ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

ALLIANCE-MIDMED MEDICAL SCHEME

CONTENT

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

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Board of Trustees ("Board" or "Trustees") is responsible for the preparation, integrity, and fair presentation of the annual financial statements of Alliance-Midmed Medical Scheme ("the Scheme"). The annual financial statements presented on pages 11 to 28 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Medical Schemes Act 131 of 1998, as amended ("the Act") and include amounts based on judgements and estimates.

The Board is satisfied that the information contained in the annual financial statements fairly presents the results of operations and cash flows for the year and the financial position of the Scheme at year-end. The Board also prepared the additional information included in the Board of Trustees annual report and are responsible for both its accuracy and its consistency with the annual financial statements.

The Scheme operates in a well-documented control environment with established policies and procedures to enhance oversight, including reviews that incorporate risk management and internal control procedures, which are designed to provide reasonable, but not absolute assurance that assets are safeguarded and the risks facing the Scheme are controlled. No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the key internal controls and systems during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. The Council for Medical Schemes (CMS) announced In 2017 that it intends to consolidate smaller schemes into bigger risk pools to align with the longer-term funding objectives of the National Health Insurance (NHI) Scheme. This initiative Is, however, likely to face delays and challenges before it becomes a reality, and there is no indication that the Scheme will cease to exist in the short to medium term. Accordingly, the Board has no reason to believe that the Scheme will not be a going concern for the foreseeable future based on these annual financial statements, forecasts, and available cash resources.

The Board continues to develop its comprehensive risk policy and matrix to navigate risks and volatility. The risk policy document forms the basis for the Board's responses to risks and exposures. The Board, at its annual strategy meeting, also considers compliance and the scope of the Audit, Risk and Compliance Committee (ARCC), where required.

During 2022 the Scheme was exposed to a loss arising from a phishing email breach as described in note 9 of the Board of Trustees report.

For the period under review, the Scheme has paid a penalty to SARS for regulatory contravention as per note 9 of the Board of Trustees report.

During 2019 the role of the Audit Committee was expanded to include risk and compliance. Its scope broadened from the prescribed mandate and the Scheme's registered rules, constituted in accordance with the provisions of the Act.

Ransome Russouw Inc. was appointed as external auditor for the period under review.

The Scheme is committed to the principles and practice of fairness, openness, integrity, and accountability in all dealings with its stakeholders. The Scheme subscribes to the highest standards of governance, following relevant frameworks such as King IV wherever applicable. The Scheme's external auditors have audited the financial statements in terms of International Standards on Auditing and their report is presented on pages 7 - 10.

There were no requests for Scheme information under the Promotion of Access to Information Act 2 of 2000.

The Board is committed to, as far as it is practically possible, adhere to non-binding rules, codes, and standards.

The Board meet regularly and monitor the performance of the Scheme and its service providers. The Board addresses a range of key issues and ensure that discussions on items of policy, strategy and performance is critical, informed, and constructive.

Member Representative Trustees are elected every three years and comprise 50% of the Board. During 2021, elections were held, and new Board members appointed. Board members receive extensive training, and all have access to the advice and services of the Principal Officer and, in compliance with Scheme policies, may seek independent, professional advice at the expense of the Scheme.

The Board adheres to a gifts policy and manages potential conflicts of interest through voluntary disclosures and periodic legal checks. Board members are also members of the Scheme. Their contributions and claims are reported and managed at arms-length as for members.

The Board holds an Annual General Meeting, compliant with the notification, agenda, content, and disclosure requirements, in terms of its Rules and as specified by the Regulator.

The Board embarked on a compliance project to comply substantially with the good governance requirements contained in the King III Report and then the King IV Report by 2025.

To improve compliance to a level acceptable to the Board and to maintain a service-focused and member-centric responsive medical scheme, the Board commenced self-administration on 1 January 2020. Self-administration will enable the Board to maintain a lower cost structure and enhance our focused management of access to quality healthcare services.

The Annual Financial Statements were approved by the Board of Trustees on 2 May 2023 and are signed on its behalf by:

SD Muller	J Nell	JH Hartzenberg
Chairperson	**Trustee**	**Principal Officer**

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1 TERMS OF REGISTRATION

Alliance-Midmed Medical Scheme ("the Scheme") is a non-profit restricted membership medical scheme registered in terms of the Medical Schemes Act 131 of 1998, as amended ("the Act"). Its membership is restricted to employees and retirees who work / worked for Columbus Stainless (Pty) Ltd and associate companies.

1.2 BENEFIT OPTIONS WITHIN ALLIANCE-MIDMED MEDICAL SCHEME

The Scheme offers one benefit option.

1.3 PERSONAL MEDICAL SAVINGS ACCOUNT (PMSA)

The Scheme offers a 5% (2020: 5%) member savings account and pays for the majority of benefits through the Major Risk Pool (MRP).

The PMSA forms part of the Scheme assets, but unexpended savings amounts are accumulated for the benefit of the member.
No interest accrues to positive savings balances.

In terms of the Regulations of the Act and the Rules of the Scheme, the PMSA is underwritten by the Scheme.

2. MANAGEMENT

2.1 BOARD OF TRUSTEES IN OFFICE DURING THE YEAR UNDER REVIEW AND AT THE DATE OF THIS REPORT:

SD Muller	Trustee / Chairperson	(Member Elected Trustee)	Re-elected 1 September 2021
FJ Mabhena	Trustee	(Employer Representative Trustee)	Re-appointed 1 September 2021
JC van Coller	Trustee	(Employer Representative Trustee)	Re-appointed 1 September 2021
DP Martin	Trustee	(Member Elected Trustee)	Re-elected 1 September 2021
EC Jordaan	Trustee	(Member Elected Trustee)	Elected 1 September 2021
J Nell	Trustee	(Employer Representative Trustee)	Appointed 1 September 2021
N Harris	Alternate Trustee	(Alternate Trustee)	Re-elected 1 September 2021
JJ Tharakan	Alternate Trustee	(Alternate Trustee)	Re-elected 1 September 2021
M Siyaya	Alternate Trustee	(Alternate Trustee)	Resigned 31 August 2022

The Trustees took office on 1 September 2021. Three Trustees are appointed, and three Trustees are elected. Three Co-opted Trustees are invited to attend the Board meetings to ensure continuity should Trustees become unavailable to perform their duties or resign.

Board elections are performed according to the Scheme policy, with the objective to appoint a knowledgeable and representative Board that acts in the best interest of the Scheme and all its beneficiaries. First, there is a call for nominations, followed by a process to obtain the nominee's acceptance, and several checks to confirm that the nominees meet the legal requirements. An open election and formal appointment process follows, whereafter the Trustees are provided with comprehensive training.

As the Scheme is a restricted scheme, and Trustees are also members of the Scheme, there tends to be a greater degree of engagement and an interest in its continued success. After the initial training, further training is based on self-assessments.

The Trustees are not remunerated for their services.

2.2 PRINCIPAL OFFICER

JH Hartzenberg
Postnet Suite MW60
Private Bag X1838
Middelburg
1050

2.3 REGISTERED OFFICE ADDRESS AND POSTAL ADDRESS

Suite 8
Four Stones Office Park
21 Dolerite Road Middelburg
1055

P.O. Box 90346
Garsfontein 0042
0042

2.4 SCHEME ADMINISTRATOR

The Scheme commenced self-administration effective 1 January 2020, after receiving in-principal approval from the Council for Medical Schemes (CMS).

2.5 CONSULTANTS

Dr R Odes performed the duties of Scheme Medical Advisor.

2.6 BANKERS

First National Bank

2.7 INDEPENDENT AUDITORS

Ransome Russouw Inc.
1 Mowbray Road
Greenside, Johannesburg
2193
Appointed: 21 September 2022

BDO South Africa Incorporated
Wanderers Office Park
52 Corlett Drive
Illovo

2196

Private Bag X60500
Houghton
2041

2.8 INVESTMENT MANAGERS DURING THE YEAR

Old Mutual Wealth
No.1 Mutual Place
107 Rivonia Road
Sandton
2196
Financial Service Provider Number 588

MandG Investments Life South Africa (RF) Ltd
P.O. Box 23167
Claremont
7735
Financial Service Provider Number 615

Stanlib Collective Investments
17 Melrose Boulevard
Cnr Campground & Main Roads
Melrose Arch
2196

Allan Gray Life Ltd
1 Silo Square
V & A Waterfront
Cape Town
8001

3. INVESTMENT POLICY OF THE SCHEME

The Scheme's long term investment objective is to maximise the return on its investments while exercising prudence. The investment strategy takes into consideration constraints imposed by the Act.

4. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

4.1 OPERATIONAL STATISTICS

Refer to page 6 of this report for a comparative analysis of the operational statistics of the Scheme.

4.2 RESULTS OF OPERATIONS

The results of the Scheme are set out in the annual financial statements, and the Board of Trustees believe that no further clarification is required.
The Board's continued focus was to maintain a robust governance model and further enhance the Scheme's health, legal and financial risk management. As set out in the annual financial statements (AFS), the Scheme has generated a net surplus for the year of Rl 037 198 (2021: R10 177 089 surplus). The Scheme's solvency ratio of 50.30% exceeds the minimum legal requirement. The average accumulated funds (excluding savings) per member on 31 December 2022 was R48 541 (2021: R50 620).
The Scheme is not experiencing cash flow challenges.

4.3 ACCUMULATED FUNDS

The accumulated funds ratio is calculated on the following basis:	**2022 R**	**2021 R**
Total members' funds per statement of financial position	R 79,801,768	R 78,764,569
Less: Cumulative unrealised gains on financial assets at fair value through profit and loss	(R 20,241,552)	(R 18,181,583)
Accumulated funds per Regulation 29 of the Act	R 59,560,216	R 60,582,986
Gross contributions (Note 9)	R 118,416,451	R 110,783,803
Accumulated funds ratio = Accumulated funds/Gross annual contribution income x 100%	50.30%	54.69%

4.4 MEMBERS' FUNDS

Movements in Scheme reserves are set out in the Statement of Changes in Funds and Reserves. There has been an increase in reserves due to the increase in investment income earned.

4.5 OUTSTANDING CLAIMS

Movements in the outstanding claims provision are set out in Note 8 to the annual financial statements. There have been no unusual movements that the Board of Trustees believe should be brought to the attention of the members of the Scheme.

4.6 SELF-ADMINISTRATION

From 1 January 2020 the Scheme commenced self-administration. The CMS is undertaking an inspection to assess the Scheme's administration capabilities in April 2022.

The self-administration was implemented fully, and the Scheme's operations and financial management is running smoothly.

5. INVESTMENTS IN AND LOANS TO EMPLOYERS OF MEMBERS OF THE SCHEME AND OTHER RELATED PARTIES

The Scheme holds no investments in participating employers or related parties to Scheme officials or Board members.

6. SUBSEQUENT EVENTS

From 1 January 2020, the Scheme commenced self-administration. The CMS performed an assessment of the Scheme's self-administration processes and control capabilities in 2021. When we approached CMS initially, there was no pre-accreditation requirement since it is not a third-party administration arrangement but self-administration. However, the Scheme followed the third-party accreditation guidance and since then, we noted and assimilated the published self-administration guidelines.

The Board Is also dealing with an investigation Into the Scheme's affairs, after concerns raised by the Inspector during an off-site "routine inspection" by CMS. We have commented on the draft report by the investigators in February 2022, and await their final report, The investigation had a major impact on our resources and finances.

COVID-19 is now an endemic disease and is managed like other common and widespread respiratory diseases. COVID-19-related costs are now insignificant as a proportion of overall costs for the Scheme. It is recorded that costs are returning to pre-COVID levels, and we are noticing provider-driven behaviour. On the 15th of February 2023, the Department of Health (DoH) announced some changes to the immunisation cost recovery and reimbursement model; from the 1st of April 2023, COVID-19 vaccines will only be distributed to public sector health facilities and private sector facilities will access the vaccines through designated public health services. The DoH also announced that COVID-19 vaccines should remain a Prescribed Minimum Benefit and that the administration cost will be fixed at RIOO (inclusive of VAT) per dose from the 1st of April 2023.

Like many other countries, South Africa has been experiencing elevated consumer price inflation (CPI) levels. This is partially fueled by the ongoing Russia-Ukraine war, which has affected global energy and food prices. South Africa has also been facing an energy crisis in the form of increased load-shedding, contributing to higher inflation. Higher general CPI puts pressure on medical cost inflation because medical inflation is also a function of general CPI and exchange rates in addition to the usual factors such as member utilisation. The South African Reserve Bank has also increased interest rates to combat high inflation. Higher interest rates and inflation put downward pressure on expected economic growth and affect the real investment returns that can be expected in the markets.

On 22 February 2023, the finance minister delivered the 2023 budget speech. The budget was silent on the government's plan to fund the proposed National Health Insurance (NHI), although some further financial allocations were made.

7. COMPLIANCE MATTERS

According to CMS calculations, a potential contingent liability arose through a directive from CMS, received on 16 April 2020, to refund about R37.2 million to members. CMS alleged that the Scheme used Member Savings to pay for Prescribed Minimum Benefit (PMB) claims, which claims should have been paid from the Major Risk Pool (MRP). We objected to the directive on the basis thereof, as explained in Note 24. The CMS confirmed that they have not yet finalised the objection against the Regulation 10 Directive and our submitted evidence that the CMS used another Scheme's data and that the Regulation 10 Directive is therefore invalid (refer note 24.)

8. AUDIT, RISK AND COMPLIANCE COMMITTEE

An Audit, Risk and Compliance Committee was established in accordance with the provisions of the Act. The Audit, Risk and Compliance Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority, and duties. The Audit, Risk and Compliance Committee consists of five members of which two are members of the Board of Trustees. The chairperson and two other members are independent as they are not officers of the Scheme or its service providers. The Audit, Risk and Compliance Committee met on four occasions during the course of the year as follows:

17	March	2022
28	June	2022
21	September	2022
07	December	2022

The Chairperson of the Scheme (as an observer), the Principal Officer, the financial manager, and the external auditor are invited to attend Audit, Risk and Compliance Committee meetings. The accountant and external auditor have unrestricted access to the Chairman of the Audit, Risk and Compliance Committee.

In accordance with the provisions of the Act, the primary responsibility of the Audit, Risk and Compliance Committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems and financial reporting practices. The independent external auditor formally reports to the Audit, Risk and Compliance Committee on critical findings arising from their audit activities. The Audit, Risk and Compliance Committee also ensures that significant matters are identified and appropriately dealt with.

The Audit, Risk and Compliance Committee comprises Board Members J Nell, DP Martin, and EC Jordaan (as alternate) and independent Members K Bizana and D van der Merwe, under the chairmanship of independent member JP van der Walt.

DEVIATIONS:

The Board of Trustees believe that there are no material deviations from the Act and list the following three matters that presents practical challenges and not wilful non-compliance.

1. Not all billed contributions are received within three days as Section 26(7) of the Act requires. These incidents are exceptional, e.g., when the three-day grace period falls over a weekend. Credit control procedures minimise the risk of non-recoverability, including that about 90% of contributions are collected via deductions from the employers' payroll. The Scheme monitors creditors closely to minimise the incidences.
2. Claims are generally paid within 30 days of receipt, in terms of Section 59(2) of the Act, but due to procedures such as clinical auditing and suspected fraudulent claims, some claims are paid after 30 days of receipt. This could impact on member and providers. Management track claims older than 30-days and monitor progress to minimise delays.
3. Section 35(8)(c) of the Act require that a medical scheme shall not invest its assets in an administrator. Independent third-party asset managers manage the Scheme's investment funds. They have a discretionary mandate to achieve set targets. Given this approach, the Scheme may sometimes be exposed to shares in administrators. As a precaution, the Scheme made an application and was granted an exemption from complying with this requirement by the Council for Medical Schemes. The exemption expires on 30 November 2025. The scheme invests in Momentum Metropolitan Life Limited, The Liberty Group Ltd, Sanlam Life Insurance Ltd and Discovery Group Limited.

9. ADVERSE EVENTS

On 17 June 2022 an amount of R224 018 was stolen from the Scheme's bank account via a phishing email breach. Our Cyber controls prevented a second attempt. We opened an SA Police Services case, and the Commercial Crimes unit investigated the event and assisted with recovering some of the monies. The Scheme also investigated the event, and the recommendations were implemented.

The Scheme was levied with penalties by the SA Revenue Services to an amount of R4 096 for PAYE, SDL and UIF. We have repeatedly attempted to register the Scheme with SARS since we implemented self-administration. We paid the penalty and lodged an objection, which is in process. We continue to reach out to SARS to ensure that the proper registrations are in place.

10. KEY MATTERS

The Board of Trustees have identified the following as key matters:

SOLVENCY:

The solvency of the Scheme remains well above the regulated minimum, and within the 40% to 70% target range agreed by the Board.

MANAGEMENT OF CLAIMS:

Claims are subjected to a sophisticated screening process. We implemented an additional pre-payment Prescribed Minimum Benefit (PMB) claims check, reducing member exposure progressively since 2018, when we first implemented this process. The total out-of-pocket expense of members was reduced over this period. With the assistance of 3ONE Consulting Actuaries (3ONE), we closely evaluate the impact of long term and chronic illnesses, including COVID-19. Based on the data, we developed professional management programmes, further reducing the cost of care while improving the quality and access. COVID-19 is costed and managed like our other PMB conditions.

To accurately report the Scheme's financial position, and because claims must continue to be accepted for payment up to four months after the service date, the Scheme uses the Incurred-But-Not-Reported (IBNR) provision. 3One applied the chain ladder method (CLM). The CLM uses run-off triangles to calculate the expected outstanding claims amount. Primarily this methodology assumes that previous claims patterns represent current run-off expectations. The 2023 claims payment information and historic claims payment run-off trends are further used to enhance the reliability of results. The estimation process is based on variables and assumptions, although many of the likely claims relating to the financial year have already been processed.

PROFILE OF MEMBERS:

The member profile has a significant impact on future claims. Membership on 31 December 2022 was 1 654 (2021: 1 582). The average age of beneficiaries on 31 December 2022 was 34.51 (2021: 35,04) The membership does not present a sustainability risk. Nevertheless, claims are closely monitored.

GOVERNANCE:

The Board is committed to strong governance to ensure appropriate and professional management. The Board embarked on the implementation of a robust governance model, which has strengthened several management practices and we expect this project to be completed in 2025 because it includes compliance to relevant aspects of King III and King IV. Underpinning the governance model and structures are stringent internal and external control processes.

The Scheme relies on the skill and experience of human resources. It is important to ensure that the quality and competence of staff are appropriate. This is achieved through continuous training, careful selection of staff and close monitoring by the Principal Officer.

RISK MANAGEMENT:

A robust risk management approach is applied operationally, and at clinical, financial and investment management levels. The Board is constantly seeking ways to enhance risk identification and management.

The Scheme utilises the Health Insurance Platform (HiP) System as an integrated platform for processing claims due to the high level of integration of financial, operational, health and management systems. The detailed beneficiary and claims level access and flexible reporting functions, with a plus 99% availability and relatively user-friendly operation, makes it ideal and cost-effective, allowing us to employ fewer staff. HiP is an Oracle-based internationally utilised insurance and healthcare information system. It is highly automated and allows for speedier processing and payment of claims. HiP deploys internationally recognised information security systems and first-class disaster management and recovery processes. The multiple award-winning HIP system accommodates more than 740,000 policyholders in 15 countries.

IMPACT ON THE ENVIRONMENT:

The Board is continuously looking at ways to further improve its low impact on the environment. The Scheme has effective and efficient systems and processes to minimise its negative impact on the environment (e.g., high automation levels, e-mail communications and a member app to communicate and submit accounts in real-time, electronically), We are working on reducing negative impacts where these are discovered (e.g. a campaign to register providers on the administrator electronic platform for account management and reconciliation).

11. TRUSTEES AND AUDIT, RISK AND COMPLIANCE COMMITTEE MEMBERS MEETING ATTENDANCE

	BOARD OF TRUSTEES MEETINGS		AUDIT, RISK AND COMPLIANCE COMMITTEE MEETINGS		ANNUAL GENERAL MEETINGS	
	A	B	A	B	A	B
TRUSTEES						
SD Muller (Chairperson)	4	4	4	3	1	1
FJ Mabhena	4	4			1	1
JC van Coller	4	4			1	1
D Martin	4	4	4	4	1	1
N Harris (Co-Opted Trustee)	4	4			1	1
J Tharakan (Co-Opted Trustee)	4	4			1	1
J Nell	4	4	4	4	1	1
EC Jordaan	4	3	4	4	1	1
M Siyaya (Co-opted Trustee)	4	2			1	1
AUDIT, RISK AND COMPLIANCE COMMITTEE MEMBERS						
J Van Der Walt (Chairman)	4	2	4	4	1	1
D Van Der Merwe			4	4	1	1
K Bizana			4	4	1	
PRINCIPAL OFFICER						
J Hartzenberg	4	4	4	3	1	1

- Trustees serving on the Audit, Risk and Compliance Committee
4 Board Meetings (1 Strategy Session and Budget Meeting not counted)
A = maximum possible attendance
B = actual attendance

12. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

OPERATIONAL STATISTICS

	2022	2021
Number of members at the end of the year	1,654	1,582
Number of beneficiaries at the end of the year	3,657	3,636
Average number of members for the year	1,644	1,556
Average number of beneficiaries for the year	3,684	3,627
Beneficiaries per member at the end of the year	2.21	2.30
Average age of beneficiaries for the year	34.51	35.04
Pensioner ratio (beneficiaries > 65 years)	8.34%	8.80%
Dependants per member at the end of the accounting period	1,21	1,30
Average net contributions per beneficiary per month	R2,543	R2,421
Average relevant healthcare expenditure incurred per beneficiary per month	R2,473	R2,296
Total relevant healthcare expenditure as a percentage of gross contributions	92.31%	90.22%
Average non-healthcare expenditure per beneficiary per month	R189	R161
Non-healthcare expenses as a percentage of gross contributions	7.05%	6.32%

OPERATIONAL STATISTICS

	2022	2021
Average accumulated funds (excl. savings) per member at the end of the year	R 48 541	R50,620
Return on investments as a percentage of closing investments	5.74%	10.23%

Breakdown of total administration costs:	R	R
Benefit management fee - not accredited managed care	R 3,583,987	R 3,477,725
Managed care: management services	R 1,484,184	R 1,349,244
Total	**R 5,068,171**	**R 4,826,969**
Average amount paid for the administration per member per month	R257	R 259

REPORT OF THE INDEPENDENT AUDITOR

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Alliance-Midmed Medical Scheme, set out on pages 11 to 29, which comprise the statement of financial position as at 31 December 2022 and the statement of comprehensive income, the statement of changes in members, funds and reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Alliance-Midmed Medical Scheme as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting 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 Auditors' 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 Code of Ethics for Professional Accountants (Parts A and B). 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, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW IT WAS ADDRESSED
Outstanding Claims Provision	
Significant judgement is required by management and the auditors in determining the provision for outstanding claims. The provision is calculated in line with a computation, which considers the historical claims paid after year end and the information available at the time of the audit. The calculation was reviewed, and the assumptions and information used in the calculation were subject to various audit inquiries. Details related to the provision for outstanding claims are set out in note 8 of the notes to the annual financial statements.	**Our audit procedures included:** • Assessing the design and implementation of key controls within the outstanding claims provision process; • Performing tests of detail on the current year provision including testing actual claims experienced after year-end and as close as possible to audit completion date. We further performed audit tests to ensure that the underlying data used to calculate the outstanding claims provision was accurate and complete; • Performing a retrospective review of the Scheme's current year run-off model and balance to the prior year, to ensure that the provision was consistently calculated; • Performing an independent estimate of the provision using historical claims data and trends and used this estimate as a basis of assessing the reasonableness of the provision; • Engaging with the Scheme's Trustees around the rationale for any adjustments or decisions over and above the numeric calculation, and assessing the reasonability of the assumptions and inputs used in the calculation of the balance; • We reviewed the disclosure in the annual financial statements in conformity with International Financial Reporting Standards. Consequently, we are satisfied with the disclosures of the outstanding claims provision in the annual financial statements. Based on the audit procedures performed, we are satisfied with the assumptions applied and consequently with the measurement of the provision at 31 December 2018.

OTHER INFORMATION

The Scheme's trustees are responsible for the other information, which comprises of The Board of Trustees' report. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assu ranee 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 the 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 ANNUAL FINANCIAL STATEMENTS

The Scheme's trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting 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 ANNUAL 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 annual 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 annual 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 annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Scheme's Audit Committee 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.

We also provide the Scheme's Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT OF SOUTH AFRICA

As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa, that have come to our attention during the audit. Instances of non-compliance are set out in note 26 of the notes to the annual financial statements.

AUDIT TENURE

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Ransome Russouw Incorporated have been the auditors of the scheme for first year and the engagement partner Mr. JA Barnard served as such for the first year.

BDO South Africa Incorporated
Registered Auditors
Per T Weston CA (SA)
Director

4 May 2022

Wanderers Office Park
52 Corlett Drive
Illovo
2196

Ransome Russouw Incorporated
Registered Auditors

11 May 2023

STATEMENT OF FINANCIAL POSITION

ASSETS

	NOTES	2022 R	2021 R
Non-current assets			
Property and equipment	2	R 70,462	R 42,654
Current assets		**R 122,075,150**	**R 120,878,631**
Inventory		-	-
Trade and other receivables	3	R 695,097	R 1,314,535
Cash and cash equivalents	4	R 24,074,744	R 28,578,163
Investments held at fair value through profit and loss	5	R 97,305,309	R 90,985,933
Total assets		**R 122,145,612**	**R 120,921,285**

FUNDS AND LIABILITIES

	NOTES	2022 R	2021 R
Members' funds			
Accumulated funds		R 79,801,768	R 78,764,569
Current liabilities		**R 42,343,844**	**R 42,156,716**
Personal Medical Savings Account liability (PMSA)	6	R 32,331,639	R 31,624,157
Trade and other payables	7	R 7,462,908	R 7,656,969
Outstanding claims provision	8	R 2,549,297	R 2,875,590
Total funds and liabilities		**R 122,145,612**	**R 120,921,285**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2022 R	2021 R
Net contribution income	**9**	**R 112,427,362**	**R 105,358,883**
Relevant healthcare expenditure		**R 109,305,512**	**R 99,950,201**
Net claims incurred	10	R 107,233,495	R 98,069,290
Claims incurred		R 107,465,100	R 98,289,794
Third party claim recoveries		R 231,605	R 220,504
Accredited managed healthcare services (no transfer of risk)	11	R 2,072,017	R 1,880,911
Gross healthcare result		**R 3,121,850**	**R 5,408,682**
Administration expenses	12	R 8,357,566	R 6,904,095
Net impairment losses on healthcare receivables	13	R 11,319	R 94,077
Net healthcare result		**R5,224,397**	**R 1,589,490**
Other income		**R6,996,796**	**R 12,411,091**
Investment income	14	R 6,996,160	R 12,237,109
Sundry income		R 30,636	R 173,982
Other expenditure		**R 735,200**	**R 644,512**
Asset management fees		R 735,200	R 644,512
Net surplus for the year		**R 1,037,199**	**R 10,177,089**
Total comprehensive income for the year		**R 1,077,199**	**R 10,177,089**

STATEMENT OF CHANGES IN FUNDS AND RESERVES

	2022 R	2021 R
Balance as at 1 January	**R 78,764,569**	**R 68,587,480**
Total comprehensive income for the year	R 1,037,199	R 10,177,089
Balance as at 31 December	**R 79,801,768**	**R 78,764,569**

STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

	NOTES	2022 R	2021 R
Cash receipt from members and providers		**R 118,663,717**	**R 111,207,718**
Cash receipts from members – contributions		R 118,621,310	R 110,924,668
Cash receipts from members and providers – other		R 42,407	R 283,050
Cash paid to providers, employees and members		**R 123,450,585**	**R 108,003,573**
Cash paid to providers and members – claims		R 113,187,027	R 98,954,195
Cash paid to providers and employees – non-healthcare expenditure		R 8,337,547	R 6,888,184
Cash paid to members – savings plan refunds		R 1,926,011	R 2,161,194
Net cash flows from operating activities		**R 4,786,868**	**R 3,204,145**
Cash flows used in investing activities		**R 283,449**	**R 392,120**
Acquisition of medical and computer equipment	2	R 47,827	R 41,448
Acquisition of investments	5	R 3,839,715	R 3,725,107
Proceeds on disposal of investments	5	R 419,692	R 101,989
Interest income	14	R 4,661,123	R 3,554,105
Dividend income	14	R 664,760	R 362,853
Asset management fees		R 735,200	R 644,512
Net increase in cash and cash equivalents		**R 4,503,419**	**R 2,812,025**
Cash and cash equivalents at the beginning of the year		R 28,578,163	R 25,766,138
Cash and cash equivalents at the end of the year	4	**R 24,074,744**	**R 28,578,163**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

These annual financial statements (AFS) have been prepared in accordance with International Financial Reporting Standards (IFRS) and the disclosures as required by the Medical Schemes Act 131 of 1998, as amended ("the Act").

The application of these policies is consistent with the previous year, except for changes required by the mandatory adoption of new, revised IFRS and changes in accounting policy per note 28.

1.1 BASIS OF PREPARATION

The AFS are prepared on the historical cost basis except for short-term investments and investments classified as held at fair value through profit and loss, which are carried at fair value.

1.2 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised on the Scheme's statement of financial position on the trade date when it becomes a party to the contractual provisions of the instrument.

DERECOGNITION

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Scheme has substantially transferred all the risks and rewards of ownership.

MEASUREMENT

Financial instruments are initially measured at fair value plus any attributable transaction costs. After initial recognition, these instruments are measured as set out below.

The carrying value of short-term financial assets and liabilities approximates fair value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the current bank accounts, deposits held on call with banks, and other short-term liquid investments that are readily convertible to a known amount of cash, which are subject to an insignificant risk of change in value with original maturities of three months or less.

INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

All purchases and sales of investments are recognised on the trade date, which is the date that the Scheme commits to purchase or sell the asset. The cost of purchases includes transaction costs. Investments held at fair value through the statement of comprehensive income are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the investments are included in the statement of comprehensive income in the year in which they arise. The fair value of financial instruments is determined by reference to an exit price on measurement date.

Investments are held conservatively as current assets because of the volatility inherent in the size of the Scheme and the Trustees must ensure sufficient liquidity to ensure reasonable access to cash in the event of major expenses. Within the current arrangement, we aim to access most of the investments within 30 days without significant risk of loss, and all within 180 days.

The Scheme assets are held in such a manner so as to account for several challenges that may or may not materialise in the next six to 24 months. For one the Scheme was served with a Regulation 10 Directive to pay in excess of R36 Million to members in their PMSA in lieu of PMB payments that the Scheme made from members' PMSA, instead of the Major Risk Pool. The Scheme objected and is still awaiting the outcome of the objection. The Directive instructed the refund to be effective within two weeks.

In addition, the government has expressed the intention to expedite the National Health Insurance Scheme and a prominent element is to consolidate small Schemes. This threat is "imminent" as declared in the Schemes Annual Financial Statements since 2018 and recently government intensified their attempts, under the COVID-19 response, to expedite this initiative.

On disposal of an investment, the difference between the net disposal proceeds and carrying amount is recognised in the surplus/deficit for the year.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

1.3 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 arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Scheme has determined that some of its investments in pooled funds and collective investment schemes ("funds") are investments in unconsolidated structured entities. The Scheme invests in these funds, whose objectives range from achieving medium- to long-term capital growth and whose investment strategy 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.

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

1.4 IMPAIRMENT LOSSES

IMPAIRMENT OF INCOME STREAMS

The Scheme's assets are reviewed at the reporting date to determine whether there is possible impairment. Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

An impairment loss, in terms of contributions, is recognised whenever the listed asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. And based on history, we estimate a loss of less than one per cent and cash flows are expected to be stable.

In assessing value in use of investment income, the estimated future cash flows are discounted to their present value using the effective interest rate computed at the initial recognition of the asset. Receivables due within the same operating cycle are not discounted.

For loans and receivables, the value of the value in use is the difference between the value of the loans or receivables at the reporting period end and the expected value to be recovered after future interest is discounted. Subsequent recoveries of amounts previously written off are credited as other income or against operating expenses in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's statement of comprehensive income), the movement in the impairment loss will be written back through the Statement of Comprehensive income.

1.5 PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY (PMSA)

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

The deposit component of the insurance contracts has been unbundled, since the Scheme can measure the deposit component separately. The deposit component is recognised in accordance with IAS 39/IFRS 9 and is initially measured at fair value and subsequently at amortised cost using the effective interest method. The insurance component is recognised in accordance with IFRS 4.

PMSA contributions are credited on the accrual basis and withdrawals on a cash basis, i.e., no provision is made for outstanding claims related to PMSA portion at year-end. The Personal Medical Savings Accounts are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

The PMSA liability contains a demand feature in terms of Regulation 10 of the Act that any credit balance on a member's PMSA must be taken as a cash benefit when the member terminates his or her membership of the Scheme or their benefit option. It then enrolls in another benefit option or medical scheme without a PMSA or does not enroll in another medical scheme.

The Scheme does not pay interest to members on their savings funds and does not charge interest on the savings advances to members.

The PMSA assists members to manage cash flows for costs in excess of the Scheme's approved benefits and self-funding member co-payments for provider services rendered.

PMSA contributions are advanced annually. Unexpended savings at the year-end are carried forward to meet future expenses in excess of Scheme benefits. Balances standing to the credit of members are refundable in terms of Regulation 10 of the Act.

The Scheme bears the risk associated with the non-recovery of balances which have been advanced to members and who have subsequently left the Scheme without settling those outstanding balances.

In accordance with the Scheme Rules, no interest accrues to members accounts.

In accordance with the Scheme Rules, the Personal Medical Savings Account is underwritten by the Scheme.

1.6 PROVISIONS

Provisions are recognised when the Scheme has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation amount.

OUTSTANDING CLAIMS PROVISION (IBNR)

The outstanding claims provision is the estimated cost of healthcare benefits that have occurred before the reporting date but have not been reported to the Scheme by that date. This provision is determined according to, amongst others, previous claims experience, claims settlement patterns, membership changes, claims frequency changes, claims processing cycles and variations, and average claims costs. The outstanding claims provision is reduced by the estimated recoveries from members for co-payments, and PMSA member payments.

LIABILITIES AND RELATED ASSETS UNDER THE LIABILITY ADEQUACY TEST

The Scheme does not discount its provision for outstanding risk claims, since the effect of the time value of money is not considered material.

Liability adequacy tests are performed to ensure the adequacy of the member insurance contract liabilities as at the reporting date.

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

1.7 INVESTMENT INCOME

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

Dividends are recognised when the Scheme's right to receive payment is established.

1.8 RISK CONTRIBUTION INCOME

Contributions on member insurance contracts are accounted for monthly when their collection, in terms of the insurance contract, is reasonably certain. Risk contributions represent the gross contributions per the registered rules after the unbundling of savings contributions. The earned portion of risk contributions received is recognised as revenue. Risk contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. The Scheme does not pay broker service fees and other acquisition costs.

1.9 RELEVANT HEALTHCARE EXPENDITURE

Gross claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Scheme is responsible, whether reported by the end of year. Net claims incurred comprise:

- claims submitted and accrued for services rendered during the year, net of recoveries from members for co-payments and PMSA liabilities;
- claims for services rendered during the previous year not included in the outstanding claims provision for that year, net of recoveries from members for co-payments, and PMSA member liabilities; and
- movement in the provision for outstanding claims.

1.10 TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

1.11 PROPERTY AND EQUIPMENT

Property and equipment comprise mainly office and computer equipment. Property and equipment Is reflected at historical cost less accumulated depreciation and accumulated Impairments, Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation on all assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The Scheme purchased computer equipment to deal with remote working and medical equipment to manage home-based care during the COVID-19 pandemic In this period. Ad-hoc purchases are for new staff, replacements and self-administration functions. The useful life of office and computer equipment Is 1-3 years.

1.12 STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT YEAR

IFRS 9 SCHEME IMPACT ANALYSIS

TITLE	TYPE	EFFECTIVE DATE – FINANCIAL YEAR COMMENCING ON OR AFTER
IFRS 9 introduces a new approach to the classification and measurement of financial assets and a single "expected credit loss" impairment model as well as a new model for hedge accounting. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, while early adoption is permitted. IFRS 4 provides a temporary exemption that permits, but does not require, the Scheme to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023. The Scheme may apply the temporary exemption from IFRS 9 if, and only if: • it has not previously applied any version of IFRS 9 • its activities are predominantly connected with insurance at its reporting date. The Scheme meets both the criteria and has decided to apply the exemption to defer the application of IFRS 9 to 1 January 2023. **Impact:** The classification and measurement of financial assets are determined by the Scheme's adopted business model, which determines its management of financial assets and the contractual cash flow characteristics of the financial assets. The Scheme reviewed its current financial assets against the revised classification and measurement criteria introduced by IFRS 9. Available for sale investments are currently measured at fair value. Adoption of IFRS 9 will require that these investments continue to be held at fair value. Currently, fair value movements on these investments are recognised in other comprehensive income and recycled on sale. Under IFRS 9 the movement will be recognised either directly in profit and loss or in other comprehensive income without recycling. For the remainder of the financial assets the carrying value approximates fair value. Receivables will be accounted for using the expected loss impairment model and not the incurred loss impairment model currently applied. Given the short-term nature of the receivables it is unlikely to result in a material financial adjustment.	New Accounting Standard	January 2018 For issuers of financial statements who will be applying IFRS 17: Insurance contracts, the application can be deferred until the application of IFRS 17 or 1 January 2023, whichever is earlier. Alliance-Midmed has elected to defer the application.

	31 DEC 2022	31 DEC 2021
Savings plan liability	R 32,331,639	R 31,624,157
Credit balances due to members & suppliers	R 6,820,535	R 7,001,75
Provision for outstanding claims	R 2,549,297	R 2,875,590
	R 41,701,471	R 41,501,500
Total liabilities	**R 42,343,844**	**R 42,156,716**
Percentage	98.5%	98.4%

The Trustees are satisfied that the Scheme meets the requirements and have therefore elected to defer the adoption of IFRS 9 and will review the decision annually.

1.13 IFRS STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

STANDARD	EFFECTIVE DATE
Amendment to IAS 1, Classification of liabilities as current or non-current. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, while early adoption is permitted. • Under existing IAS1 requirements, entities classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. • There is limited guidance on whether a right has substance and the assessment may require management to exercise interpretive judgement. • We are required to state whether IAS 1 will have a material impact on the Scheme. This is currently uncertain - as we are unable to make an "explicit and unreserved statement of compliance" of the Scheme's financial statements with all the IFRSs; clarification is required in terms of an ongoing concern status considering the threat of "nationalisation" of medical schemes under the government's planned National Health Insurance Scheme. The format, presentation and consistency of reporting already largely conform with IFRS standards.	1-Jan-23

STANDARD	EFFECTIVE DATE – FINANCIAL YEAR COMMENCING ON OR AFTER
IFRS 17: Insurance Contracts IFRS 17 was Issued in May 2017 as a replacement to IFRS 4 'Insurance Contracts'. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: - discounted probability-weighted cash flows - an explicit risk adjustment, and - a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach (PAA) is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There Is a modlfIcation of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items Is Included in the CSM. The results of Insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entitles that issue insurance contracts or investment contracts with discretionary participation features. The Scheme expects to adopt the standard for the first time in the 2023 Annual Financial Statements. The Scheme has assessed the standard's requirements and is working on a project plan to implement the standard. The main outcomes of the assessment are summarised below. Implementation assessment: The contracts issued by the Scheme to members are included In the scope of IFRS 17 as they insure against the cost of a health event, arising from either, out of hospital (day to day events), in hospital events or chronic illnesses, or any combination of these events. The contracts issued by the Scheme are subject to similar risks, managed together and fall into the same portfolio, with the level of aggregation set at the overall Scheme level. The Scheme's Insurance contracts are Included In a single portfolio and the coverage period is aligned with the reporting period (financial year). The Insurance contracts will be recognised from 1 January or from inception of cover should a member join the Scheme after 1 January. Where the Scheme, as a whole is priced for a deficit position at the Net Healthcare Result level, all contracts would be onerous and the loss would need to be recognised when the contracts become onerous. As pricing for the Scheme commences in July for the following year, the onerous contract test would be assessed at this time, with the following year's loss being recognised in the current financial year, based on the approved budget from CMS. No discounting will be applied as no contract exceeds 12 months. Implementation progress: The contract boundary for the Scheme's insurance contracts does not exceed 12 months and is generally aligned with the Scheme's financial year. Debtors that paid in advance and where no insurance service has yet been provided would be reflected as liabilities for remaining coverage at the year-end reporting date. The PAA can be used to measure the Scheme's insurance contracts as each of the healthcare insurance contracts has a coverage period of one year or less. The only liability remaining at year end would be the liability for Incurred claims, which comprises the fulfilment cash flows related to past service allocated to the Scheme at that date.	Annual periods beginning on or after 1 January 2023. Early adoption is permitted only if the entity applied IFRS 9,

2. PROPERTY AND EQUIPMENT

Cost	2022 R	2021 R
At beginning of year	R 82,856	R 41,408
Additions	R 47,827	R 41,448
At end of year	**R 130,683**	**R 82,856**

Accumulated depreciation	2022 R	2021 R
At beginning of year	(R 40,203	(R 24,292
Depreciation	(R 20,018)	(R 15,911)
At end of year	(R 60,221)	(R 40,203)
Carrying amount at end of year	**R 70,462**	**R 42,654**

3. TRADE AND OTHER RECEIVABLES

Insurance receivables	2022 R	2021 R
Net contributions outstanding	R 685,451	R 1,356,139
Amounts owing by members	R 25,129	R 21,651
Amounts owing by suppliers	R 255,861	R 216,932
Personal Medical Savings Account advances (note 6)	R 5,565	R 10,023
Total receivables arising from insurance contracts	R 972,006	R 1,604,745
Less: Provision for impairment of insurance receivables	(R 297,309)	(R 311,110)
	R 674,697	R 1,293,635
Financial assets	**R 20,400**	**R 20,900**
Prepaid expenses	R 20,400	R 20,900
	R 695,097	**R 1,314,535**

The movement in the allowance for impairment during the year was as follows:

2022	CONTRIBUTION DEBT R	MEMBER AND SUPPLIER DEBT R	SAVINGS ACCOUNT ADVANCES R	TOTAL R
Balance as at 1 January	(R 66, 857)	(R 235,601)	(R 8,652)	(R 311,110)
Amounts written off during the year	-	-	R 2,482	R 2,482
Amount recognised in the statement of comprehensive income for the year (note 13)	(R 637)	(R 11,956)	-	(R 11,319)
Unused amounts reversed during the year	(R 637)	-	-	(R 637)
Amounts utilised during the year	-	(R 11,956)	-	(R 11,956)
Balance as at 31 December	**(R 67,494)**	**(R 223,645)**	**(R 6,170)**	**(R 297,309)**

2021	CONTRIBUTION DEBT R	MEMBER AND SUPPLIER DEBT R	SAVINGS ACCOUNT ADVANCES R	TOTAL R
Balance as at 1 January	-	(R 210,105)	(R 26,077)	(R 236,182)
Amounts written off during the year	-	-	R 19,149	R 19,149
Amount recognised in the statement of comprehensive income for the year (note 13)	(R 66,857)	(R 25,496)	(R 1,724)	(R 94,077)
Unused amounts reversed during the year	-	-	-	-
Amounts utilised during the year	(R 66,857)	(R 25,496)	(R 1,724)	(R 94,077)
Balance as at 31 December	**(R 66,857)**	**(R 235,601)**	**(R 8,652)**	**(R 311,110)**

4. CASH AND CASH EQUIVALENTS

	2022 R	2021 R
Current accounts	R 445,243	R 433,350
Deposits on call	R 23,629,501	R 28,144,813
	R 24,074,744	**R 28,578,163**

The overall weighted average effective interest rate on cash resources at year end was 5.19% (2021: 3.7%).

5. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	2022 R	2021 R
Fair value at the beginning of the year	R 90, 985, 933	R 79,144,654
Additions and income capitalised	R 3, 839, 715	R 3,725,107
Disposals	(R 419, 692)	(R 101,989)
Net unrealised gains on revaluation recognised through the statement of comprehensive income	R 2, 059, 969	R 8,218,161
Fair value at the end of the year	**R 97 305 309**	**R 90,985,933**

The investments included above represent:

	2022 R	2021 R
Cash and equivalents	R 18, 844, 342	R 14,310,848
Bonds	R 49, 682, 238	R 45,093,075
Equities	R 24, 579, 177	R 26,868,191
Property unit trusts	R 4, 199, 552	R 4,713,819
Fair value at the end of the year	**R 97 305 309**	**R 90,985,933**

6. PERSONAL MEDICAL SAVINGS ACCOUNT

	2022 R	2021 R
Balance on Personal Medical Savings Accounts at beginning of the year	R 31, 624, 157	R 31,053,085
Less: Prior year advances on Personal Medical Savings Account	(R 10,023)	(R 26,086)
Net balance on Personal Medical Savings Account at the beginning of the year	R 31,614,134	R 31,026,999
Personal Medical Savings Account contributions received	R 5, 999, 112	R 5,451,006
- for the current year (note 9)	R 5, 989, 089	R 5,424,920
- allocated to settle prior year advances	R 10, 023	R 26,086
Less:		
Transfers to other Schemes and repayments on death or resignation	(R 1, 926, 010)	(R 2,161,194)
Claims paid on behalf of members (note 10)	(R 3, 361, 162)	(R 2,702,677)
Net balance on Personal Medical Savings Account liability at the end of the year	R 32, 326, 074	R 31,614,134
Add: Advances on Personal Medical Savings Account included in trade and other receivables (note 3)	R 5, 565	R 10,023
Amounts due to members on Personal Medical Savings Account at the end of the year	**R 32, 331, 639**	**R 31,624,157**

The Personal Medical Savings Account liability contains a demand feature in terms of regulation 10 of the Act that any credit on a member's PMSA must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option and then enrolls in another benefit option or medical scheme without a Personal Medical Savings Account or does not enroll in another medical scheme,

It Is estimated that claims to be paid out of members' Personal Medical Savings Accounts in respect of claims Incurred In 2022 but not recorded amount to R Nil (2021: R Nil),

Advances on Personal Medical Savings Accounts are funded by the Scheme and are included in trade and other receivables. The Scheme does not charge Interest on advances on PMSA.

7. TRADE AND OTHER PAYABLES

	2022 R	2021 R
Insurance liabilities	**R 6, 944, 739**	**R 7,108,708**
Accounts payable to providers and members	R 6, 820, 535	R 7,001,753
Contributions received in advance and unallocated receipts	R 124, 204	R 106,955
Financial liabilities	**R 518, 169**	**R 548,261**
Sundry accounts payable	R 518 169	R 548,261
	R 7, 462, 908	**R 7,656,969**

8. OUTSTANDING CLAIMS PROVISION

Analysis of movements in outstanding claims	2022 R	2021 R
Balance at beginning of year	R 2, 875, 590	R 1,423,183
Payments in respect of prior year	(R 2, 555, 524)	(R 784,315)
Overprovision in prior year	R 320, 066	R 638,868
Raised in the current year	R 2, 229, 231	R 2,236,722
Balance at end of year	**R 2, 549, 297**	**R 2,875,590**

The overprovision relates to an out-of-pattern reduction in claims in the last quarter of the year. No specific reasons were identified for this change in claiming pattern.

Analysis of outstanding claims provision	2022 R	2021 R
Estimated gross claims	R 2, 549, 297	R 2,875,590
Less: Estimated recoveries from Personal Medical Savings Accounts	-	-
Balance at end of year	**R 2, 549, 297**	**R 2,875,590**

BASIS FOR DETERMINATION OF THE OUTSTANDING CLAIMS PROVISION

3ONE Consulting Actuaries (3ONE) performed the outstanding claims prov1s1on calculation in accordance with the principles and guidelines Included within the Actuarial Society of South Africa's "Advisory Practice Note 304: Liability Valuations of South African Medical Schemes",

The IBNR estimate provided includes Incurred But Not Reported claims. 3ONE incorporated claims payment information with service dates during 2021 and 2022. The 2023 claims payment information enhances the reliability of results by allowing the inclusion of historic claims payment run off trends.

PROCESS USED TO DETERMINE THE ASSUMPTIONS

3ONE applied the Chain Ladder Method (CLM) to calculate the Scheme's IBNR provision.

The CLM uses run-off triangles to calculate the expected outstanding claims amount. The primary assumption Is that past claims patterns will continue in the future.

IBNR calculations were performed per high level benefit category (in-hospital, out of hospital and medication), This enhances the accuracy of results as these groupings are expected to exhibit different claims run-off experience, The IBNR provisions for each of these benefit categories was then rolled-up to determine the total provision for the Scheme,

3ONE selected the IBNR results produced by the CLM given that it Is expected to be more accurate where sufficient subsequent payment experience is available, and given that the results were similar to the Bornheutter Ferguson Method (BFM), In addition, the BFM is assumed to be less reliable given that Covld-19 has caused recent claims seasonality patterns to differ from the historical patterns,

3ONE did not only produced a point estimate of the IBNR but also produced a distribution of results based on a stochastic statistical process named bootstrapping. This allows for an enhanced understanding of the probable range of IBNR results and the calculation of a reasonable estimate, The Scheme adopted the IBNR at the 50th percentile of the simulated IBNR estimates to reduce the probability of an IBNR under-provision,

To the extent that historical claims data Is used to determine the claim run-off period, It is assumed that this pattern will occur again In future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons, inter alia, Include:

ASSUMPTIONS

The primary assumption is that previous claims' run-off patterns are representative of current run-off expectations.

CALCULATION OF THE OUTSTANDING CLAIMS PROVISION AT YEAR END

Since claims data is available for three months after year-end for services provided up until the reporting date, considering that members have a four-month period to submit their claims to the Scheme, the unknown portion of the outstanding claims provision is expected to be relatively small.

	2022 R	2021 R
Outstanding claims provision (not covered by risk transfer arrangements)	R 2, 549, 297	R 2,875,590
Portion of outstanding claims paid in first three / two months of 2022/2021	R 2, 300, 769	R 2,510,805
Residual estimate of claims incurred but not paid	R 248 528	R 364,785
Percentage of claims paid of total outstanding claims	90.3%	87.3%

CHANGES IN ASSUMPTIONS

The table below outlines the sensitivity of insured liability estimates to particular movements In assumptions used In the estimation process, It should be noted that this is a deterministic approach with no correlations between the key variables, Where variables are considered to be Immaterial, no Impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, assessment of changes to that variable in the future may be required,

An analysis of sensitivity around various scenarios for the general medical Insurance business provides an Indication of the adequacy of the estimation process. The Board believe that the liability for claims reported In the statement of financial position Is adequate. However, they recognise that the estimation process is based upon certain variables and assumptions which could differ when claims arise, The liability sensitivity is limited as It comprises 90.3% (2021: 87.3%) of actual payments made in January, February and March 2023 related to 2022 claims. Therefore, the remaining balance has variables considered to be immaterial, and no impact has been assessed for insignificant changes to these variables, Consequently, if for example, the estimates of the unreceived portion of claims costs for the year was 5% Inaccurate, the impact on the net surplus of the Scheme would be as follows:

Impact on reported profits due to changes in key variables of the claims provision	CHANGE IN VARIABLE	CHANGE IN LIABILITY 2022 R	CHANGE IN LIABILITY 2021 R
Hospital (Major medical benefit)	5%	R 7, 764	R 10,819
Chronic	5%	R 311	R 339
Day-to-day	5%	R 4, 351	R 7,081

This analysis has been prepared to determine the impact of a change in a specified variable with other assumptions remaining constant. Inflation is not a factor as retrospective inflation is known.

9. NET CONTRIBUTION INCOME

	2022 R	2021 R
Gross contributions	R 118, 416, 451	R 110,783,803
Less: Savings contributions (note 6)	R 5, 989, 089	R 5,424,920
	R 112 427 362	**R 105,358,883**

10. NET CONTRIBUTION INCOME

	2022 R	2021 R
Current year claims (note 19)	R 108, 365, 426	R 98,535,245
Movement in outstanding claims provision	R 2, 229, 231	R 2,236,722
- Over provision in prior year (note 8)	(R 320, 066)	(R 638,868)
- Current year provision	R 2, 549, 297	R 2,875,590
Less:		
- Claims paid from Personal Medical Savings Account (note 6)	(R 3, 361, 162)	(R 2,702,677)
	R 107, 233, 495	**R 98,069,290**

11. ACCREDITED MANAGED HEALTHCARE SERVICES (NO TRANSFER OF RISK)

	2022 R	2021 R
Rx Health (Pty) Ltd	R 1, 484, 184	R 1,349,244
Mediscor PBM (Pty) Ltd	R 587, 833	R 531,667
Dental Information Systems (Pty) Ltd	-	-
	R 2, 072, 017	**R 1,880,911**

Rx Health (Pty) Ltd is contracted to the Scheme to provide managed care services, effective 01 January 2020.

Mediscor PBM (Pty) Ltd (“Mediscor”) - service provider contracted to provide a pharmacy benefit management programme to the Scheme.

12. ADMINISTRATION EXPENSES

	2022 R	2021 R
Audit fees	R 601, 271	R 452,309
Benefit management fee - not accredited managed care	R 3, 163, 188	R 2,945,056
- Paid to Health Portfolio Managers	R 1, 933, 503	R 1,774,536
- Paid to Smart Client Services	R 1, 229, 685	R 1,170,520
Consultant fees	R 2, 645, 478	R 1,946,535
Legal fees	R 444, 441	R 307,056
Depreciation	R 20, 018	R 15,911
Fidelity guarantee and professional indemnity insurance premium	R 20, 900	R 19,000
Registrar's levies	R 71, 738	R 73,169
PO Remuneration	-	R 81,677
- Paid by Scheme	-	R 492,389
- Employer group funding of remuneration *	-	(R 410,712)
Staff remuneration	R 420, 799	R 532,669
Travel expenses	R 41, 918	R 29,842
Europ Assistance	R 90, 677	R 77,819
Other expenses	R 837, 138	R 423,052
	R 8, 357, 566	**R 6,904,095**

13. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES

	2022 R	2021 R
Increase in provision for impairment on receivables	R 11, 319	R 94,077
	R 11, 319	**R 94,077**

14. INVESTMENT INCOME

	2022 R	2021 R
Interest income earned on cash and cash equivalents	R 1,190, 077	R 1,024,540
Investments held at fair value through profit and loss		
- Interest income	R 3, 471, 046	R 2,529,565
- Dividend income	R 664, 760	R 362,853
- Net gain on investments held at fair value through profit and loss	R 1, 640, 277	R 8,320,151
	R 6, 966, 160	**R 12,237,109**

14.1 NET FAIR VALUE GAINS

	2022 R	2021 R
Net fair value gains on investments held at fair value through profit and loss		
- Net realised gain on disposals	R 419, 692	R 101,989
- Net unrealised gains on revaluation	R 2, 059, 969	R 8,218,161
	R 1, 640, 277	**R 8,320,150**

15. FIDELITY COVER

In terms of section 33(3) of the Medical Schemes Act 131 of 1998, as amended, the Scheme took out a fidelity policy through ITOO underwritten by Hollard which, at 31 December 2022, provided cover of R10 million (2021: Rl0 million).

16. RELATED PARTY TRANSACTIONS

The Scheme's managed care organisation, Rx Health, has significant influence over the Scheme since Rx Health participates in and influences the financial and operating policy decisions of the Scheme but does not control the Scheme. Rx Health received from the Scheme market-related fees for managed care service amounting to Rl 484 184 (2020: Rl 349 244).

Health Portfolio Management provides systems and infra-structure services to the Scheme at arms-length. The cost to the Scheme was Rl 933 503 for the year (2021: Rl 774 536).

Smart Client Services provides Member and Provider Communication services to the Scheme at arms-length. The cost to the Scheme was Rl 229 685 for the year (2021: Rl 170 520).

Client Success Consulting Services provides Scheme management support, systems optimisation, and data analytics/reporting services. The service cost R754 605 for the year (2021: R605 912).

The participating employers' payroll system Is primarily utilised to collect both the member's and the employer's proportionate share of the contributions.

The Trustees are considered to be key management personnel since they have authority and responsibility for planning, directing, and controlling the activities of the Scheme. Contributions of R560 376 (2021: R591 284) were received and claims of R270 937 (2021: R245 669) were paid In respect of the Trustees who are members of the Scheme. All contributions were at the same terms as applicable to other members. All claims were paid in accordance with the Rules of the Scheme. Payments made with respect to Trustees are reflected under note 12.

The Principal Officer received R Nil remuneration from the Scheme to attend to the duties as the Principal Officer in 2022 (2021: R492 389). The Principal Officer is remunerated by the employer group Columbus Stainless (Pty) Ltd.

On 31 December 2022, the Trustees had positive savings balances of R148 317 (2021: R133 090). The amounts are current and payable on demand should an appropriate claim be issued, or the member exits the Scheme.

17. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Scheme's accounting policies, the following judgements have the most significant effect on the amounts recognised in the annual financial statements:

OUTSTANDING CLAIMS PROVISION

Details of assumptions and judgements used in determining the outstanding claims provision are outlined under Note 8.

PROVISION FOR BAD DEBT

The Scheme, after the initial recognition of contribution income, is exposed to credit risk, over the remainder of the financial year. The Scheme manages this (bad debt) risk monthly in terms of its policy and we suspend benefits where the premiums are not regularly settled. Our credit risk is limited since the majority of our contributions are collected via employer payrolls. We provided for less than zero-point-five percent of contributions to become irrrecoverable.

There are no other key areas of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

18. MEDICAL INSURANCE RISK MANAGEMENT

RISK MANAGEMENT OBJECTIVES AND POLICIES FOR MITIGATING MEDICAL INSURANCE RISK

The primary insurance activity carried out by the Scheme assumes the risk of financial loss by members and their dependants that are directly attributable to the risks. These risks relate to the cost of their healthcare as defined in the Rules. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and Investment activities.

The Scheme manages Its insurance risk through benefit limits and sub-limits, benefit access pre-approval procedures, pricing guidelines, case management, contracting with providers, service provider profiling, technology, centralised management of risk transfer arrangements as well as the close monitoring of emerging health risk management options. The services of an actuarial consultant are contracted in this regard.

The Scheme uses several methods to assess and monitor Insurance risk exposures both for Individual types of risks Insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing, The theory of probability is applied to the pricing and provisioning for a portfolio of Insurance contracts, The three principal risks are that the frequency and severity of claims is greater than expected, there is a cybercrime incident (involving the theft of Scheme data/assets), and legislator/legislative changes that significantly change the Scheme's financial position.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated.

The following table summarises the concentration of insurance risk on a beneficiary level, with reference to the net carrying amount of 2022 medical insurance claims paid in the 2022 financial year, by age group and in relation to the type of risk covered or benefits provided. Where appropriate prescribed minimum benefits (PMB) and non-PMB claims have been split.

2022 Age grouping (in years)	HOSPITAL (MAJOR MEDICAL)		CHRONIC		DAY-TO-DAY R	TOTAL R
	PMB R	NON-PMB R	PMB R	NON-PMB R		
< 26 - Gross	R 3, 301, 572	R 4, 494, 052	R 49, 499	-	R 7, 532, 590	R 15, 377, 713
- Net	R 3, 257, 329	R 4, 282, 696	R 49, 019	-	R 7, 305, 692	R 14, 894, 736
26 - 35 - Gross	R 1, 421, 812	R 2, 891, 618	R 62, 188	R 33, 925	R 3, 609, 616	R 8, 019, 159
- Net	R 1, 408, 004	R 2, 823, 645	R 62, 086	R 33, 255	R 3, 425, 169	R 7, 752, 159
36 - 50 - Gross	R 2, 832, 542	R 9, 264, 958	R 386, 551	R 74, 299	R 9, 580, 464	R 22, 138, 814
- Net	R 2, 807, 250	R 8, 903, 240	R 385, 752	R 73, 922	R 9, 460, 994	R 21, 631, 158
51 - 65 - Gross	R 14, 819, 897	R 11, 567, 737	R 711, 988	R 25, 654	R 11, 359, 242	R 38, 484, 518
- Net	R 13, 959, 233	R 11, 119, 621	R709, 525	R 25, 353	R 11, 247, 120	R 37, 060, 852
> 65 - Gross	R 8, 463, 669	R 8, 602, 245	R 433, 890	R 9, 389	R 6, 146, 097	R 23, 655, 290
- Net	R 8, 324, 875	R 8, 293, 761	R 431, 250	R 9, 206	R 5, 916, 335	R 22, 975, 427
Total - Gross	**R 30, 839, 492**	**R 36, 820, 610**	**R 1, 644, 116**	**R 143, 267**	**R 38, 228, 009**	**R 107, 675, 494**
- Net	**R 29, 756, 691**	**35 ,1?? 963**	**I 637 t=;,?**	**1,11 736**	**37 -:ic;c; 310**	**1(1,1 314 <<?**

2021 Age grouping (in years)	HOSPITAL (MAJOR MEDICAL)		CHRONIC		DAY-TO-DAY R	TOTAL R
	PMB R	NON-PMB R	PMB R	NON-PMB R		
< 26 - Gross	R 726,487	R 2,606,372	R 42,760	-	R 6,073,904	R 9,449,523
- Net	R 723,432	R 2,551,887	R 42,758	-	R 6,331,559	R 9,649,636
26 - 35 - Gross	R 1,968,599	R 2,448,234	R 60,536	R 29,597	R 3,481,140	R 7,988,106
- Net	R 1,957,685	R 2,392,356	R 60,321	R 29,507	R 3,536,820	R 7,976,689
36 - 50 - Gross	R 5,991,220	R 5,820,362	R 357,383	R 71,279	R 8,957,215	R 21,197,459
- Net	R 5,942,383	R 5,664,442	R 356,576	R 70,993	R 9,281,486	R 21,315,880
51 - 65 - Gross	R 12,749,541	R 13,316,064	R 620,986	R 26,685	R 14,234,695	R 40,947,971
- Net	R 12,654,691	R 12,936,108	R 618,562	R 26,428	R 12,408,016	R 38,643,805
> 65 - Gross	R 6,352,429	R 5,350,831	R 385,821	R 7,951	R 6,040,689	R 18,137,721
- Net	R 6,305,660	R 5,232,796	R 382,998	R 7,920	R 5,502,719	R 17,432,093
Total - Gross	**R 27,788,276**	**R 29,541,863**	**R 6,904,095**	**R 135,512**	**R 6,904,095**	**R 97,720,780**
- Net	**R 27,583,851**	**R 28,777,589**	**R 6,904,095**	**R 134,848**	**R 6,904,095**	**R 95,018,103**

The utilisation of chronic benefits, changed significantly since the onset of COVID-19. It is being investigated and assessed continuously.

Reconciliation of net claims to current year claims paid:

	2022 R	2021 R
Total net claims as above	R 104, 314, 332	R 95,018,103
Road Accident Fund claim recoveries and claim adjustments	R 258, 149	R 449,736
Claims paid via Europ Assistance	R 431, 783	R 364,729
Claims paid from Personal Medical Savings Accounts (note 6)	R 3, 361, 162	R 2,702,677
Claims paid (note 10)	**R 108, 365, 426**	**R 98,535,245**

Hospital (major medical) benefits cover costs incurred by members whilst they are in hospital receiving pre-authorised and emergency treatment for certain medical conditions.

Chronic benefits cover the cost of approved prescribed medicines consumed by members for chronic conditions/diseases, such as high blood pressure, cholesterol, and asthma.

Day-to-day benefits (which are paid from the major medical pool) cover the cost of out-of-hospital medical care, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines.

Contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract under certain conditions. Management information including contribution income and claims ratios, target market and demographic split, is reviewed monthly. There is also a review program that regularly reviews contractual premium and benefit data.

19. FINANCIAL RISK MANAGEMENT

Several activities expose the Scheme to various financial risks, including changes in bond and equity market prices and interest rates. The Scheme's overall risk management programme focuses on the unpredictability of Investment returns. It seeks to minimise potential adverse effects on the financial performance of the investments held by the Scheme. The Scheme's investment managers operate according to agreed mandates.

FINANCIAL RISK FACTORS

CURRENCY RISK

The Scheme operates in South Africa and therefore its cash flows are denominated in South African Rand. The Scheme's direct exposure to currency risk is considered immaterial.

MARKET RISK

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the marketplace.

Equities and bonds are reflected at market values, which are susceptible to fluctuations. The Scheme manages its market risk by employing the following procedures:

- mandating a specialist fund manager to invest in equities and bonds, where there is an active market and where access is gained to a broad spectrum of financial information relating to the institutions invested in;
- diversifying across a large pool of securities to reduce risk. Investments are according to prescription of the Act; and
- considering the risk-reward profile of holding equities and bonds and bearing the risk in order to improve returns on assets.

Should the South African bond and equities move by 2%, assuming all other variables remain constant, and the recent past is predictive of the future, the impact on investment returns and accumulated funds of the Scheme would be as follows:

	MARKET VALUE AS A PERCENTAGE OF SCHEME ASSETS		IMPACT	
	2022 %	2021 %	2022 R	2021 R
Bonds	40.67%	37.29%	R 953, 051	R 831,961
Equities including property unit trusts	23.56%	26.12%	R 555, 687	R 488,781
Total change in accumulated funds			**R 1, 508, 738**	**R 1,320,742**

INTEREST RATE RISK

Interest rate risk is the exposure to movements in interest rates. The Scheme's exposure to interest rate risk is reduced by the fact that the Scheme holds no interest-bearing debt.

The Scheme places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate placings within market expectations and determining mandates. The table below summarises the Scheme's exposure to interest rate risks in terms of the contractual maturity dates of the underlying investments. Included in the table are the Scheme's investments in interest-bearing instruments at carrying amounts, categorised by the earlier contractual repricing or maturity dates.

	UP TO 1 MONTH R	2 - 3 MONTHS R	4 - 12 MONTHS R	1 - 5 YEARS R	OVER 5 YEARS R	TOTAL R
As at 31 December 2022						
Cash and cash equivalents	R 24, 074, 744	-	-	-	-	R 24, 074, 744
Investments held at fair value through profit and loss	R 23, 096, 149	R 49, 629, 983	-	-	-	R 72, 726, 132
Total	**R 47, 170, 893**	**R 49, 629, 983**	**-**	**-**	**-**	**R 96, 800, 876**
As at 31 December 2021						
Cash and cash equivalents	R 28,578,163	-	-	-	-	R 28, 578, 163
Investments held at fair value through profit and loss	R 21,730,273	R 42, 387, 469	-	-	-	R 64, 117, 742
Total	**R 50,308,436**	**R 42, 387, 469**	**-**	**-**	**-**	**R 92,695,905**

If interest rates changed by 2%, assuming all other variables remain constant, and the recent past is predictive of the future, the impact on return on investment and the resulting impact on the net results of the Scheme is as follows:

	2022 R	2021 R
Change in investment income	R 816, 007	R 826,277

CREDIT RISK

Credit risk is the risk of loss arising from the inability of a member or a third party to service their debt obligations.

The Scheme's principal financial assets are cash, cash equivalents, investments and trade and other receivables. The Scheme's credit risk is attributable primarily to its trade and other receivables. The amounts presented in the statement of financial position are net of allowances for impaired receivables. An allowance for impairment is made where there is an identified event which, based on previous experience is a reduction in the recoverability of the cash flows. Cash balances are held at high credit quality financial institutions, with a minimum credit rating of AA. The Scheme has no significant concentration of credit risk, with exposure spread over several counterparties and members.

Trade and other receivables	2022 R	2021 R
Fully performing	R 695, 097	R 1,314,535
Past due and impaired	R 297, 309	R 311,110
	R 992, 406	R 1,625,645
Provision for impairment of trade and other receivables	(R 297, 309)	(R 311,110)
Trade and other receivables (note 3)	**R 695, 097**	**R 1,314,535**

In order to mitigate this risk, there is a formal policy in place for the treatment of any debt that becomes past due.

A subset of credit risk is counterparty risk which is the risk that a counterparty is unable to meet for its financial and or contractual obligations during the period of a transaction. The financial exposure has been addressed above. Contractual exposure exists with regards to managed care agreements, administration agreements and investment mandates. Each of these risk exposures is managed in the ordinary course of business.

Where appropriate, contractual rights, service level agreements and performance management interventions are in place. It is also relevant to note that the counterparty risk is limited.

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. By monitoring the availability of funding through liquid holding cash positions with various financial institutions, management ensures that the Scheme has the ability to fund its day-to-day operations. Liquidity is further managed by monitoring forecast cash flows and ensuring adequate liquid resources to meet its short-term commitments.

The table below analyses the assets and liabilities of the Scheme into relevant maturity groupings based on the remaining period at statement of financial position date to the contractual maturity date:

AS AT 31 DECEMBER 2022	UP TO 1 MONTH R	2 - 3 MONTHS R	4 - 12 MONTHS R	1 - 5 YEARS R	OVER 5 YEARS R	TOTAL R
Current assets	R 121, 943, 486	R 34, 009	R 97, 655	-	-	R 122, 075, 150
Trade and other receivables	R 563, 433	R 34, 009	R 97, 655	-	-	R 695, 097
Cash and cash equivalents	R 24, 074, 744	-	-	-	-	R 24, 074, 744
Investments held at fair value	R 97, 305, 309	-	-	-	-	R 97, 305, 309
Current liabilities	R 37, 338, 746	R 738, 916	R 4, 266, 182	-	-	R 42, 343, 844
Savings account liability	R 32, 331, 639	-	-	-	-	R 32, 331, 639
Trade and other payables	R 2, 853, 701	R 591, 553	R 4, 017, 654	-	-	R 7, 462, 908
Outstanding claims provision	R 2, 153, 406	R 147 363	R 248, 528	-	-	R 2, 549, 297
Net positive / (negative) liquidity	**R 84, 604, 740**	**(R 704, 907)**	**(R 4, 168, 527)**	**-**	**-**	**R 79, 731, 306**

AS AT 31 DECEMBER 2021	UP TO 1 MONTH R	2 - 3 MONTHS R	4 - 12 MONTHS R	1 - 5 YEARS R	OVER 5 YEARS R	TOTAL R
Current assets	R 120,700,373	R 37,458	R 140,800	-	-	R 120,878,631
Trade and other receivables	R 1,136,277	R 37,458	R 140,800	-	-	R 1,314,535
Cash and cash equivalents	R 28,578,163	-	-	-	-	R 28,578,163
Investments held at fair value	R 90,985,933	-	-	-	-	R 90,985,933
Current liabilities	R 37,648,297	R 1,618,994	R 2,889,425	-	-	R 42,156,716
Savings account liability	R 31,624,157	-	-	-	-	R 31,624,157
Trade and other payables	R 4,617,091	R 515,238	R 2,524,640	-	-	R 7,656,969
Outstanding claims provision	R 1,407,049	R 1,103,756	R 364,785	-	-	R 2,875,590
Net positive / (negative) liquidity	**R 83,052,076**	**(R 1,581,536)**	**(R 2,748,625)**	**-**	**-**	**R 78,721,915**

FAIR VALUE ESTIMATION

The fair value of publicly traded financial instruments is based on quoted market prices at the reporting date.

	2022		2021	
	CARRYING AMOUNT R	FAIR VALUE R	CARRYING AMOUNT R	FAIR VALUE R
Cash and cash equivalents (Note 4)	R 24, 074, 744	R 24, 074, 744	R 28,578,163	R 28,578,163
Trade and other receivables (Note 3)	R 695, 097	R 695, 097	R 1,314,535	R 1,314,535
Investments held at fair value (Note 5)	R 97, 305, 309	R 97, 305, 309	R 90,985,933	R 90,985,933
Savings account liability (Note 6)	(R 32, 331, 639)	(R 32, 331, 639)	(R 31,624,157)	(R 31,624,157)
Trade and other payables (Note 7)	(R 7, 462, 908	(R 7, 462, 908	(R 7,656,969)	(R 7,656,969)

All financial assets are classified as level 2 (level 2 is unitised holdings and level 1 is direct equity holdings). Level 2 financial assets are financial assets whose fair value is determined by directly observable market inputs other than Level 1 inputs, these being referenced to published price quotations in an active market for the underlying assets.

BREAKDOWN OF INVESTMENTS

The investments managed by the Scheme's investment manager are split between investments held at fair value through the profit and loss and cash and cash equivalents categories in the annual financial statements.

Investments held at fair value through profit and loss consist of the following:	2022 R	2021 R
Prudential Inflation Plus 5% Fund	R 39, 599, 749	R 37,205,835
Stanlib Income Fund	R 23, 096, 149	R 21,730,273
Allan Gray Medical Schemes Portfolio	R 34, 609, 411	R 32,049,825
Total	**R 97, 305, 309**	**R 90,985,933**

STRUCTURED ENTITIES

These investments are held at fair value through profit and loss in the statement of financial position.

	NET ASSET VALUE OF INVESTEE FUND	FAIR VALUE OF SCHEME'S ASSETS OF INVESTMENT*	% OF NET ASSETS ATTRIBUTABLE TO SCHEME**
Prudential Inflation Plus 5% Fund	R 1, 254, 045, 681	R 39, 599, 749	3.16%
Stanlib Income Fund	R 64, 558, 782, 767	R 23, 096, 149	0.04%
Allan Gray Medical Schemes Portfolio	R 2, 687, 867, 885	R 34, 609, 411	1.29%

* The fair value of financial assets is included in investments held at fair value through the statement of profit and loss.
** This represents the Scheme's percentage interest in the total net assets of the funds.

The Scheme's maximum exposure to loss from its interests in the funds is equal to the fair value of its investments in the funds. Once the Scheme has disposed of its units in a fund, it ceases to be exposed to any risk from that fund.

20. CAPITAL ADEQUACY RISK MANAGEMENT

The Scheme defines its capital as accumulated funds detailed in the statement of changes in funds and reserves. The Scheme manages its capital to ensure that It will be able to continue as a going concern as well as meet the minimum solvency ratio of 25%, as regulated In the Act.

The Schemes' solvency at the end of 2022 was 50.30% (2021: 54.69%). The Scheme also maintains an estimate of COVID-19 related claims that It foresees will be incurred in the next 24 months as part of the solvency reserves - refer note 26,

The Scheme manages its funds by utilising the expertise of investment managers to maximise return on investments and maintain an acceptable level of risk. Investment managers are guided by mandates, subject to the Scheme's Investment Policy, issued by the Board of Trustees. In addition, careful consideration is given to the impact on accumulated funds when preparing future year benefit options.

21. COMMITMENTS

There were no capital commitments as at 31 December 2022 (2021: nil).

22. GUARANTEES

No guarantees either from or to third parties existed at 31 December 2022 (2021: nil).

23. CONTINGENT ASSETS

The Scheme has approximately R2.9m (2021: R2.7m) in recoveries outstanding from the Road Accident Fund (RAF) for claims paid on behalf of members. The likelihood of recovery of these amounts is uncertain, and the Trustees have elected not to recognise a receivable on the statement of financial position as any future recoveries are highly contingent on multiple factors. The Board of Trustees consider that if the receivables were to be recognised, they would be substantially impaired.

24. CONTINGENT LIABILITIES

In September 2019, the Council for Medical Schemes (CMS) requested information, alleging that during the 2016, 2017 and 2018 benefit years, the Scheme may have paid approximately R37.28 million from members' Personal Medical Savings Accounts (savings) for Prescribed Minimum Benefit (PMB) claims. PMB claims must legally be paid from the Major Risk Pool. In May 2020, the Scheme received a Regulation 10(6) Non-Compliance Directive, instructing the Scheme to refund the claimed amounts to members' savings accounts.

We objected to the Directive, stating that, amongst others, CMS may have included amounts for consumables, amounts that providers have written off and codes that was used for non-PMB claims, but that could be used for either PMB or non-PMB claims as well as co-payments for services provided by non-DSP's. In addition, the fact that CMS performed an accreditation audit on the Administrator in 2015/16, including a check on the savings payments and we were not informed that there were any findings in this regard. We also queried the amounts because Alliance-Midmed reconciles PMB claims prior to claims payment runs, and we would have been aware of the differences.

CMS directed that the Scheme refund the said amount to members, that they allege the Scheme paid from savings for PMB claims. During the period that the Directive applied, the Scheme had an 8% savings benefit, total contribution income for the 2016 benefit year was R80.40 Million, the savings opening balance was R25.21 Million and year-end savings amounted to R28.07 million. It is therefore, given the movement in the savings liability, an impossibility to have paid claims to this value from the savings accounts.

Alliance-Midmed requested the data and methodology from CMS to check and verify the claims. We have also requested from the administrator at the time, the data that they originally submitted. We engaged a clinical auditor to work through the data and we have also engaged with Bowmans Law to provide legal advice on the matter. One of the items on the legal check is to ensure that we can submit a claim against the administrator's indemnity insurer, should there be a liability.

Upon in-depth investigation by the Clinical Auditor, it appears that the CMS may have used another Scheme's data in their assessments. We provided this feedback on two occasions in the form of an Objection.

There could have been a potential liability of around R1.0 million as per the original letter that arose over the three years in question - noting that we processed around R200.0 million worth of claims. This is due to the nature of the PMB's including the requirement for interpretation and judgement. This is especially challenging in the medical environment. However, due to our internal control processes, we would have disputed these amounts as well.

25. SUBSEQUENT EVENTS

From 1 January 2020 the Scheme commenced self-administration. The CMS Is performing an assessment of the Scheme's self-administration processes and controls capabilities. When we approached CMS Initially, there was no pre-accreditation requirement, since It Is not a third-party administration arrangement, but self-administration. An inspection took place during 2022.

The Board also responded to an investigation into the Scheme's affairs after concerns raised by a CMS inspector during an off-site "routine inspection". We have commented on the draft report by the Investigators in February 2022 and await their final report. The investigation had a significant impact on our resources and finances,

COVID-19 is now considered an endemic disease, managed like other common and widespread respiratory Illnesses. Related costs are Insignificant as a proportion of overall costs for the scheme. Furthermore, we are unable, except for the so-called long-COVID - a series of non-specific symptoms also commonly associated with other Illnesses - to detect notable costs. COVID-19 now has an insignificant impact on members claiming patterns. State of Disaster restrictions have been cancelled and the vaccines and administration costs Included in the Prescribed Minimum Benefit reimbursements since 15 February 2023.

Like many other countries, South Africa has been experiencing elevated levels of consumer price inflation (CPI). This is partially fueled by the ongoing Russia-Ukraine war that has affected global energy and food prices. South Africa is also facing an energy crisis, causing worsening blackouts that compromise access to healthcare and contribute to cost Inflation. South Africa's worsening financial situation led to rating downgrades, increasing the cost of credit and, importantly, the exchange - medical equipment and medicines are mostly imported.

On 22 February 2023, the finance minister delivered the 2023 budget speech. The budget was silent on the government's plan the funding the proposed National Health Insurance (NHI). However, further allocations were made to further the background work to implement the NHI model.

26. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT

1. Not all contributions that are billed are received within three days as required by Section 26(7) of the Act. These incidents are the exception, e.g. when the three-day grace period falls over a weekend. Credit control procedures minimise the risk of non-recoverability, including that the majority of contributions are collected via deductions from the employers' payroll. The Scheme negotiates with the employer from time to time, to minimise the incidences.

2. Claims are generally paid within 30 days of receipt, as required in Section 59(2) of the Act, but due to certain procedures such as clinical auditing and suspected fraudulent claims, some claims are paid after 30 days of receipt. This could impact member and provider relationships and cash flow. Management track claims older than 30 days and monitors progress to minimise delays.

3. 3. Section 35(8) (c) of the Act states that a medical scheme shall not invest any of its assets in an administrator. Independent third-party asset managers manage the Scheme's investment funds. They have a discretionary mandate. Given this approach, the Scheme may be exposed to shares in an administrator from time to time. As a precaution, the Scheme made an application, and the Council for Medical Schemes granted an exemption from complying with this requirement. The exemption expires on 30 November 2025. The scheme invests in Momentum Metropolitan Life Limited, The Liberty Group Ltd, Sanlam Life Insurance Ltd and Discovery Group Limited.

27. GOING CONCERN

The Council for Medical Schemes announced in 2017 that it intends to consolidate smaller schemes into bigger risk pools in order to align with the longer-term funding objectives of the National Health Insurance Scheme. This is, however, likely to face challenges before it becomes reality and there is no indication that this will occur in the short to medium term. The Scheme is financially sound.

The interim investigation report of Morar inc into the Scheme's affairs, commissioned by the CMS, makes certain recommendations that could result in the removal of the Board and which could have implications for the long-term going-concern status of the Scheme. We challenged their recommendations, supported by a legal opinion by one of the top legal firms in South Africa, and await the CMS's final

Based on the information contained in these annual financial statements, available cash resources and forecasts, there is no reason to believe that the Scheme would not continue as a going concern in the foreseeable future.

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