME

Accounting policy

Amounts due by the Scheme that have legally prescribed, that is funds older than three years, are reversed and included under Sundry income.

Note

Prescribed amounts written back	10,668	1,847

11. OTHER OPERATING EXPENSES

Accounting policy

Other operating expenses are expensed as incurred.

Note

	2023 R'000	2022 R'000
Administration fees	28,769	25,825
Other services		
Internal audit services	3,402	3,054
Marketing services	11,703	10,506
Forensic investigations and recoveries	4,256	3,820
Governance and compliance	672	603
Additional services		
Quality management and monitoring services	3,206	2,878
Advanced data analytics	2,674	2,400
Digital service offering	994	892
Enhanced service offering	532	478
Enterprise risk management services	532	478
Legal services	154	138
Product innovation	644	578
Actuarial fees	3,264	3,391
Association fees	747	694
Communication expenses	11,859	4,955
Consulting fees	2,249	2,514
Depreciation	183	214
External audit fees	1,630	1,284
Fidelity guarantee and professional indemnity insurance premium	239	228
Internal audit fees	844	893
Legal fees	692	824
Levies - Council for Medical Schemes	4,918	4,610
Office lease and other rental charges	892	1,572
Other expenses	8,267	6,556
Principal Officer's remuneration	4,603	4,313
Staff costs	20,450	19,378
Trustee remuneration (note 12)	3,001	2,911
	92,607	**80,162**

12. TRUSTEE REMUNERATION

	Fees for meeting attendance		Fees for attendance of training session		Travel costs		Accommodation costs		Total	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Mr Cresswell, J (Chairman)	387	377	15	17	2	-	16	14	420	408
Mr Bolt, DW (Vice-Chairman)	275	291	21	17	-	-	16	14	312	322
Ms F Butler-Emmett*	76	-	15	-	-	-	-	-	91	-
Mr Armstrong, D	270	285	21	22	4	-	16	14	311	321
Mr Betela, G*	214	180	21	19	-	-	16	14	251	213
Mr le Grange, D	54	-	15	-	1	-	-	-	70	-
Mr Gush, RP	183	196	15	12	-	-	16	-	214	208
Mr Henning, J	-	122	-	6	-	-	-	-	-	128
Ms Mantle, D	173	196	15	17	6	-	16	-	210	213
Mr MacFarlane, W*	140	21	21	-	-	-	16	-	177	21
Ms Moodley, S*	96	154	6	19	-	-	16	14	118	187
Mr Naidoo, N (Nevan)*	-	86	-	-	-	-	-	-	-	86
Ms Nkosi, L*	139	21	15	-	-	-	16	-	170	21
Ms Noemdoe, G*	242	270	15	17	-	-	16	-	273	287
Dr Rametsi, L*	175	185	15	17	-	-	16	14	206	216
Mr Schaffrath, EA	154	243	6	22	2	1	16	14	178	280
	2,578	2,627	216	185	15	1	192	98	3,001	2,911

* Attendance fees are paid to employers

13. RELATED PARTY TRANSACTIONS

The Scheme is governed by the Board of Trustees which is constituted of 12 Trustees, six whom are employer appointed and six being member elected.

Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the non-executive Board of Trustees and the Executive Officers of the Scheme. The disclosure deals with full-time Executive Officers who are compensated on a salary basis, and non-executive Board of Trustees who are compensated on a fee basis.

Close family members include close family members of the Board of Trustees and Executive Officers of the Scheme.

Parties with significant influence over the Scheme

Absa Bank Limited, FirstRand Limited and The Standard Bank of South Africa Limited have significant influence over the Scheme, as they participate in the Scheme's financial and operating policy decisions through representation on the Board of Trustees, but do not control the Scheme.

NMG Consultants and Actuaries (Pty) Ltd has significant influence over the Scheme, as it consults and advises on various strategic issues which guide the Scheme's operations, but does not control the Scheme.

Discovery Health (Pty) Ltd has significant influence over the Scheme, as Discovery Health (Pty) Ltd participates in the Scheme's financial and operating policy decisions, but does not control the Scheme. Discovery Health (Pty) Ltd provides administration and managed care services. The Scheme furthermore has risk transfer arrangements with Discovery Health (Pty) Ltd. As Discovery Health (Pty) Ltd is a related party, its subsidiaries and fellow subsidiaries within the Discovery Ltd group are related parties to the Scheme. Discovery Ltd’s Annual Report provides detail of its group structure.

The Scheme contracted with Discovery Third Party Recovery Services (Pty) Ltd (DTPRS), a wholly-owned subsidiary of Discovery Health (Pty) Ltd, to manage the identification and collection of third party recoveries from the Road Accident Fund.

13. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties

The following provides the total amount in respect of transactions, which have been entered into with related parties for the relevant financial year. All amounts are disclosed as absolute numbers.

Transactions with key management personnel and their close family members which includes Trustees and Executive Officers:

	2023 R'000	2022 R'000
Statement of Comprehensive Income		
Compensation		
Short-term employee benefits	15,281	14,617
Trustee remuneration (note 11)	3,001	2,911
Contributions and claims		
Insurance revenue	1,168	925
Incurred claims	1,153	897
Interest paid on Personal Medical Savings Accounts	3	2
Statement of Financial Position		
Liability attributable to current members (PMSA balances)	88	69

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

Transactions	Nature of transactions and their terms and conditions
Compensation	This constitutes remuneration and consideration paid to Trustees and Executive Officers short-term employee benefits
Insurance revenue	This constitutes the contributions paid by the related party as a member of the Scheme, in their individual capacity. All contributions were on the same terms as applicable to other members.
Incurred claims	This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to other members.
Personal Medical Savings Accounts	The amounts owing to the related parties relate to Personal Medical Savings Account balances to which the parties have a right. In line with the terms applied to other members, the balances earn monthly interest on an accrual basis, at interest rates determined by the Scheme from time to time at its discretion. The amounts are all current and would need to be payable on demand as applicable to other members.

13. RELATED PARTY TRANSACTIONS (continued)

Transactions with entities that have significant influence over the Scheme

	2023 R'000	2022 R'000
Statement of Comprehensive Income		
Actuarial fees	3,264	3,391
Administration fees	250,725	225,065
Road Accident Fund recoveries	3,018	5,605
Risk transfer premiums paid	188,117	152,103
Managed care: management services	141,022	125,338
Statement of Financial Position		
Financial assets at fair value through profit or loss: Participating employers	872,049	782,170
Cash and cash equivalents: Participating employers	529,940	620,182
Liability attributable to current members	28,505	25,612

The terms and conditions of the transactions with entities with significant influence over the Scheme were as follows:

Terms and conditions of the actuarial contract
The actuarial agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Scheme has the right to terminate the agreement on 90 days notice.

Terms and conditions of the administration agreement
The administration agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is reviewed annually and is renewable depending on fee negotiations. The Scheme has the right to terminate the agreement on 6 months notice.

Terms and conditions of the risk transfer agreements
The risk transfer agreements are in accordance with instructions given by the Trustees of the Scheme. The agreements are reviewed annually and are renewable depending on fee negotiations.

Terms and conditions of the managed care agreements
The managed care agreements are in accordance with instructions given by the Trustees of the Scheme. The agreements are reviewed annually and are renewable depending on fee negotiations. The Scheme has the right to terminate the agreement on 6 months notice.

Terms and conditions of investments in participating employers
All investments in participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

14 NET RESULT PER BENEFIT OPTION

2023	Bankmed Essential Plan R'000	Bankmed Basic Plan R'000	Bankmed Core Saver Plan R'000	Bankmed Traditional Plan R'000	Bankmed Comprehen-sive Plan R'000	Bankmed Plus Plan R'000	Consolidated R'000
Insurance revenue	110,949	838,818	1,344,456	805,032	2,140,913	277,722	5,517,890
Insurance service expense	(60,622)	(705,675)	(1,119,840)	(898,909)	(2,635,490)	(372,338)	(5,792,874)
Net (expense)/income from reinsurance contracts held	(264)	(6,002)	28	223	1,229	79	(4,707)
Reinsurance expense	(7,260)	(170,535)	(2,840)	(3,205)	(10,021)	(903)	(194,764)
Reinsurance income	6,996	164,533	2,868	3,428	11,250	982	190,057
Insurance service result before distribution of amounts attributable to future members	50,063	127,141	224,644	(93,654)	(493,348)	(94,537)	(279,691)
Amounts attributable to future members	(66,315)	(195,908)	(308,495)	59,795	416,618	88,001	(6,304)
Insurance service result	(16,252)	(68,767)	(83,851)	(33,859)	(76,730)	(6,536)	(285,995)
Net investment income	21,390	90,509	127,556	44,564	121,841	10,453	416,313
Finance expenses on Personal Medical Savings Accounts	-	-	(13,064)	-	(15,841)	(1,406)	(30,311)
Net insurance and investment result	5,138	21,742	30,641	10,705	29,270	2,511	100,007
Asset management fees	(928)	(3,928)	(5,536)	(1,934)	(5,288)	(454)	(18,068)
Other operating expenses	(4,758)	(20,133)	(28,374)	(9,913)	(27,104)	(2,325)	(92,607)
Sundry income	548	2,319	3,269	1,142	3,122	268	10,668
Net result	-	-	-	-	-	-	-

14 NET RESULT PER BENEFIT OPTION (continued)

2022	Bankmed Essential Plan R'000	Bankmed Basic Plan R'000	Bankmed Core Saver Plan R'000	Bankmed Traditional Plan R'000	Bankmed Comprehen-sive Plan R'000	Bankmed Plus Plan R'000	Consolidated R'000
Insurance revenue	81,679	724,125	1,184,269	753,030	2,086,924	271,253	5,101,280
Insurance service expense	(45,292)	(620,364)	(956,843)	(842,485)	(2,443,972)	(357,198)	(5,266,154)
Net income/(expense) from reinsurance contracts held	537	14,748	103	143	516	44	16,091
Reinsurance expense	(5,370)	(147,087)	(1,030)	(1,426)	(5,141)	(443)	(160,497)
Reinsurance income	5,907	161,835	1,133	1,569	5,657	487	176,588
Insurance service result before distribution of amounts attributable to future members	36,924	118,509	227,529	(89,312)	(356,532)	(85,901)	(148,783)
Amounts attributable to future members	(43,936)	(163,362)	(273,155)	65,270	298,249	80,686	(36,248)
Insurance service result	(7,012)	(44,853)	(45,626)	(24,042)	(58,283)	(5,215)	(185,031)
Net investment income	10,146	63,241	84,314	35,111	102,236	9,069	304,117
Finance expenses on Personal Medical Savings Account	-	-	(9,963)	-	(12,080)	(1,072)	(23,115)
Net insurance and investment result	3,134	18,388	28,725	11,069	31,873	2,782	95,971
Asset management fees	(589)	(3,672)	(4,893)	(2,038)	(5,937)	(527)	(17,656)
Other operating expenses	(2,607)	(15,100)	(24,344)	(9,244)	(26,556)	(2,311)	(80,162)
Sundry income	62	384	512	213	620	56	1,847
Net result	-	-	-	-	-	-	-

15. EVENTS AFTER THE REPORTING PERIOD

There have been no other events that have occurred subsequent to the end of the accounting period that materially effect the Financial Statements, and that the Trustees consider should be brought to the attention of the members of the Scheme.

16. INSURANCE RISK MANAGEMENT REPORT

Nature and extent of risks arising from insurance contracts

The Scheme issues contracts that transfer insurance risk. The primary insurance activity carried out by the Scheme indemnifies covered members and their dependants against the risk of loss arising as a result of the occurrence of a health event, in accordance with the Scheme Rules and legislative requirements.

This note summarises these risks and the way in which they are managed.

Insurance risk

The risk under any insurance contract can be expressed as the probability that an insured event occurs multiplied by the expected amount of the resulting claim. Insurance events are random and therefore the actual number and size of events during any year are unknown and vary from those estimated. The principal risk that the Scheme faces under its insurance contracts is that the actual claim payments exceed the projected amount of the insurance liabilities. This could occur because the frequency and severity of claims are greater than estimated. A larger number of members will result in smaller variability of the actual claims experience relative to expected levels. This is because an adverse experience is diluted by a larger group of members whose claims are stable and thus predictable.

Factors that aggravate insurance risk include unanticipated demographic movements, adverse experience due to an unexpected epidemic, changes in members' disease profiles, unexpected price increases, prevalence of fraud, supplier induced demand and the cost of new technologies or drugs.

The risks that the Scheme faces can be discussed for the different benefits offered. The three main types of benefits offered by the Scheme in return for monthly contributions are indicated below:

Hospital benefits

The hospital benefits cover medical expenses incurred arising from admission to hospital. This includes accommodation, theatre, professional fees, medication, equipment and consumables.

Day-to-day benefits

Day-to-day benefits cover the cost of out-of-hospital healthcare services, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines. The day-to-day benefits include both the Personal Medical Savings Account (PMSA) and an insurance risk element. This includes the Above Threshold Benefit (ATB). The Scheme does not carry risk for PMSA benefits.

16. INSURANCE RISK MANAGEMENT REPORT (continued)

Insurance risk (continued)

Chronic benefits

The Chronic Illness Benefit (CIB) covers approved medication and treatment for up to 44 listed conditions (Plan dependent), including the 27 Prescribed Minimum Benefit (PMB) chronic conditions. These include conditions such as HIV / AIDS, high blood pressure, cholesterol and asthma.

The risks associated to the Scheme with the types of benefits offered to members are addressed below:

Hospital benefit risk

The main factors impacting the frequency and severity of hospital claims are the number of admissions and the cost per event. An increase in the frequency and severity of claims result in an increase in the cost of claims.

An increase in the admission rate is often linked to increases in the number of beneficiaries at older ages or with chronic conditions. The increase in cost per event is driven by annual tariff and other cost increases. An increased cost per event can also be caused by an increased case-mix, severity of admissions and the introduction of new hospital-based technologies.

Day-to-day benefits risk

The frequency and severity of claims are driven by the number and disease burden of claimants. The mix of members between the different benefit options as well as an increase in the number of claims categorised as PMB claims will also have an impact on the claims. The frequency of the ATB claims increases throughout the year as an increased number of members run out of their PMSA.

Chronic benefits risk

The main factors impacting the frequency and severity of chronic claims are the number of claimants and the cost per claimant respectively.

Higher increases in chronic claimants are linked to increases in the number of beneficiaries at older ages. In addition, changes relating to the eligibility for chronic benefits will also impact costs. An increase in the number of items per claimant will drive up the costs of chronic claims per claimant. Increases in the regulated prices for chronic medication, the Single Exit Price, and increases in dispensing fees will also result in an increase in costs per claim. The mix between the various chronic conditions will also have an impact on the frequency and the presence of multiple chronic conditions per person will have an impact on the severity of the claims.

16. INSURANCE RISK MANAGEMENT REPORT (continued)

Risk management

The Scheme has various initiatives that are used to manage the risk associated with claims experience. These include:

- Members have to be referred by a doctor prior to an elective admission.
- All hospital admissions have to be pre-authorised.
- Case managers monitor members with hospital stays that are longer than expected to ensure that members are discharged at appropriate times.
- The work of the Centre for Clinical Excellence, which evaluates the effectiveness of new technologies and recommends whether the Scheme should cover these.
- The development of protocols around various high cost conditions, such as lower back surgery.
- A dedicated unit to focus on reducing surgical consumable spend.
- The profiling of statistically significant outlier doctors on admission rate and generated costs as well as peer reviewing them.
- A Coordinated Care Programme. This is a dedicated unit to ensure direct coordination of care from medical providers to high risk beneficiaries that are exposed to conditions that would generate multiple admissions if not managed.
- An Advanced Illness Benefit Programme dedicated to managing care during the end of life stage for patients who are terminally ill.
- A disease management unit dedicated to managing high risk beneficiaries with complex diseases.
- Alternative reimbursement contracts exist with hospitals to mitigate the risk of additional utilisation above that which is expected for the demographics of the Scheme and severity of admissions.
- The Scheme manages and mitigates the risks associated with chronic illness benefits through an extensive managed care programme, involving detailed drug policy interventions, medicine protocols and benefit rules, all of which comply with the Regulations on Prescribed Minimum Benefits. In addition, the Centre for Clinical Excellence is involved in evaluating the effectiveness of new drugs and recommends whether the Scheme should cover these drugs or not.

Concentration of insurance risk

The Scheme is not subjected to a significant degree of concentration risk due to the various employers being located throughout the country. The Scheme also offers a wide range of benefit plans which meet a variety of members' needs. This results in the Scheme being representative of the medical scheme market and, as such, it experiences limited variability of the outcome.

An annual actuarial valuation is performed, which specifies the contributions to be charged in return for the benefits to be provided given the expected demographic profile of each benefit option.

Reinsurance contracts held

The Scheme has risk transfer agreements in which suppliers are paid to provide certain minimum benefits to Scheme members, as and when it is required by the members. These arrangements are also known as capitation arrangements and fix the cost to the Scheme of providing these benefits.

16. INSURANCE RISK MANAGEMENT REPORT (continued)

Reinsurance contracts held (continued)

The Scheme does, however, remain liable to its members to provide the benefits. If any supplier fails to meet the obligations of the risk transfer arrangement, the Scheme will cover the cost of the benefit.

When selecting a supplier, the Scheme assesses their ability to provide the relevant service. This is to mitigate against the reputational and operational risks that the Scheme faces should a supplier not meet its obligations. The Scheme also monitors the performance of the suppliers, checks the quality of care provided and has access to data on the underlying fee-for-service claims which are included in the arrangement.

Claims development

Detailed claims development tables are not presented as the uncertainty regarding the amount and timing of claim payments are typically resolved within one year and in most cases within three months. At year-end, a provision is made for those claims that have not yet been reported.

The methodology followed in setting the outstanding claims provision is the actuarial methodology of chain ladder estimation. This methodology is the most objective, but the accuracy of the estimate is sensitive to changes in the average time from treatment to payment of claims. For hospital claims in the latest service month, a blend of the chainladder method and another method using the estimated cost per event and pre-authorised admissions is also followed.

The December 2023 probability weighted best estimate of future cash flows for claims incurred but not yet reported and risk adjustment was made in accordance with Advisory Practice Note 304 of the Actuarial Society. In accordance with this practice note, the following factors are considered to determine whether they would have any impact on the LIC provision and risk adjustment estimates:

- The homogeneity of claims data.
- The credibility of claims data.
- Changes in emergence and settlement patterns.
- The impact of seasonality.
- The impact of re-opened or adjusted claims.
- The impact of benefit limits and changes.
- External influences.
- The demographic profile of the Scheme.

Based on the processing patterns and claims development up to the end of December 2023 in respect of treatment dates during 2023, the recommended LIC provision as at December 2023 is R188.0 million (2022: R162.3 million).

The recommended risk adjustment for non-financial risk, the compensation required for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the Scheme fulfils insurance contracts, as at 31 December 2023 is R18.3 million (2022: R11.1 million).

16. INSURANCE RISK MANAGEMENT REPORT (continued)

Claims development (continued)

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

	2023 R'000		2022 R'000	
	LIC as at 31 December	Impact on SOCI*	LIC as at 31 December	Impact on SOCI*
Insurance contract liability	1,232,691	-	1,154,337	-
Change in LIC provision - 10% movement #	-	20,626	-	17,337

*Statement of Comprehensive Income
the impact increases the LIC by the same value

Sensitivity of risk adjustment	2023 R'000	2022 R'000
Risk adjustment with a 90% confidence level - as reported	18,330	11,100
Risk adjustment with a 75% confidence level	8,870	5,520

Liquidity risk

One of the main component of the Scheme's insurance contract liabilities is the outstanding claims provision. These are generally settled in a short period of time, approximately 95% of this provision is settled within three months after the claim was incurred and the balance is expected to be settled within six months. The remaining insurance liabilities are generally settled within 30 days from year-end.

Liquidity risk can also arise when the Scheme's investment mix does not match the nature of the liabilities. However, investments are managed by professional asset managers and finance professionals who ensure that investments, including cash and cash equivalents, are always sufficiently liquid to meet current liabilities while excess reserves are invested to maximise investment return within the scope of the Regulations to the Act.

Assumption risk

The Liability attributable to future members and therefore the Scheme's solvency is sensitive to changes in claims development patterns. Another relevant assumption is medical inflation. Other assumptions that are considered include utilisation trends, the impact of new technology and the expected demographic profile of the Scheme membership.

17. FINANCIAL RISK MANAGEMENT REPORT

Overview

The Scheme is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular the financial risk is that the proceeds, for any reason, from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk include market risk, interest rate risk, credit risk and liquidity risk.

The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligations to its members.

The Board of Trustees has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Scheme manages these risks through various risk management processes. These processes have been developed to ensure that the long-term investment return on assets supporting the insurance liabilities is sufficient to contribute towards funding members' reasonable benefit expectations.

The Scheme manages the financial risks as follows:

- The Investment Committee, a Committee of the Board of Trustees, recommends the Scheme's Investment Policy to the Board of Trustees for approval. The Investment Committee meets at least quarterly and reports back to the Board of Trustees on the matters included in its terms of reference.
- The Scheme has appointed reputable external asset managers to manage its investments and their performance is monitored regularly.
- An external investment consulting company has been appointed to assist in formulating the investment strategy and to provide ongoing reporting and monitoring of the asset managers.
- The Scheme ensures compliance with Regulation 30, Annexure B of the Act.

Market risk

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

The Scheme's insurance liabilities are settled within one year and the Scheme does not discount insurance liabilities. Consequently, changes in market interest rates would not affect the Scheme's net result arising from changes in the insurance liability.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Market risk (continued)

The table below summarised the primary risks affecting the Scheme's financial assets at fair value through profit or loss exposure to market risk.

As at 31 December 2023	Currency risk R'000	Price risk R'000	Interest rate risk R'000	Total R'000
Financial assets at fair value through profit or loss	**118,453**	**1,357,484**	**3,054,384**	**4,530,321**
Listed equities	-	1,224,849	-	1,224,849
Commodity linked instruments	-	52,224	-	52,224
Collective investment schemes	-	-	618,020	618,020
Offshore collective investment schemes	118,453	-	-	118,453
Money market instruments	-	-	305,569	305,569
Bonds	-	-	1,509,572	1,509,572
Linked Insurance Policies	-	80,411	621,223	701,634

As at 31 December 2022	Currency risk R'000	Price risk R'000	Interest rate risk R'000	Total R'000
Financial assets at fair value through profit or loss	**131,568**	**1,455,023**	**2,813,147**	**4,399,738**
Listed equities	-	1,288,433	-	1,288,433
Commodity linked instruments	-	60,865	-	60,865
Collective investment schemes	-	-	417,017	417,017
Offshore collective investment schemes	131,568	-	-	131,568
Money market instruments	-	-	549,226	549,226
Bonds	-	-	1,319,173	1,319,173
Linked Insurance Policies	-	105,725	527,731	633,456

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Market risk (continued)

Currency risk

The Scheme operates in the Republic of South Africa and therefore its cash flows are denominated in South African Rand. In terms of the diversified investment strategy operated by the Investment Committee, the Scheme has offshore investments.

The Scheme is exposed to foreign exchange risk arising from its investment in offshore collective investment schemes denominated in United States of America (US) Dollars.

At 31 December 2023 R118.5 million was invested in offshore collective investment schemes (2022: R131.6 million) which accounted for 2.60% of total investments, including cash and cash equivalents (2022: 2.94%).

The sensitivity of the Rand depreciating against the US Dollar is presented below.

Market risk sensitivity analysis	**2023 R'000**	**2022 R'000**
Financial assets at fair value through profit or loss	4,530,321	4,399,738
Change in Liability attributable to future members due to 20% depreciation in the Rand	34,515	58,592

Price risk

The Scheme is exposed to equity price risk as it invests funds in South African equities, managed by the Scheme's asset managers. The Scheme's equity portfolio is a long-term investment, and the funds invested in this portfolio are not needed in the short or medium-term. This mitigates the risk associated with short-term fluctuations in the equity market. The Scheme has appointed reputable asset managers with good track records in terms of performance.

At 31 December 2023 R1,357.5 million was invested in listed equities (2022: R1,455.0 million) which accounted for 29.81% (2022: 32.56%) of total investments.

The sensitivity of equity prices is presented below.

Price risk sensitivity analysis	**2023 R'000**	**2022 R'000**
Financial assets at fair value through profit or loss	4,530,321	4,399,738
Change in Liability attributable to future members due to 10% decrease in the Johannesburg Stock Exchange All Share Index	138,874	124,522

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Market risk (continued)

Interest rate risk

The Scheme is exposed to interest rate risk as it places funds in short-term investments, money market accounts and bonds. The risk is managed by maintaining an appropriate mix between fixed and floating rate investments within the Scheme's money market investment portfolio as well as additional fixed and call deposit investments.

The Scheme holds 67.07% (2022: 64.49%) of its cash and cash equivalents and Financial assets at fair value through profit or loss in interest bearing instruments. This constitutes a significant portion of the Scheme's investments being exposed to changes in market interest rates, as the majority of the Scheme's interest bearing assets are held at variable rates.

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

	0 - 3 months R'000	> 3 - 12 months R'000	> 12 months R'000	Total R'000
As at 31 December 2023				
Cash and cash equivalents	59,794	-	-	59,794
Financial assets at fair value through profit or loss	1,293,976	99,585	1,660,823	3,054,384
	1,353,770	99,585	1,660,823	3,114,178
As at 31 December 2022				
Cash and cash equivalents	102,779	-	-	102,779
Financial assets at fair value through profit or loss	1,017,305	291,897	1,503,945	2,813,147
	1,120,084	291,897	1,503,945	2,915,926

The sensitivity of interest rate change is presented below.

Interest rate risk sensitivity analysis	2023 R'000	2022 R'000
Cash and cash equivalents	59,794	102,779
Financial assets at fair value through profit or loss	3,054,384	2,813,147
	3,114,178	2,915,926
Change in Liability attributable to future members due to 2% change in prime lending interest rate	147,561	145,314

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Legal risk

Legal risk is the risk that the Scheme will be exposed to contractual obligations which have not been provided for. At 31 December 2023, the Scheme did not consider there to be any significant concentration of legal risk and no provision has been raised.

Investment risk

Investment risk is the risk that the investment returns on accumulated assets will not be sufficient to cover future liabilities.

The Scheme's Investment Committee oversees that the funds are invested in line with the Act.

The investment philosophy is to hold a diversified pool of assets. The assets are selected as being most appropriate given the liquidity and solvency requirements of the Scheme. In contemplating solvency, the return goals of the Scheme, as well as the risk associated with all assets and asset classes are considered. Diversification is across securities, issuers, asset classes, geographic regions as well as managers within asset classes where practical. The Scheme diversifies its investment portfolio by investing in short-term deposits, money market, bonds, listed property and equity portfolios managed by reputable asset managers.

The Investment Committee monitors the performance of the Scheme's asset managers to ensure performance in accordance with the agreed mandates.

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

31 December 2023	Financial assets at fair value through profit or loss R'000	Financial assets at amortised cost R'000	Insurance contract liability R'000	Financial liabilities at amortised cost R'000
Investments	4,530,321	-	-	-
Financial assets at amortised cost		3,039		
Cash and cash equivalents	-	59,794	-	-
Liability attributable to current members	-	-	(1,232,691)	-
Liability attributable to future members	-	-	(3,342,502)	-
Financial liabilities at amortised cost	-	-	-	(13,056)
	4,530,321	**62,833**	**(4,575,193)**	**(13,056)**

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Investment risk (continued)

31 December 2022	Financial assets at fair value through profit or loss R'000	Financial assets at amortised cost R'000	Insurance contract liability R'000	Financial liabilities at amortised cost R'000
Investments	4,399,738	-	-	-
Financial assets at amortised cost		3,038		
Cash and cash equivalents	-	102,779	-	-
Liability attributable to current members	-	-	(1,154,337)	-
Liability attributable to future members	-	-	(3,336,198)	-
Financial liabilities at amortised cost				(9,473)
	4,399,738	**105,817**	**(4,490,535)**	**(9,473)**

Credit risk

Credit risk is the risk of financial loss resulting from a counterparty's failure to meet their contractual obligations. The Scheme does not have significant credit risk arising from reinsurance contract assets or insurance assets. The capitation agreements are used to manage insurance risk. This does not, however, discharge the Scheme's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Scheme remains liable for the payment to the member. Exposures to individual members are managed by adhering to the requirements of Section 26(7) of the MSA i.e actively pursuing all contributions not received within three days of becoming due, suspending benefits for all members where contributions have not been received for 30 days and terminating benefits for all all members where contributions have not been received for 60 days. The credit risk is taken into account when the expected contribution is calculated.

Key areas where the Scheme is exposed to credit risk are:

- Insurance contract assets and other receivables. The main components of insurance contract assets are in respect of contributions due from members and amounts recoverable from members and suppliers in respect of claims debt. The Scheme has limited exposure from its Financial assets at amortised cost;
- Financial assets are valued at fair value through profit or loss. These assets comprise bond instruments, commodities, equities, collective investment schemes, policies of insurance and money market instruments. The Scheme is exposed to the issuer's credit standing on these instruments. Exposure to credit risk is monitored and minimum credit ratings for these investments are set. Reputable asset managers have been appointed to manage these instruments; and
- Cash and cash equivalents comprise of fixed deposits, deposits held on call with banks and other short-term liquid investments. The risks associated with these deposits are managed by monitoring the Scheme's exposure to external financial institutions against approved deposit limits per institution.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Credit risk (continued)

Exposure to credit risk

The carrying amount of Insurance contract assets, as included in the Insurance contract liabilities, and Financial assets at amortised cost represents the maximum credit exposure.

The Scheme ages and pursues unpaid accounts in terms of the Scheme's approved debt policy. The tables below highlight Insurance contract assets which are due, past due (by number of days) and are used to project the insurance contract cash flows that are not recoverable.

	2023 R'000	2022 R'000
Insurance contract asset		
Not past due	43,887	56,762
Past due 0 - 30 days	792	1,817
Past due 31 - 60 days	924	1,066
Past due 61 - 150 days	1,938	1,681
151 days to more than 1 year	32,857	16,609
	80,398	**77,935**

Credit quality

The credit quality of insurance contract assets as presented above can be assessed by reference to historical information about counterparty default.

Contributions debtors
The Scheme collects over 98% of outstanding contributions in the month following the contributions being due. Therefore, we can establish that the credit quality of contribution debtors is high and no additional disclosure of the credit quality is provided.

Withdrawn member claims debtors
These amounts are due from members that have withdrawn from the Scheme. The Scheme estimates that 91% (2022: 88%) of these receivables are not recoverable. This has been taken into account in the insurance contracts fulfilment cash flows.

Service provider claims debtors
These debtors are the healthcare providers of the Scheme. The amounts due to the Scheme are offset against future payments to be made to these providers. This has been taken into account in the insurance contracts fulfilment cash flows.

Forensic receivables
This debt arose due to forensic investigations and claims reversals as a result thereof.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Credit risk (continued)

Financial assets held at fair value through profit or loss and cash and cash equivalents

The Scheme manages credit risk on its investment portfolios through the appointment of reputable and appropriate asset managers, extensive diversification and ongoing monitoring and management of credit risk exposures and portfolio holdings.

At 31 December 2023 and 2022, the Scheme only held instruments subject to credit risk with credit ratings between AAA and BBB+ (Standard and Poor's or equivalent).

These investments are included in Financial assets at fair value through profit or loss in the Statement of financial position and no other material risks relating to these investments have been identified other than those already disclosed.

Cash and cash equivalents are only placed with reputable financial institutions with a high credit quality. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution.

Unconsolidated investment structures

The Scheme has involvement with investment funds in which it invests but it does not consolidate. The investment funds meet the definition of structured entities because:

- The voting rights in the funds are not dominant rights in deciding who controls them because they relate to the administrative tasks only;
- each fund's activities are restricted by prospectus; and
- the funds have narrow and well-defined objectives to provide investment opportunities.

The asset managers invest the Scheme's monies in reputable funds which generate returns for the Scheme. The Scheme views these funds as unconsolidated structured entities. The Scheme monitors the performance of the funds closely to ensure the Scheme earns high returns without unnecessary exposure to risk.

The Scheme has investments in certain pooled portfolios and collective investment schemes (the Funds) as listed in the table below. The exposure the Scheme has to these Funds is also listed in the table. The Scheme’s maximum exposure is limited to the total fair value of its investments in the Funds.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Credit risk (continued)

Unconsolidated investment structures (continued)

	2023		2022	
Fund	Fair value of fund assets held R'000	% Fund exposure attributable to Scheme	Fair value of fund assets held R'000	% Fund exposure attributable to Scheme
Abax SA Income Prescient Fund	8,627	2.67%	22,446	9.25%
M&G Corporate Bond Fund	16,325	0.29%	16,882	0.29%
M&G Global Fixed Income Fund	88,543	6.89%	75,964	6.69%
M&G High Interest Fund	39,106	0.28%	17,251	0.16%
Nedgroup Investments Core Income Fund Class C1	96	0.00%	502	0.00%
Nedgroup Investments Money Market Fund Class C1	36,205	0.14%	8,353	0.04%
Nedgroup Investments Money Market Fund Class C4	407,374	1.53%	248,874	1.14%
Nedgroup Structured Life Enhanced Income Fund	701,634	8.71%	633,456	9.06%
Ninety One GSF US Dollar Money Fund D USD	29,910	0.02%	55,604	0.27%
Ninety One Internal Money Market Fund	86,296	1.98%	80,762	2.28%
Ninety One Stefi Plus Fund Z	23,992	0.19%	21,947	0.22%

Liquidity risk

Liquidity risk is the risk that the Scheme will not have sufficient liquid funds available to settle financial obligations as they fall due.

The Scheme's approach to managing liquidity is to ensure, with significant conservative margin, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation. In order to meet the objectives of enhancing returns while also providing high liquidity, the combined Scheme portfolios have explicit constraints that guarantee liquidity of at least 20% of the Scheme's assets within a period of one week.

The Scheme has complied with the requirements regarding the nature and categories of assets as prescribed by Section 35 and Regulation 30 of the Act.

Members of the Scheme are required to submit their claims within 4 months of the service date.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Liquidity risk (continued)

An expected maturity analysis for all liabilities is provided below:

31 December 2023	Up to 1 month R'000	>1 - 12 months R'000	> 12 months R'000	Total R'000
Liabilities	137,526	1,122,113	3,334,067	**4,593,706**
Post-retirement medical aid benefit liability	75	150	5,232	**5,457**
Liability attributable to current members	122,811	1,109,880	-	**1,232,691**
Liability attributable to future members	1,584	12,083	3,328,835	**3,342,502**
Financial liabilities at amortised cost	13,056	-	-	**13,056**

31 December 2022	Up to 1 month R'000	>1 - 12 months R'000	> 12 months R'000	Total R'000
Liabilities	248,124	917,341	3,340,725	**4,506,190**
Post-retirement medical aid benefit liability	85	170	5,927	**6,182**
Liability attributable to current members	238,566	915,771	-	**1,154,337**
Liability attributable to future members	-	1,400	3,334,798	**3,336,198**
Financial liabilities at amortised cost	9,473	-	-	**9,473**

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Fair value estimation

Financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Scheme is the current closing price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

The carrying value of Financial assets at amortised cost are assumed to approximate their fair values due to their short-term nature.

Valuation of financial instruments by hierarchy level

The Scheme measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1:
Quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and normally obtainable from multiple sources.

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

Level 3:
Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between instruments.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Fair value estimation (continued)

2023	Level 1 R'000	Level 2 R'000	Total R'000
Investments at fair value through profit or loss			
Listed equities	1,224,849	-	**1,224,849**
Commodity linked instruments	52,224	-	**52,224**
Collective investment schemes	-	618,020	**618,020**
Offshore collective investment schemes	-	118,453	**118,453**
Money market instruments	-	305,569	**305,569**
Bonds	1,509,572	-	**1,509,572**
Linked Insurance Policies	-	701,634	**701,634**
	2,786,645	1,743,676	**4,530,321**

2022	Level 1 R'000	Level 2 R'000	Total R'000
Investments at fair value through profit or loss			
Listed equities	1,288,433	-	**1,288,433**
Commodity linked instruments	60,865	-	**60,865**
Collective investment schemes	-	417,017	**417,017**
Offshore collective investment schemes	-	131,568	**131,568**
Money market instruments	-	549,226	**549,226**
Bonds	1,319,173	-	**1,319,173**
Linked Insurance Policies	-	633,456	**633,456**
	2,668,471	1,731,267	**4,399,738**

Capital risk management

Capital adequacy risk is the risk that there may be insufficient reserves to provide for adverse variations on actual or expected future experience.

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

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Capital risk management (continued)

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

	2023 R'000	2022 R'000 Restated
Liability attributable to future members per the statement of financial position	3,342,502	3,336,198
Less: cumulative unrealised net gain on remeasurement of investments to fair value	(261,172)	(227,068)
Accumulated funds per Regulation 29 of the Act	3,081,330	3,109,130
Gross annual contributions	6,290,897	5,833,283
Insurance revenue (Note 4)	5,517,890	5,101,280
PMSA contributions received (Note 4)	773,007	732,003
Solvency margin	48.98%	53.30%

The accumulated funds ratio above compares favourably to the minimum prescribed accumulated funds ratio of 25%.

18. NON-COMPLIANCE MATTERS

Circular 11 of 2006 (the Circular) issued by the CMS deals with issues to be addressed in the audited Financial Statements of medical schemes. This includes the requirement that all instances of non-compliance be disclosed in the audited financial statements, irrespective of whether the auditor considers them to be material or not.

During 2023, the Scheme did not comply with the following Sections and Regulations of the Act.

Non-compliance with Section 33(2)(b) and Section 33(2)(c) - Financial performance and soundness of the Bankmed benefit options

Nature and impact
In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Traditional Plan, Comprehensive Plan and Plus Plan incurred insurance service result deficits for the year ended 31 December 2023, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

Causes of failure
The Scheme's benefit design process always includes considerations which look at the Scheme as a whole, needing to provide a full range of benefit options to cater for the target population, and takes into account the Scheme's financial stability and current reserve levels. Similar losses were anticipated in the budget, which were approved by the Council for Medical Schemes (the CMS).

Corrective action
The benefits and contributions proposal approved by the CMS for 2023 included a budgeted loss. As required by the CMS, the Scheme continues to submit monthly management accounts reflecting the performance of the benefit options.

18. NON-COMPLIANCE MATTERS (continued)

Non-compliance with Section 26(7) – Late payment of contributions

Nature and impact
Contributions due from a number of participating employers were received more than three days after becoming due in certain months during 2023, which is in contravention of Section 26(7) of the Act.

Causes of failure
Due to internal process delays in some participating employers, the contributions paid on behalf of members were not paid within three days of becoming due. As a result the Scheme is in contravention of Section 26(7) of the Act.

Corrective action
Scheme management continues to engage any employer group that pays late, and appropriate action is taken as and when necessary. Continuous improvement have been instrumental in timeous payment of contributions by employer groups.

Non-compliance with Section 35(8)(a) – Investments in participating employers

Nature and impact
The Scheme holds investments, via various instruments, with Absa Bank Limited, FirstRand Limited, Landbank SOC Limited and The Standard Bank of South Africa Limited all of who are participating employers of the Scheme. The Scheme also banks with FirstRand Limited and therefore has various current accounts with this participating employer. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

Causes of failure
As these institutions are major banks, an investment portfolio excluding these participating employers would fail to diversify optimally in the South African investment markets. Funds are therefore invested in various instruments issued by these participating employers. Investments in publicly traded instruments of participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

Corrective action
The Scheme applied to the CMS and received an exemption from this section of the Act. The exemption granted is effective from 7 April 2022 to 7 April 2025.

18. NON-COMPLIANCE MATTERS (continued)

Non-compliance with Section 35(8)(c) – Investments in any administrator

Nature and impact
The Scheme has investments in other administrators via unitised fund holdings within the Ninety One Absolute Opportunity and M&G Global Real Return portfolios.

Causes of failure
The Scheme invests in pooled investment products with independent third party asset managers who have full discretionary mandates in terms of asset purchases. All such investment decisions are made by these third party asset managers based on their own investment theses. The Scheme is not involved in this investment decision making process as the asset manager is solely responsible for the asset selection and investment performance of the portfolio.

Corrective action
The Scheme applied to the CMS and received an exemption from this section of the Act. The exemption granted is effective from 1 December 2022 to 30 November 2025.

Non-compliance with Section 59(2) – Payment of claims within 30 days

Nature and impact
A medical scheme shall, in the case where an account has been rendered, subject to the provisions of the Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.

Causes of failure
A small number of claims were paid later than 30 days of the date of receipt. Delays occur when accounts are referred for clinical audit or other investigations. These are however exceptions and claims are generally paid within the prescribed time.

Corrective action
The Scheme continuous to comply as far as possible. It is however an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.

18. NON-COMPLIANCE MATTERS (continued)

Disclosure of personal information

Nature and impact
Regulation 15J(2)(b) requires the Scheme to ensure that there are provisions in place for ensuring confidentiality of clinical and proprietary information, including the diagnosis and treatment pertaining to any beneficiary. Condition 7 of the Protection of Personal Information Act (POPIA) requires that personal information be kept secure against the risk of loss, unauthorised access, interference, modification, destruction or disclosure.

Causes of failure
During the year under review there were incidents where minor amounts of personal information were unintentionally shared, by the Scheme's administrator, with 3rd parties.

Corrective action
These incidents were reported to the Information Registrar as required. Remedial action taken included additional training and the strengthening of control systems.

Non-compliance with Section 29(1)(o) – Prescribed minimum benefits

Nature and impact
Section 29(1)(o) and Regulation 8 provide the scope and level of minimum benefits that the Scheme must provide to members and dependants.

Causes of failure
During the year under review there were isolated instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits.

Corrective action
These identified claims are reprocessed and paid as far as possible.