



ANNUAL
FINANCIAL
STATEMENTS
2021



gems

Government Employees
Medical Scheme

A U D I T E D A N N U A L F I N A N C I A L S T A T E M E N T S

for the year ended 31 December 2021



INDEX

Board of Trustees Report	2
Statement of Responsibility of the Board of Trustees	17
Statement of Corporate Governance	19
Audit committee report	21
Independent Auditor's Report	25
Statement of Financial Position	29
Statement of Comprehensive Income	30
Statement of Changes in Members' Funds	31
Statement of Cash Flows	32
Notes to the Annual Financial Statements	33

BOARD OF TRUSTEES REPORT

An independent Board of Trustees forms the core of the Scheme's corporate governance structure and is ultimately accountable and responsible for the performance and affairs of the Scheme.

The GEMS Board Charter defines the governance parameters within which the Board operates, sets out the role of the Board and specific responsibilities and duties to be discharged by the Board and trustees collectively, as well as roles and responsibilities incumbent upon trustees. As such, the GEMS Board Charter is aligned to the provisions of the Medical Schemes Act, 1998, as amended, and its regulations, the registered Rules of GEMS and the King IV Report on Corporate Governance. The full Board Charter and King IV Application Register are available from www.gems.gov.za.

The Board of Trustees performs every second year independent reviews of the role of the Board and its Chairperson, and of the Board committees. The most recent review – started in 2020 and was completed in 2021 – concluded that the Board and standing committees were functioning effectively.

The Board provides strategic guidance and oversight to the Scheme and monitors performance and outcomes against strategic objectives, as shown below.

The Medical Schemes Act and GEMS Rules stipulate the powers and duties of the Board



The Board appoints the Principal Officer of GEMS and the Scheme Executive and delegates

The Board sets the GEMS strategic direction, strategic objectives, performance metrics and annual targets

The Board monitors all strategic risks exceeding risk tolerance

The Board appoints standing committees to support business and performance monitoring using formal written terms of reference

The Board sets policies and frameworks to govern the management of finances, risk, assurance, ethics, compliance, supply chain management, stakeholder management, remuneration, performance management, ICT and data management, clinical governance and member affairs and communication (e.g. complaints management)

● The GEMS Board Charter stipulates performance requirements for the Board of Trustees collectively and individual trustees



An annual strategic plan gives effect to the Board's responsibility to govern the affairs of the Scheme by directing the activities of the Principal Officer, management and employees, providing an effective oversight through which performance is monitored and ensuring that the business of the Scheme operates efficiently and effectively. The Scheme's five-year strategic plan for 2017 to 2021 was approved by the Board on 27 September 2016, after which implementation was monitored through quarterly reports from Scheme management. Throughout 2021, the Board was kept apprised of the status of the business through standardised presentations covering key business indicators, including membership growth, financial performance and stakeholder engagement.

The performance targets in the five-year strategic plan are reviewed annually by the Board and adjusted based on changing realities and interrelated plans such as business plans approved for the Scheme by the Registrar of Medical Schemes from time to time.

The Board of Trustees governs the management of risk and a formal risk management process is in place in accordance with the Scheme's approved Risk Management Policy.

The Board monitored the implementation of the approved strategic and operational risk mitigation measures and the Scheme's changing risk environment during 2021 through quarterly and ad hoc reports from Scheme management. The Board is comfortable that the residual risks facing the Scheme were managed throughout the year and that risk assessments and mitigation measures to safeguard Scheme and member interests were effective.

The Board's approach to the governance of ethics, compliance and information technology and data shows that value created for members is protected.

King IV Report on Corporate Governance, 2016:

The Board of Trustees formally adopted the King IV Report from 1 January 2018 through a Board resolution. The Scheme uses the governance and compliance instrument online tool developed by The Global Platform for Intellectual Property and recommended by the CMS to assess whether the recommended King IV Report practices are followed.

The Scheme achieved an overall 88% score for satisfactory application against the 17 principles of the King IV Report. Our explanation of GEMS business practices is available at www.gems.gov.za.

Structures and officers

The Board consists of 12 trustees made up as follows: six (50%) elected by Scheme members and six appointed by the Minister for the Public Service and Administration.

Board of Trustees:

Our trustees in **2021** were:

Name	Elected or appointed	Qualifications	Other significant positions held during 2021
Marthinus Brand (18 August 1947)	Elected, tenure began 25 September 2019 and ends 24 September 2025	BA Stellenbosch University 1968, Hons BA: History, Stellenbosch University 1980, BEd, Stellenbosch University 1986	N/A
Dr Josef Adriaan Breed (14 March 1951)	Elected, tenure began 30 July 2014, extended, and ended 29 July 2021	BSc (PU for CHE), THOD (POK) BEd (PU for CHE), MEd (PU for CHE), PhD (North-West University)	N/A
Dr Sebayitseng Millicent Hlatshwayo (9 January 1964)	Appointed, tenure began 20 February 2018 and ends 19 February 2024	BSc (Medunsa); MBChB (Medunsa)	Casualty doctor: Arwyp Private and OR Tambo Travel Clinic
Lekgema Joel Mankge (08 March 1970)	Elected, tenure began 25 September 2019 and ended 31 March 2021	Senior Primary Teachers' Diploma) 2001 Potchefstroom/North-West University, Further Diploma: Education. Management) – 2013 Nelson Mandela Metropolitan University, Diploma in Practical Labour Law – 2013 Nelson Mandela Metropolitan University, Advanced Management Development, Programme – 2015 University of Limpopo in partnership with National School of Government, Programme in Forensic and Investigative Auditing, level 6 2017 Unisa, Educating Management – Law and Systems – 2012, Diploma: Forensic and Investigative Auditing – 2017 Unisa, Computer Certificate – 2004 Step Ahead Computer Training Centre, HIV/Aids Care and Counselling – 2002 Unisa, Labour Relations Management – 2004, Basic Public Relations Principles – 2012 Unisa, Basic Financial Life Skills - 2012 Unisa, Personal Financial Management – 2013 Unisa, Strategic management – 2013 Unisa	Department of Education Limpopo

Name	Elected or appointed	Qualifications	Other significant positions held during 2021
Rakgama Andries Billy Manoko (6 June 1966)	Appointed, tenure began 20 February 2018 and ends 19 February 2024	BProc – 1989 University of the North, LLB University of the North	Founder and managing director: Manoko & Associates Inc Attorney
Dr Esthras Tlou Confidence Moloko (16 May 1959)	Appointed 28 October 2016, tenure ends 27 October 2022	MBChB Medunsa, BSc (Medicine) Medunsa	Chairperson: Health and Welfare Sector Education and Training Authority
Nkobane Constance Ntshane (17 May 1974)	Elected, tenure began 25 September 2019 and ends 24 September 2025	BA Honours: Social Work – 2001 Unisa, Certificates: Gender Excellence, Employee Assistance Programme, Employee Wellness Programme, all University of Pretoria	Department of Health Mpumalanga – wellness manager
Mpfariseni Erasmus Phophi (6 October 1952)	Appointed, tenure began 26 September 2017 and ends 25 September 2023	BA (Human Resource Management), International Labour Organisation (ILO), Course on Labour Relations and Performance Management in the Public Service (LO), Course on Advanced Negotiations Skills	N/A
Dr Izak Jacobus van Zyl (31 January 1951)	Elected, tenure began 30 July 2020 and ended 28 July 2021 Re-elected from 29 July 2021 to 28 July 2026	BMil, Hons BCom (Personnel Management), MBA, PhD (Industrial Economics), Industrial Relations Development Programme	N/A
Nkosinathi Louis Theledi (30 June 1963)	Appointed, 09 September 2013, tenure ended 08 September 2019 Appointed for a final term of three years from 3 December 2020 – tenure ends 2 December 2023	BTech Tshwane University of Technology, National Diploma: Human Resources University of Johannesburg, Public Management and Development Wits School of Governance, MTech Tshwane University of Technology	Secretary-general: Police and Prisons Civils Rights Union
Jan Stephanus Roux (08 January 1944)	Elected, tenure began 30 July 2014, extended from 29 July 2020 and ended 29 July 2021	BSc, LSTD, BEd Stellenbosch University	N/A

Name	Elected or appointed	Qualifications	Other significant positions held during 2021
Dr Nomzamo Tutu	Appointed 30 July 2020, tenure ends 29 July 2026	MChB, BSc, Postgraduate Diploma in Occupational Health, Postgraduate Diploma in HIV/ Aids Management in the World of Work	Chairperson: Transformation Committee of the Engineering Council of South Africa Strategic adviser to Busane Development Trust
Dr Johan Frederik Smit	Elected, tenure began 30 July 2021 and ends 28 July 2027	BCHD (Dentistry), DTVG (Dental Public Health) and DGA (Public Health Administration), all University of Pretoria	Retired
Pierre de Villiers	Elected, tenure began 30 August 2021 and ends 29 August 2027	NND (Engineering Studies) from Ekurhuleni West Technical and Vocational Education and Training (TVET) College, Teachers Diploma University of Pretoria, BEd, MEd	Lecturer – Ekurhuleni West TVET College
Lebohlang Precious Khumalo	Elected, tenure began 30 August 2021 and ends 24 September 2025	Diploma in Clinical Nursing Science, Diploma In General Nursing, Advanced Certificate in Project Management University of KwaZulu-Natal and Advanced Certificate in Healthcare Management – Foundation for Professional Development	Nursing professional

Note: Trustees' qualifications are verified through the Scheme's annual vetting procedure.

Board meetings in 2021

The GEMS Board of Trustees held 20 meetings during 2021 (15: 2020). Most meetings were held virtually, but others were hybrid:

1. 5 February 2021 (special meeting)
2. 25 February 2021 (quarterly meeting)
3. 11 March 2021 (special meeting)
4. 31 March 2021 (ad hoc urgent meeting)
5. 15 April 2021 (special meeting)
6. 22 April 2021 (quarterly meeting)
7. 23 April 2021 (continuation of 22 April 2021 quarterly meeting)
8. 1 June 2021 (special meeting)

9. 30 June 2021 (interim meeting)
10. 5 July 2021 (continuation of 30 June 2021 interim meeting)
11. 29 July 2021 (quarterly meeting)
12. 30 August 2021 (AGM preparation meeting)
13. 14 September 2021 (special Board and Exco meeting)
14. 21 September 2021 (interim meeting to consider benefit design recommendations)
15. 27 September 2021 (ad hoc meeting)
16. 4 October 2021 (continuation of 27 September 2021 ad hoc meeting)
17. 28 October 2021 (quarterly meeting)
18. 29 October 2021 (in-committee meeting for 28 October 2021 quarterly meeting)
19. 9 December 2021 (interim meeting on key approvals for 2022)
20. 10 December 2021 (in-committee meeting for 9 December 2021 interim meeting)

The Board of Trustees also held four briefings with the Minister for the Public Service and Administration (0: 2020); one AGM (0: 2020), one workshop (1: 2020), and two strategic planning meetings of two days each (1: 2020) as follows:

1. 15 January 2021 (briefing meeting with the Minister)
2. 20 January 2021 (briefing meeting with the Minister)
3. 26 and 27 January 2021 (Board and information communications (Special Board, Governance Training and Strategic Planning)
4. 15 April 2021 (briefing meeting with the Minister)
5. 20 January 2021 (briefing meeting with the Minister)
6. 31 August 2021 (virtual AGM)
7. 8 December 2021 (risk identification and assessment workshop)
8. 7 and 8 December 2021 (Board and information communications management strategic planning meeting).

Standing committee structure and responsibilities

The Board of Trustees has its own governance practices and standing committee structure that comply with governance and regulatory requirements. These committees fulfil key roles in ensuring good corporate governance.

The structure is based on:

- Statutory requirements.
- King IV Report on Corporate Governance.
- GEMS Strategic Plan Accountability and Strategic Oversight Framework.
- GEMS operating model.
- Cost-effectiveness and value for money.

The committees are mandated by the Board of Trustees through written terms of reference on membership, authority and duties. A standing committee responsibility matrix clarifies and demarcates standing committees' responsibility areas.

The committees meet at least quarterly as stipulated in the year planner approved for each year. Committee meetings are attended by Scheme management in keeping with the Board's requirements.

The committees in operation in 2021 were:

Audit Committee

The Audit Committee is mandated by the Board of Trustees through a written Audit Committee Charter on membership, authority and duties. The committee's charter was reviewed and approved by the Board of Trustees in December 2021 for 2022.

The primary responsibilities of the Audit Committee include assisting the Board in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, financial reporting processes, financial and other reporting risks, information systems, oversight of assurance provided over external reports other than financial statements; and oversight of combined assurance processes applied by the Scheme and its service provider network. The Audit Committee considers and recommends the appointment of the external auditors and monitors and reports on their independence. It also appoints, assesses and/or dismisses the Chief Audit Executive, approves the internal audit plan and annually reviews and approves the Internal Audit Charter.

Committee composition, including members' qualifications and experience

The committee consists of five members, two of whom were members of the Board of Trustees. Most members, including the Chairperson, are not trustees, or officers of the Scheme or of any of its service providers. For the year ended 31 December 2021, the committee members were:

Name	Designation	Qualifications	Role during 2021
Motshoanedi Johannes Lesejane (29 February 1956)	Independent member – Chairperson, appointed from 1 January 2018	Chartered Director South Africa CA(SA), Fellow Chartered Management Accountant (Global Management Accountant), BCom Hons Accounting Science, BCom Accountancy	Independent non-executive director, consultant, lecturer at Wits Business School
Carolynn Chalmers (12 September 1968)	Independent committee member appointed from 1 April 2019	Postgraduate Diploma: Marketing, Management, BSc Honours, Computer Science Masters; BSc Computer Science	Consultant

Name	Designation	Qualifications	Role during 2021
Malande Sibongile Tonjeni (15 August 1978)	Independent committee member appointed for a final term from 1 April 2019 to 31 March 2022	CA(SA), BCom Acct, BCom Hons Acct, Postgraduate diplomas in Mining Engineering, Mining Tax, Banking Law, INSEAD Programme	Independent non-executive director and trustee, and consultant
Rakgama Andries Manoko (6 June 1966)	Trustee, appointed, term began 06 March 2018, appointed Audit Committee member from 28 June 2018	Gradum Baccalaurei Procurations, Gradum Baccalaurei Legum, Admitted Attorney, Corporate Governance, Commercial Law	Founder and managing director: Manoko & Associates Inc
Dr Nomzamo Tutu (12 December 1965)	Trustee, appointed, term began 30 July 2020, appointed Audit Committee member from 30 July 2020	MBChB, BSc, Postgraduate Diploma in Occupational Health, Postgraduate Diploma in HIV/Aids Management in the World of Work	Chairperson: Transformation Committee of the Engineering Council of South Africa Strategic adviser to Busane Development Trust

The Audit Committee carried out its responsibilities in terms of the Board-approved Audit Committee Charter. The external auditors and internal auditors reported formally to the committee on crucial findings arising from audit activities.

The committee met nine times during 2021 (7: 2020). All meetings were held virtually:

1. 4 February 2021 (quarterly meeting)
2. 11 March 2021 (special meeting)
3. 13 April 2021 (quarterly meeting)
4. 16 April 2021 (continuation of 13 April 2021 quarterly meeting)
5. 28 June 2021 (ICT workshop with Finance and Investment Committee);
6. 15 July 2021 (quarterly Meeting)
7. 21 July 2021 (continuation of 15 July 2021 quarterly meeting)
8. 21 October 2021 (quarterly meeting)
9. 15 November 2021 (in-committee meeting for 21 October 2021 meeting).

The Principal Officer, the Chief Financial Officer of the Scheme, the Chief Audit Executive, the Scheme's internal auditors and the external auditors attended committee meetings on invitation and had unrestricted access to the Chairperson of the Audit Committee.

Ad-hoc Oversight Committee on Special Projects and Programmes

The Board of Trustees, on the recommendation of the Risk, Social and Ethics Committee, established the Ad-hoc Oversight Committee on Special Projects and Programmes. It held its inaugural meeting and began its duties on 10 August 2021.

Its primary role is to support the Board of Trustees in ensuring effective oversight of GEMS projects, programmes and other change activities (initiatives), as defined in its terms of reference, and report to the Board on initiatives.

- Governance, risk and compliance management
- Assurance
- Application of Board directives and defined parameters
- Strategic analysis, alignment and prioritisation
- Planning and lifecycle management
- Considerations of GEMS' clinical, operational, financial, ICT, human resources, legal, compliance and change management requirements
- Liaison with interim NHI advisory structures
- Insourcing of capabilities.

The committee ensures effective communication with and between associated Board committees on matters relating to its responsibilities.

The committee met twice, virtually, in 2021:

1. 10 August 2021 (quarterly meeting)
2. 13 October 2021 (quarterly meeting).

For the year ended 31 December 2021, the committee members were:

- Nkobane Constance Ntshane (trustee, elected – Chairperson, tenure began 23 September 2019)
- Rakgama Andries Billy Manoko (trustee, appointed, tenure began 06 March 2018)
- Dr Esthras Tlou Confidence Moloko (trustee, appointed, tenure began 28 October 2016)
- Nkosinathi Loius Theledi (trustee, appointed, tenure ended 26 September 2019)
- Carolynn Chalmers (Audit Committee independent committee member, tenure began 01 April 2019).

Clinical Governance and Administration Committee

The committee assists the Board of Trustees to ensure the efficient operations of the Scheme by providing oversight, assessment and review of all administration aspects of the Scheme's business. To this end, it ensures seamless interaction among service providers to meet the Scheme's operational objectives. It also assists the Board to nurture growth in Scheme membership and excellent member affairs by overseeing communication and marketing activities, stakeholder relations and the complaints management function. It

- Assesses, decides and reports on the approval of ex gratia applications and payments to Scheme members. It is mandated to approve ex gratia payments of more than R50 000 and where the condition and the withholding of therapy is life threatening, the treatment will

result in improved quality of life for the applicant, the treatment is clinically appropriate and based on internationally accepted, evidence-based treatment guidelines and protocols, or the applicant has a proven financial inability to afford the treatment by any other means

- Assists the Board to implement the healthcare management strategic objective, namely 'To improve the Scheme's clinical risk profile and contain claims experience'
- Oversees the Scheme's product development and benefit design work.

The committee met over two days, every quarter, seven times in 2021 (7: 2020). Most meetings were held virtually:

1. 16 and 17 February 2021 (quarterly meeting)
2. 27 and 28 May 2021 (quarterly meeting)
3. 13 May 2021 (special meeting)
4. 7 and 8 July 2021 (quarterly meeting)
5. 05 August 2021 (special joint meeting with the Finance and Investment Committee on strategic planning and the Scheme's 2022 benefit design)
6. 2 and 3 November 2021 (quarterly meeting)
7. 23 November 2021 (SCM Policy workshop)

For the year ended 31 December 2021, the committee members were:

- Dr Sebayitseng Millicent Hlatshwayo (trustee, appointed – Chairperson, tenure began 06 March 2018)
- Nkobane Constance Ntshane (trustee, elected, tenure began 23 September 2019)
- Rakgama Andries Billy Manoko (trustee, appointed, tenure began 06 March 2018)
- Mpariseni Erasmus Phophi (trustee, appointed, tenure began 19 September 2016)
- Nkosinathi Louis Theledi (trustee, appointed, tenure ended on 26 September 2019)

Finance and Investment Committee

The Finance and Investment Committee was set up by the Board in December 2013 and began its work in March 2014. It assists the Board in fulfilling its oversight responsibilities of the Scheme's investment activities, considers investment decisions and activities, and monitors the Scheme's organisational and financial performance. The committee conducts oversight in line with the Scheme's business model, which requires ongoing review of service provider contracting. Hence, the committee monitors cash flow position, investment performance and regulatory compliance. It also oversees ICT and the performance of contracted asset consultants and managers.

The committee met seven occasions in 2021 (6: 2020) using a hybrid meeting approach.

1. 18 February 2021 (quarterly meeting)
2. 20 May 2021 (quarterly meeting)
3. 8 June 2021 (BBBEE meeting with contracted SPN)
4. 28 June 2021 (ICT workshop with the Audit Committee)
5. 05 August 2021 (special joint meeting with the Clinical Governance and Administration Committee on strategic planning and the 2022 benefit design)
6. 16 September 2021 (quarterly meeting)
7. 16 November 2021 (quarterly meeting).

Committee members in 2021 were:

- Dr Esthras Tlou Confidence Moloko (trustee, appointed – Chairperson, tenure began 28 October 2016)
- Marthinus Brand (trustee, elected, tenure began 23 September 2019)
- Dr Josef Adriaan Breed (trustee, elected, tenure began 31 July 2014 and ended 29 July 2021)
- Lebohang Precious Mankge (trustee, elected, tenure began 23 September 2019 and ended 31 March 2021)
- Nkobane Constance Ntshane (trustee, elected, tenure began 23 September 2019)
- Jan Stephanus Roux (trustee, re-elected, tenure began 30 July 2014 and ended 29 July 2021)
- Dr Nomzamo Tutu (trustee, appointed, tenure began 30 July 2020)
- Dr Izak Jacobus van Zyl (trustee, elected, tenure commenced on 30 July 2014, ended 29 July 2021 and re-elected from 29 July 2021) and
- Malande Sibongile Tonjeni (independent committee member co-opted from the Audit Committee, tenure began 01 April 2019).

Risk, Social and Ethics Committee

The committee ensures sound corporate governance by providing oversight, assessment and review of risk management, ethics management and compliance management. Its responsibilities include ensuring compliance with the MSA and its Regulations, patent and trademark legislation, and other relevant legislative frameworks.

The committee met six times in 2021 (4: 2020). Most meetings were held virtually:

1. 19 February 2021 (quarterly meeting)
2. 2 April 2021 (ad hoc meeting)
3. 6 April 2021 (ad hoc meeting)
4. 11 May 2021 (quarterly meeting)
5. 19 August 2021 (quarterly meeting)
6. 18 November 2021 (quarterly meeting).

Committee members were:

- Mpariseni Erasmus Phophi (trustee, appointed – Chairperson, tenure began 19 September 2016)
- Marthinus Brand (trustee, elected, tenure began 23 September 2019)
- Dr Josef A Breed (trustee, elected, tenure began 31 July 2014 and ended 29 July 2021)
- Lebohang Precious Mankge (trustee, elected, tenure began 23 September 2019 and ended 31 March 2021)
- Dr Esthras Tlou Confidence Moloko (trustee, appointed, tenure began 28 October 2016)
- Jan Stephanus Roux (trustee, re-elected, tenure began 30 July 2014 and ended 29 July 2021)
- Dr Izak Jacobus van Zyl (trustee, official term ended 30 July 2020 but given Covid-19 and lockdown, was extended until 29 July 2021, re-elected, term began 29 July 2021)
- Carolynn Chalmers (independent committee member co-opted from the Audit Committee, tenure began 01 April 2019).

Human Resources and Remuneration Committee

This committee ensures sound people management by providing oversight, assessment and review of the maintenance of relevant human resources and remuneration policies. In addition, it advises the Board on the annual cost of living adjustment for employees, the criteria for benchmark exercises pertaining to annual remuneration surveys, remuneration rates for employees, trustees and independent committee members, the implementation of remuneration survey results, and implementation of employee performance reward measures. It also oversees disclosure in the annual integrated report of remuneration of trustees, independent committee members and members of the GEMS Exco.

The Human Resources and Remuneration Committee met six times in 2021 (5: 2020), mostly virtually:

1. 3 February 2021 (quarterly meeting)
2. 9 April 2021 (quarterly meeting)
3. 10 June 2021 (quarterly meeting)
4. 26 August 2021 (special meeting)
5. 14 October 2021 (quarterly meeting)
6. 24 November 2021 (special meeting).

Committee members were:

- Nkosingathi Louis Theledi (trustee, appointed – Chairperson, tenure ended 26 September 2019)
- Dr Josef Adriaan Breed (trustee, elected, tenure began 31 July 2014 and ended 29 July 2021)
- Dr Sebayitseng Millicent Hlatshwayo (trustee, appointed, tenure began 06 March 2018);
- Rakgama Andries Billy Manoko (trustee, appointed, tenure began 06 March 2018)
- Dr Izak Jacobus van Zyl (trustee, official term ended on 30 July 2020 but given Covid-19 and lockdown, was extended until 29 July 2021, re-elected term began 29 July 2021).

In addition to the standing committees, the Board also appointed one ad-hoc committee in 2021:

Benefit Design Committee

This committee made recommendations to the Board on GEMS benefits and contributions for 2022. It met twice in 2021 (2: 2020):

- 18 August 2021
- 15 September 2021.

Attendance was open to all trustees and most attended.

Trustee and Principal Officer meeting attendance in 2021:
A – meetings attended, B – meetings that could be attended

	AGM		Board of Trustees		Audit Committee		Ad-hoc Oversight Committee on Special Projects and Programmes		Benefit Design Committee		Clinical Governance and Administration Committee		Risk, Social and Ethics Committee		Finance and Investment Committee		Human Resources and Remuneration Committee		Training		Workshops		
	AGM	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Marthinus Brand	1	20	20							2	2			6	6	7	7			10	10	2	2
Dr. Josef A Breed	-	11	11							-	-	4	4					3	3	5	5	-	-
Pierre de Villiers	1	9	9	1	1					1	1	1	1	1	1	-	-	1	1	4	4	1	1
Dr Sebayitseng Millicent Hlatshwayo	1	20	20					1	1	2	2	7	7	3	3	3	3	6	6	6	6	2	2
Lebohlang Precious Khumalo	1	9	9	1	1					1	1	1	1	1	1	2	2	1	1	4	4	1	1
Lekgema Joel Mankge	-	4	4							-	-			1	1	1	1			1	1	-	-
Rakgana Andries Billy Manoko	1	20	20	9	9	2	2	2	2	2	2	7	7							15	15	2	2
Dr Esthras Tlou Confidence Moleko	1	20	20					2	2	2	2	7	7			7	7			4	4	2	2
Nkobane Constance Nishane	1	20	20					2	2	2	2	7	7			7	7			7	7	2	2
E Mphahleli Erasmus Phophi	1	20	19							2	2			6	6			6	6	11	11	1	1
Jan Stephanus Roux	1	11	11							-	-			4	4	4	4			2	2	-	-
Dr Johan Frederik Smit	1	9	9	1	1	2	2	2	2	1	1	1	1	2	2	3	3	2	2	7	7	1	1
Nkosinathi L. Theledi	1	20	19					2	2	2	2	7	7					6	6	5	5	1	1
Dr Nomzamo Tutu	1	20	19	9	9					2	2					7	5			11	11	2	2
Dr Izak Jacobus van Zyl	1	20	20							2	2			6	6			6	6	2	2	1	1
Dr BOS (Stanley) Moloabi (Principal Officer)	1	20	20					2	2	2	2	7	5	6	6	7	7	6	6	2	2	2	2

GEMS INDEPENDENT COMMITTEE MEMBERS' ATTENDANCE OF BOARD AND COMMITTEE MEETINGS

A – meetings attended

B – meetings that could be attended

Member	AGM	Board of Trustees		Audit Committee		Ad-hoc Overview Committee on Special Projects and Programmes		Benefice Design Committee		Clinical Governance and Administration Committee		Risk, Social and Ethics Committee		Finance and Investment Committee		Human Resources and Remuneration Committee		Training		Workshops	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Motshoane Johannes Lesajane	1	15	9	9	9													9	9	1	1
Carolynn Chalmers	1	6	6	9	8	2	2					6	6					8	8	1	1
Malande Sibongile Tonjeni	1	-	-	9	8									7	5			3	3	1	1

STATEMENT OF RESPONSIBILITY OF THE BOARD OF TRUSTEES

The Board of Trustees is responsible for the preparation, integrity and fair presentation of the GEMS integrated annual report and financial statements. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act no. 131 of 1998, as amended (the Act), also include amounts based on judgments and estimates by management.

Accounting policies applied by the Scheme are informed and updated, when required, based on CMS circulars, the Annual Medical Schemes Accounting Guide issued by SAICA and updates on the latest IFRS developments. The trustees consider that, in preparing the annual financial statements, they have used the most appropriate accounting policies, consistently applied these policies and supported the application of these policies with reasonable and prudent judgements and estimates.

The Board adopted the King Report on Corporate Governance 2016 (King IV) practices where appropriate to the business of a medical scheme and its trustees.

The trustees are satisfied that the information contained in the integrated annual integrated report fairly presents the results of operations for the year and the financial position of the Scheme at year-end. The trustees also prepared the other information included in the annual report and are responsible for both its accuracy and consistency with the annual financial statements.

The trustees ensure that adequate accounting records are maintained and that they disclose with reasonable accuracy the financial position of the Scheme, which enables the trustees to ensure that the annual financial statements comply with legislation.

The trustees are also responsible for internal controls that enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining an effective system of risk management.

GEMS operates in a well-established control environment, which is well documented and regularly reviewed. This environment incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are assessed and controlled.

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

The Scheme's external auditor, Deloitte and Touche, is responsible for auditing the statements in terms of International Auditing Standards and its unqualified report is presented with the Scheme's annual financial statements.

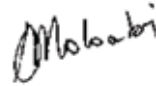
The annual financial statements for 2021 were approved by the Board of Trustees on 25 April 2022 and are signed on its behalf by:



.....
Dr SM Hlatshwayo
Chairperson
25 April 2022



.....
Mr ME Phophi
Deputy Chairperson



.....
Dr BOS Moloabi
Principal Officer

STATEMENT OF CORPORATE GOVERNANCE

GEMS is committed to the principles and practices of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Board conducts all its affairs according to ethical values and within a recognised governance framework made up of the Rules of GEMS, the GEMS Board Charter and Scheme policies. A formal integrated framework is in development.

The Scheme acknowledges its role in the medical schemes industry and its responsibilities to each beneficiary and the wider community. The Scheme recognises that sustainability can be achieved only through strong relationships with all stakeholders and responsible management of risk.

Transparency and ethics

The Scheme has adopted a stakeholder-inclusive approach to corporate governance and is bound by mandates and principles of treating members fairly. The close stakeholder relationship and the election and appointment of the Board of Trustees by the members and the employer allow the Scheme to recognise the concerns and objectives of stakeholders in its decision-making process.

The Board of Trustees acknowledges that the perception of stakeholders affects the reputation of the Scheme.

Therefore, clear and open communication with stakeholders enhances the reputation of the Scheme. The trustees have produced a holistic and reliable integrated report to illustrate both the financial and non-financial performance of the Scheme.

Board of Trustees

The Board of Trustees is responsible for the stewardship and governance of the Scheme. The trustees are elected by the members of the Scheme or appointed by the employer (Minister for the Public Service and Administration), according to the provisions of the Medical Schemes Act, No 131 of 1998, as amended, and the Rules of the Scheme. The trustees are representatives of the Scheme's members and are legally responsible for the management and strategic direction of the Scheme on behalf of the members.

The Board meets regularly and monitors the performance of the Scheme's employees, administrators and other contracted service providers. The Board addresses a range of issues and ensures that discussion of strategy, policy, risk management, fraud management and operational performance are critical, informed and constructive. The affairs of the Scheme are managed according to the Rules of the Scheme and also adhere to all aspects of governance required by the Medical Schemes Act 131 of 1998, as amended. The Board is committed to the principles set out in the King IV Report on Corporate Governance for South Africa. A collective board-effectiveness evaluation and peer review is required every second year. The Chairperson meets with individual trustees one-to-one during induction training of new trustees and should the need arise.

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

Internal controls

Management and the administrators of the Scheme maintain internal controls and systems designed to provide reasonable assurance of the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

The Scheme's internal audit service also performs an independent analysis of the controls of the Scheme and those of the service providers of the Scheme as part of its annual audit plan. The Board-appointed Risk, Social and Ethics Committee consisting of Board of Trustee members, a co-opted Audit Committee independent member and attended by senior management of the Scheme, assesses the risk register and plans to mitigate risks. This committee reports to the Board of Trustees independently.

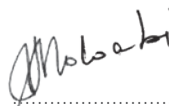
The Board annually assesses the risks facing the Scheme and determines the impact and likelihood of such risks through the development of a risk register. Once the risk register is approved by the Board, monitoring of the implementation of mitigation measures and internal controls takes place at least quarterly to ensure that all risks are effectively managed. No event nor item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



Dr SM Hlatshwayo
Chairperson
25 April 2022



ME Phophi
Deputy Chairperson
25 April 2022



Dr BOS Moloabi
Principal Officer
25 April 2022

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 December 2021.

The mandate of the Audit Committee requires it to adhere to high-quality standards of corporate accountability, to oversee the quality of the financial reporting process and control systems, and to maintain a high degree of integrity in both the external and internal audit processes. For the 2021 financial year, all Audit Committee meetings were held virtually to ensure continuity of execution of the Audit Committee mandate while remote working arrangements were in force.

The committee reviewed the annual integrated report and considered all factors that may impact on its integrity. The Scheme's internal and external auditors reviewed selected key performance measures included in this report to confirm that they were reliable and did not conflict with the financial information contained in the report.

Significant matters considered in relation to the annual financial statements

The going concern basis was adopted in preparing the annual financial statements. Based on forecasts and available cash resources, the Audit Committee has no reason to believe that the Scheme will not be a going concern in the foreseeable future. These annual financial statements support the viability of the Scheme.

We have reviewed and discussed with the external auditor and management the audited 2021 annual financial statements and we are of the view that they comply, in all material respects, with the Medical Schemes Act, No 131 of 1998, and International Financial Reporting Standards. The committee received assurance that sound financial controls are in place and that fraud and ICT risks as they relate to financial reporting have been adequately addressed.

External auditor independence and quality

The committee was involved in the appointment of the external auditor and following its assessment of the auditors, was satisfied that the appointment of the auditor complies with Section 36(3) of the Medical Schemes Act, No 131 of 1998, as amended. Furthermore, the committee approved the external auditor's engagement letter, audit plan and budgeted

fees for the year ended 31 December 2021. The Scheme maintains the Non-audit Services and Consulting Services Policy, which describes prohibited services by the external audit and those requiring prior approval of the Audit Committee. We are satisfied that the Audit Committee approved limited assurance of selected key performance indicators included in this integrated report and that the Scheme's external auditor performed no prohibited work during the 2021 financial year. The designated audit partner, who was with the Scheme since 2016, has been rotated between the Scheme's audit firms (Deloitte & Touche and OMA Chartered Accountants). Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

Effectiveness of the chief audit executive and arrangements for internal audit

The Scheme's Chief Audit Executive reports functionally to the Audit Committee and administratively to the Principal Officer. The internal audit function has an appropriate and formal charter, which was approved by the Audit Committee in 2021. We are satisfied that the internal audit function of the Scheme is independent and has the skills and resources to perform its duties. In addition to use of in-house resources to deliver on the internal audit mandate, the Scheme's Internal Audit Division is supplemented by specialists from the panel of internal audit service providers where required. Internal audit provided quarterly reports to the Audit Committee on assurance results and progress against its strategic objectives. The Scheme's Internal Audit Division was subjected to the five-year external quality assurance review in 2019, with the final report issued in February 2020, with an overall opinion of 'generally conforms' allocated by the Institute of Internal Auditors South Africa.

Design and implementation of internal financial controls

The Scheme's internal audit function reviewed the design and operating effectiveness of selected key internal financial controls with the overall objectives of the controls tested being achieved. Controls tested by internal audit did not identify any failures that led to material financial errors or losses, fraud and corruption. Based on this assurance by internal audit, we are satisfied that the finances and system of internal controls are appropriately managed. Furthermore, the external auditors have issued an unqualified audit opinion that the 2021 annual financial statements are a fair reflection that the Scheme's activities and accounting practices have been applied appropriately. International Standard on Assurance Engagements 3402 – assurance reports issued by service auditors at the Scheme's administrators were received and their findings, which did not present material exposure to the Scheme, were considered.

Key focus areas during the reporting period

Cybersecurity controls and their oversight continued to be a key focus area for the committee during 2021.

The committee receives reports from internal audit on the implementation progress of forensic investigation (stemming from the 2017 tender investigation) recommendations by management.

Effectiveness of the Chief Financial Officer and the finance function

The committee reviewed the expertise, resources and experience of the Scheme's finance function and believes that the Chief Financial Officer and other finance staff have the required competence and skills. Financial reporting was of a high standard throughout the financial year as evidenced by an unqualified external audit opinion.

Combined assurance

The Scheme's Chief Audit Executive is responsible for leading the Scheme's combined assurance model. GEMS' assurance providers coordinated during the review period included external providers such as internal audit functions of the Scheme's service provider network. Plans and reports received by the Audit Committee for the financial year provided a view of combined assurance coverage from various assurance providers and results stemming from such assurance were presented to the Audit Committee, with any areas recommended for remediation noted and monitored for closure. Based on internal audit submissions, the Audit Committee is satisfied with the effectiveness of combined assurance arrangements.

Conclusion

The committee recommended the annual financial statements to the Board of Trustees for approval. We are satisfied that the committee fulfilled the responsibilities in its charter for the reporting period. The committee thanks the Board of Trustees for its continued support.



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Joe Lesejane

Audit Committee Chairperson

Assurance on this report:

The Board received assurance on the content and processes listed below and their accuracy from both internal and external assurance providers, overseen by the Audit Committee.

Content and processes	Assurance provider	Outcome
Annual financial statements	External audit	Unqualified audit opinion
All complaints as a % of total lives (%)	External audit	Limited assurance provided
Timeous completion of stakeholder forum workplans/outcomes (%)	External audit	Limited assurance provided
Primary network cost coverage (%)	External audit	Limited assurance provided
Externally assessed employee engagement (ranking)	External audit	Limited assurance provided
Member digital services adoption (%)	External audit	Limited assurance provided
Industry-initiated member survey – SACSI (%)	GEMS internal audit	Accuracy and completeness of key performance indicators reported performance: Satisfactory
All complaints as a % of total lives (%)	GEMS internal audit	Accuracy and completeness of key performance indicators reported performance: Satisfactory
Standardisation of basic benefit package (%)	GEMS internal audit	Accuracy and completeness of key performance indicators reported performance: Satisfactory
Increase in hospital admission rate against budget assumption	GEMS internal audit	Accuracy and completeness of key performance indicators reported performance: Satisfactory
Development and implementation of information security management capability (%)	GEMS internal audit	Accuracy and completeness of the key performance indicators reported performance: Satisfactory
Data quality (%)	GEMS internal audit	Accuracy and completeness of the key performance indicators reported performance: Satisfactory
Disclosure of trustee and independent committee meeting attendance	GEMS internal audit	No discrepancies noted in the meeting attendance reported

INDEPENDENT AUDITOR'S REPORT

To the Members of the Government Employees Medical Scheme

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Government Employees Medical Scheme (the Scheme), set out on pages 29 to 93, which comprise the Statement of Financial Position as at 31 December 2021, and the Statement Comprehensive Income, the Statement of Changes in Members' Funds and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Government Employees Medical Scheme as at 31 December 2021, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
<p>Outstanding claim provision (IBNR)</p> <p>The outstanding risk claims provision (“IBNR”) comprise provisions for the Scheme’s estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date.</p> <p>The determination of the IBNR requires the Scheme’s Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date. The Trustees make use of an independent actuarial specialists for the estimation of the IBNR.</p> <p>The IBNR calculation is based on the following of factors:</p> <ul style="list-style-type: none"> • Previous experience in claims patterns; • Claims settlement patterns; • Changes in the nature and number of members according to gender and age; • Trends in claims frequency; • Changes in the claims processing cycle; and • Variations in the nature and average cost per claim. <p>Certain of the above-mentioned factors require judgement and assumptions to be made by the Scheme’s Trustees and therefore we identified the valuation and completeness of the IBNR as a key audit matter.</p> <p>The IBNR is disclosed in note 11 and note 23.</p>	<p>In evaluating the valuation of the IBNR, we performed various procedures including the following:</p> <ul style="list-style-type: none"> • Tested the design and implementation of relevant controls within the IBNR process in order to assess audit risks associated with the provision; • Tested the integrity of the information used in the calculation of the IBNR by performing substantive procedures; • With the assistance of our internal actuarial specialists, we performed an independent calculation of the estimate of the IBNR using historical claims data and trends. We used this estimate as a basis of assessing the completeness and valuation of the IBNR; • Performed a retrospective review of the IBNR raised in the 2020 financial year based on actual claims paid in 2021 to verify the assumptions applied to determine whether the IBNR is reasonable and the ability of GEMS to estimate the IBNR reliably; • Performed tests of detail on the current year IBNR including testing actual claims experienced subsequent to year end and as close as possible to audit completion date; and • Reviewed the disclosure in the financial statements in conformity with International Financial Reporting Standards. <p>The assumptions applied in the IBNR appear reasonable and we are satisfied that the balance of the IBNR as at year-end, the related disclosure of the IBNR and assumptions are appropriate.</p>

Other Information

The Scheme's Trustees are responsible for the other information. The other information comprises the Statement of Responsibility of the Board of Trustees, the Report of the Board of Trustees and the Statement of Corporate Governance as required by Medical Schemes Act of South Africa and the Audit Committee Report which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Scheme's Trustees for the Financial Statements

The Scheme's Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 based on these financial statements.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report 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 our audit.

Audit tenure

In terms of CMS Circular 38 of 2018 Audit tenure, we report that Deloitte has been the auditor of the Government Employees Medical Scheme for 6 years.

The engagement partner, Kumeshnee Singh, has been responsible for the Government Employees Medical Scheme's audit for 1 year.



Per: Kumeshnee Singh CA(SA) RA
Partner

26 April 2022

Statement of Financial Position

as at December 31, 2021

	Note(s)	2021 (R'000)	2020 (R'000)
ASSETS			
Non-Current Assets			
Property and Equipment	3	283 061	299 130
Right-of-use assets	4	4 081	8 286
Intangible assets	5	3 343	6 687
Financial assets at fair value through profit or loss	6	9 771 100	6 188 873
		10 061 585	6 502 976
Current Assets			
Financial assets at fair value through profit or loss	6	13 481 885	13 228 748
Trade and other receivables	7	470 258	338 571
Cash and cash equivalents: Scheme cash invested	8	3 170 701	2 765 607
		17 122 844	16 332 926
Total Assets		27 184 429	22 835 902
EQUITY AND LIABILITIES			
EQUITY			
Accumulated Funds		22 897 867	18 620 653
LIABILITIES			
Non-Current Liabilities			
Lease liabilities	4	415	2 791
Current Liabilities			
Personal medical savings account liability	9	1 444 682	1 263 247
Lease liabilities	4	3 907	6 050
Trade and other payables	10	1 117 678	928 772
Outstanding risk claims provision	11	1 719 880	2 014 389
		4 286 147	4 212 458
Total Liabilities		4 286 562	4 215 249
Member Funds and Liabilities		27 184 429	22 835 902

Statement of Comprehensive Income

as at December 31, 2021

	Note(s)	2021 (R'000)	2020 (R'000)
Risk contribution income	13	46 528 842	44 004 872
Relevant healthcare expenditure		(41 847 238)	(37 297 957)
Risk claims incurred	14	(40 835 461)	(36 416 134)
Accredited managed healthcare services	15	(1 011 777)	(881 823)
Gross healthcare result		4 681 604	6 706 915
Administration expenditure	16	(2 060 171)	(1 855 877)
Marketing services		(109 734)	(127 374)
Impairment losses on healthcare receivables	19	(66 904)	(41 262)
Net healthcare result		2 444 795	4 682 402
Investment income	20	1 864 661	902 284
Dividends received		92 905	74 164
Interest received on financial assets at fair value through profit or loss		1 016 147	864 383
Net realised gain / (loss) on financial assets at fair value through profit or loss		128 863	(68 090)
Net unrealised gain / (loss) on financial assets at fair value through profit or loss		590 192	(10 651)
Interest received on cash and cash equivalents		36 554	42 478
Other income		22 874	29 189
Sundry income		22 874	29 189
Other expenses		(55 116)	(43 196)
Investment management fees		(54 414)	(42 344)
Interest expense		(702)	(852)
Total comprehensive income for the year		4 277 214	5 570 679

Statement of Changes in Members' Funds

as at December 31, 2021

	Accumulated Funds (R'000)	Member Funds (R'000)
Balance at January 1, 2020	13 049 974	13 049 974
Total comprehensive income for the year	5 570 679	5 570 679
Balance at January 1, 2021	18 620 653	18 620 653
Total comprehensive income for the year	4 277 214	4 277 214
Balance at December 31, 2021	22 897 867	22 897 867

Statement of Cash Flows

as at December 31, 2021

	Note(s)	2021 (R'000)	Restated 2020 (R'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from members		47 908 493	45 260 646
Cash paid to suppliers, members and employees		(46 669 232)	(40 297 871)
Cash generated from operations	22	1 239 261	4 962 775
Interest expense		(702)	(852)
Net cash inflow from operating activities		1 238 559	4 961 923
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	3	(6 039)	(89 812)
Sale of property and equipment	3	28	1
Purchase of financial assets		(23 081 664)	(27 122 210)
Disposal of financial assets		21 030 000	21 597 447
Investment income		1 230 915	974 693
Interest received on Scheme cash invested		36 554	42 478
Interest earned on financial assets at fair value through profit or loss		972 592	926 141
Dividends		92 906	74 164
Realised gains / (losses)		128 863	(68 090)
Net cash from investing activities		(826 760)	(4 639 881)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment on lease liabilities		(6 706)	(6 196)
Total cash movement for the year		405 093	315 846
Cash at the beginning of the year		2 765 607	2 449 761
Total cash at end of the year	8	3 170 700	2 765 607

Notes to the Audited Annual Financial Statements

as at December 31, 2021

1. Significant accounting policies

The principle accounting policies applied in the preparation of the financial statements are set out below. The policies are consistent with those of the prior year. Refer to note 2 for the new standards and interpretations.

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act no. 131 of 1998, as amended (the Act). In addition the Statement of Comprehensive Income is prepared in accordance with Circulars 41 of 2012 and 56 of 2015 of the Council for Medical Schemes that sets out their interpretation of IFRS as it relates to the Statement of Comprehensive Income for Medical Schemes in South Africa.

1.2 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements.

These financial statements comply with the requirements of the 2021 SAICA Medical Scheme Accounting Guide as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Scheme's functional currency.

These accounting policies are consistent with the previous period.

1.3 Property and Equipment

Property and Equipment is measured at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged on the straight line basis over the estimated useful lives of assets after taking into consideration an asset's residual value. Land will be carried at cost and not depreciated.

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

Item	Depreciation method	Average useful life
Land		Infinite Useful Life
Buildings	Straight line	20 years
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years
Kitchen Equipment	Straight line	3 years
Leasehold improvements	Straight line	Over the unexpired period of the applicable lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

The residual value, depreciation method and the estimated useful life of each asset is reviewed at the end of each reporting period and adjusted where appropriate. The effects of any changes in estimates are accounted for on a prospective basis.

The Scheme capitalises leasehold improvements, as specified in the lease contracts, and these improvements are depreciated.

Repairs and maintenance, which neither materially add to the value of assets nor appreciably prolong their useful lives, are recognised in income or deficit. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Scheme and the cost of the item can be measured reliably.

An item of asset is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in income or deficit when the item is derecognised.

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Scheme; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

1.4 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Intangible assets	3 years

1.5 Financial instruments

Classification

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

- Financial assets at fair value through profit or loss
- Loans and receivables measured at amortised cost
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were acquired and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the Scheme becomes a party to the contractual provisions of the instruments.

The Scheme classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in the Statement of Comprehensive Income.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

Dividend income is recognised in profit or loss as part of other income when the Scheme's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial assets and liabilities

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

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

Impairment of financial assets

At each reporting date the Scheme assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Scheme, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are recognised in sundry income.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

1.5 Financial instruments (continued)

Financial instruments designated as at fair value through profit or loss

The Scheme classifies a financial asset at fair value through profit or loss when any of the following conditions are met:

- The asset is acquired principally for the purpose of selling in the near term.
- It is part of a portfolio of identified financial assets that are managed together and for which there is evidence of a recent pattern of short-term profit.
- Upon initial recognition the Scheme designated the asset as at fair value through profit or loss.

A group of financial assets is designated as at fair value through profit or loss if it is managed and its performance is evaluated on a fair value basis, in accordance with the Scheme's documented risk management strategy, and information about the group of assets is provided internally on that basis to the Scheme's key management personnel.

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

Gains or losses arising from subsequent changes in fair value, including any interest or dividend income, are recognised under Investment Income in the Statement of Comprehensive Income within the period in which they arise.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognised under sundry income in the Statement of Comprehensive Income.

Interest income is recognised by applying the effective interest method, except for short term receivables when the recognition of interest would be considered immaterial. In line with the Scheme Rules, no interest is charged on overdue receivable balances.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

Cash and cash equivalents

Cash and cash equivalents comprise deposits held on call with banks, cash on hand and other short term liquid investments. These deposits are readily convertible, to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.6 Leases

The Scheme leases various properties and has implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the IFRS 16 standard. The Scheme elected to apply exemptions for short term leases in relation to properties and for leases where the underlying asset is of low value.

The Scheme recognizes a right-of-use asset and a lease liability at the commencement date of the lease contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located,
- the amount of the initial measurement of the lease liability.

Subsequently the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Depreciation is calculated using the straight-line method over the estimated useful lives, as follows:

Right of use assets - over the remaining lease agreement period.

1.7 Insurance contracts

Contracts under which the Scheme accepts significant insurance risk from another party (the member or other beneficiaries) by agreeing to compensate the member or other beneficiaries if a specified uncertain future event (the insured event, i.e. occurrence of a medical expense) adversely affects the member or their dependents are classified as insurance contracts. In terms of these contracts the Scheme is obligated to compensate its members for the healthcare expenses they have incurred.

1.8 Risk claims incurred

Risk 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 in terms of its registered Rules, whether or not reported by the end of the year.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

1.8 Risk claims incurred (continued)

Net risk claims incurred comprise of the following:

- Claims submitted and accrued for services rendered during the year, net of discounts received, recoveries from members for co-payments and personal medical savings accounts;
- Movements in the outstanding risk claims provision.

1.9 Impairment of assets

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

Irrespective of whether there is any indication of impairment, the Scheme also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Liabilities and related assets under liability adequacy test

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. Where a shortfall is identified, an additional provision is made and the Scheme recognises the deficit in profit or loss for the year.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

1.11 Outstanding risk claims provision

Outstanding risk claims comprise provisions for the Scheme's estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date. Outstanding risk claims are determined as accurately as possible on the basis of a number of factors, which includes previous experience in claims patterns, claims settlement patterns, changes in the number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim.

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

A standard operating procedure governing the calculation of the provision as agreed with the Scheme is followed by the Scheme's actuaries to ensure consistency in the application and interpretation of results.

1.12 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. Risk contributions are presented before the deduction of other acquisition costs.

1.13 Employee benefits

Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the relevant service is provided.

Post employment benefits

Obligations for contributions to post employment benefits to defined contribution plans are measured on an undiscounted basis and are expensed as the relevant service is provided.

1.14 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating gains.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

1.14 Provisions and contingencies (continued)

The expected future cash flows are discounted and reflects current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the discount is recognised as a finance cost.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties surrounding the obligation.

1.15 Accredited managed healthcare services

These expenses represent expenditure and amounts paid or payable to accredited managed care organisations contracted by the Scheme for management of the utilisation costs and quality of healthcare services supplied to the Scheme and its members. These fees are expensed as incurred. The services provided by these organisations include hospital pre-authorisation, disease management programmes, optical and dental managed care services, pharmaceutical benefit and network management.

1.16 Investment Income

The Scheme's investment income includes:

- Dividends on investments;
- The realised gains or losses on financial assets at fair value through profit or loss;
- The unrealised gains or losses on financial assets at fair value through profit or loss; and
- The interest on investments and cash and cash equivalents.

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

The Scheme classifies dividends and interest received including interest on cash and cash equivalent as investing cash flows.

1.17 Unclaimed benefits

Unclaimed benefits are written back to income after a period of three years. Unclaimed benefits consist of member credits and unidentified deposits in line with the Scheme's debt management policy.

1.18 Impairment losses

Non-derivative financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) that can be estimated reliably had an impact on the estimated future cash flows of that asset.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

Financial assets measured at amortised cost: Loans and receivables

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

In assessing collective impairment, the Scheme uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Scheme's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised as an expense.

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.19 Allocation of revenue and expenditure to benefit options

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

The following items are directly allocated to benefit options:

- Risk contributions;
- Risk claims incurred;

Notes to the Audited Annual Financial Statements

as at December 31, 2021

1.19 Allocation of revenue and expenditure to benefit options (continued)

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

- Administration expenditure;
- Marketing services;
- Impairment losses;
- Managed care services;
- Administration fees;
- Finance cost;
- Other income;
- Investment management fees;
- Investment income.

1.20 Road Accident Fund (RAF) Recoveries

Amounts received from the RAF are not recognised in profit or loss and recognised as accounts payable. These amounts are refunded to members.

1.21 Relevant healthcare expenditure

Relevant healthcare expenditure consists of net claims incurred and Accredited Managed Healthcare Services.

1.22 Personal Medical Savings Account

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), 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 and is measured at fair value through profit or loss and subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period. The insurance component is recognised in accordance with IFRS 4, Insurance Contracts.

Unspent savings at year end are carried forward to meet future expenses for which the members are responsible. In terms of the Medical Schemes Act 131 of 1998, as amended, balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act.

Advances on savings contributions are funded from the Scheme's funds and the risk of impairment is carried by the Scheme.

1.23 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.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

- restricted activities
- a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support
- 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 comprehensive income in 'Net gains/ (losses)' on financial instruments held at fair value through profit or loss.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations not yet effective

The following new standards and interpretations have been published and not yet effective for the current financial year. The Scheme has not opted for an early adoption of the new standards and will be implemented in later periods as indicated below:

The aggregate impact of the initial application of the statements and interpretations on the Scheme's financial statements is expected to be as follows:

IFRS 17 Insurance Contracts

IFRS 17 will impact the measurement of the contracts with members in the Scheme's financial statements. The Scheme will qualify for the premium allocation approach which requires the Scheme to recognise a liability for remaining coverage (with reference to the premiums received) and a liability for incurred claims (calculated as the expected cash outflows and a risk adjustment). The Scheme expects that the boundary of the contracts with members will be one year. The Scheme will be required to assess for onerous contracts at the point members elect the benefit option for the following year. IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. This standard replaces IFRS 4 – Insurance contracts. The effective date of the standard is for years beginning on or after 1 January 2023. The Scheme will adopt the standard for the first time in the 2023 annual financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

2. NEW STANDARDS AND INTERPRETATIONS (continued)

If this right is subject to conditions imposed on the Scheme, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 1 January 2023.

The Scheme expects to adopt the amendment for the first time in the 2023 annual financial statements.

It is unlikely that the amendment will have a material impact on the Scheme's annual financial statements.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Scheme will not be adopting the standard for the first annual period after mandatory effective date, as the Scheme have opted to defer implementation. The mandatory effective date was 01 January 2018.

As per the option in terms of 39B of IFRS 4 which provides a temporary exemption that permits insurers to apply IAS 39 Financial Instruments: Recognition and Measurement rather IFRS9 Financial Instruments for annual periods beginning before 1 January 2023.

Management has assessed that the Scheme meets the criteria as stated in IFRS 4 and therefore opted to utilise temporary exemption to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

The Scheme applied paragraph (39B) of IFRS 4 to derive a conclusion that it qualifies for the temporary exemption from IFRS 9. The temporary exemption from IFRS 9 is applicable if, and only if:

- a) the Scheme has not previously applied IFRS 9; and
- b) the activities of the Scheme are predominantly connected with insurance, which is assessed on the basis of the following two criteria:
 - i) the Scheme has a significant amount of liabilities arising from contracts within the scope of IFRS 4 due to claims payable to members; and
 - ii) the percentage of the Scheme's liabilities connected with in terms of short term medical insurance business relative to all its liabilities meets a specified threshold. The percentage of the Scheme's liabilities connected with insurance relative to its total amount of liabilities are greater than 90% of the total liabilities of the Scheme.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

3. PROPERTY AND EQUIPMENT

	2021 R'000			2020 R'000		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	102 743	-	102 743	102 743	-	102 743
Buildings	188 040	(29 254)	158 786	188 040	(19 845)	168 195
Furniture and fixtures	6 936	(4 462)	2 474	6 951	(3 268)	3 683
Motor vehicles	8 808	(7 985)	823	8 808	(7 293)	1 515
Office equipment	21 040	(12 844)	8 196	21 821	(9 736)	12 085
IT equipment	33 828	(24 551)	9 277	30 103	(20 177)	9 926
Leasehold improvements	1 231	(1 222)	9	1 256	(1 232)	24
Kitchen Equipment	1 303	(550)	753	1 303	(344)	959
Total	363 929	(80 868)	283 061	361 025	(61 895)	299 130

Reconciliation of property and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Land	102 743	-	-	-	102 743
Buildings	168 195	-	-	(9 409)	158 786
Furniture and fixtures	3 683	-	(1)	(1 208)	2 474
Motor vehicles	1 515	-	-	(692)	823
Office equipment	12 085	9	(30)	(3 868)	8 196
IT equipment	9 926	6 030	(112)	(6 567)	9 277
Leasehold improvements	24	-	-	(15)	9
Kitchen Equipment	959	-	-	(206)	753
	299 130	6 039	(143)	(21 965)	283 061

Notes to the Audited Annual Financial Statements

as at December 31, 2021

3. PROPERTY AND EQUIPMENT (continued)

Reconciliation of property and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Land	22 819	79 924	-	-	102 743
Buildings	177 603	-	-	(9 408)	168 195
Furniture and fixtures	4 664	259	-	(1 240)	3 683
Motor vehicles	2 706	-	-	(1 191)	1 515
Office equipment	15 721	346	(14)	(3 972)	12 085
IT equipment	15 504	2 242	(17)	(7 803)	9 926
Leasehold improvements	49	-	-	(21)	24
Kitchen Equipment	1 165	-	-	(206)	959
	240 231	82 771	(31)	(23 841)	299 130

Details of properties

Property 1: Vutomi House ERF 885 Waterkloof Glen Ext,2

- Land purchase price: March 2017
- Carrying amount (building)

	2021 (R'000)	2020 (R'000)
	22 819	22 819
	158 786	168 195
	181 605	191 014

Property 2

Land purchased by the Scheme for construction of owner occupied property to be used for administration purposes

- Purchase price: 8 June 2020

	79 924	79 924
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Management assessed indicators of impairment for Land and building held at cost. Management assessed whether the carrying amount of Land and building differs materially from its market value and evaluated whether an independent valuation is required.

Management considered the following observable inputs in the assessment:

- The owner occupied property is situated in a high-end office park with developments currently ongoing.
- The Scheme had just recently purchased 3 983 square meters of land within the same precinct Office Park at its market value amounting to R79.9 million.
- There has been no indication that market values of other properties within the precinct have declined or properties are sold at less than market value.
- The assessment provides evidence that there are no indicators of impairment for land and building.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

4. RIGHT OF USE OF ASSETS

The Scheme leases several assets, including buildings in various provinces with an average lease term of 2 years.

Nature of leasing activities

The Scheme leases buildings for its office spaces. The leased buildings are situated in regional Scheme office across the country.

It is not reasonably certain that the renewal option will be exercised as a result of the Scheme strategy relating to the Client Liaison regional offices. The lease renewals are assessed prior to the ending date. The leases includes non-lease components and provides for the payment by the Scheme of operational costs incurred by the lessor and rates and taxes levied on the lessor. These amounts are determined annually and are recognised as an expense in the period incurred.

Details pertaining to leasing arrangements, where the Scheme is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

	2021 (R'000)	2020 (R'000)
Buildings	4 081	8 286

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss.

	2021 (R'000)	2020 (R'000)
Buildings	6 390	6 242

Other disclosures

	2021 (R'000)	2020 (R'000)
Interest expense on lease liabilities	696	756
Expenses on short term leases included in operating expenses	1 338	1 271

Notes to the Audited Annual Financial Statements

as at December 31, 2021

4. RIGHT OF USE OF ASSETS (continued)

Lease liabilities

The maturity analysis of lease liabilities is as follows:

	2021 (R'000)	2020 (R'000)
Year 1	3 907	6 050
Year 2	415	2 791
	4 322	8 841
Less : finance charges component	(215)	(694)
	4 107	8 147
Non-current liabilities	415	2 791
Current liabilities	3 907	6 050
	4 322	8 841

5. INTANGIBLE ASSETS

	2021 R'000			2020 R'000		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	81 087	(77 744)	3 343	81 087	(74 400)	6 687

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	6 687	(3 344)	3 343

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	13 373	(6 687)	6 687

Notes to the Audited Annual Financial Statements

as at December 31, 2021

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 (R'000)	2020 (R'000)
Opening balance	19 417 621	12 971 947
Additions to investments	2 051 663	5 524 764
Realised gains and interest	1 194 360	932 215
Unrealised gains / (losses)	590 192	(10 651)
Investment transaction fees*	(852)	(654)
Closing balance at year end	23 252 984	19 417 621

The Scheme currently holds investments at fair value through profit or loss under IAS 39 and will continue to recognise investments at fair value through profit or loss when the Scheme adopts IFRS 9.

The Scheme holds no debt instruments that will need to be measured at amortised cost.

The adoption of IFRS 9 will not have a financial impact on the values of the Scheme investments presented. Refer to note 26 for more details.

Split between non-current and current portions

	2021 (R'000)	2020 (R'000)
Non-current assets	9 771 100	6 188 873
Current assets	13 481 885	13 228 748
	23 252 985	19 417 621

* Investment transaction fees are deducted directly from investment portfolio balances and are included as part of investment management fees.

Financial assets at fair value through profit or loss consist of money market instruments, bonds and equities. Financial assets at fair value through profit or loss are categorised as Levels 1 and 2. Also refer to note 27.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

7. TRADE AND OTHER RECEIVABLES

	2021 (R'000)	2020 (R'000)
Insurance receivables		
Contributions outstanding	251 301	170 274
Receivables from members and providers	38 147	37 799
Personal medical savings account advances (note 9)	564	1 206
Receivables balance before impairment	290 012	209 279
Less: Balance of allowance for impairment at 31 December	(31 399)	(24 651)
Balance as at 1 January	24 651	53 585
Amount recognised in the Statement of Comprehensive Income	66 904	41 262
Amounts utilised during the period	(60 156)	(70 195)
Total insurance receivables	258 613	184 628
Financial receivables		
Accrued interest	182 009	138 455
Sundry accounts receivable	29 636	15 488
Total financial receivables	211 645	153 943
Total trade and other receivables	470 258	338 571

Trade and other receivables disclosed above are classified as loans and receivables and are measured at amortised cost. The carrying amounts of receivables approximate their fair value due to the short term maturities of these assets. No interest is charged on overdue balances in line with Scheme Rules.

The Scheme has recognised an allowance for impairment of 100% against all receivables from deceased members and categories of receivables outstanding for longer than 120 days based on historical experience.

For an analysis of the ageing of receivables refer to note 27.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Scheme to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2021 (R'000)	2020 (R'000)
Call accounts	2 989 462	1 899 517
Current accounts	181 239	866 090
Total cash and cash equivalents	3 170 701	2 765 607

The carrying amounts of cash and cash equivalents approximate their fair values due to the short term maturities of these assets. Fair value is determined to be equal to the carrying value of the balance.

For an analysis of the average interest rates and maturity refer to note 27.

9. PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY

	2021 (R'000)	2020 (R'000)
Gross balance of personal medical savings account at beginning of the year	1 263 247	1 010 902
Less: Advances on personal medical savings account at beginning of year	(1 206)	(818)
Balance of personal medical savings account at the beginning of the year	1 262 041	1 010 084
Savings account contributions received (note 13)	1 460 845	1 295 242
Transfers (to) / from other schemes in terms of Regulation 10(4)	(16)	10
Refunds on death or resignation in terms of Regulation 10(5)	(141 126)	(92 401)
Claw backs from members	6 890	4 743
Claims paid on behalf of members (note 14)	(1 144 516)	(955 637)
Personal medical savings account advances (note 7)	564	1 206
Balances due to members on personal medical savings account end of the year	1 444 682	1 263 247

Notes to the Audited Annual Financial Statements

as at December 31, 2021

9. PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY (continued)

In accordance with the Rules of the Scheme, the savings plan is underwritten by the Scheme.

The personal medical savings account liability contains a demand feature that any credit balance on the savings account will be transferred to the member in terms of the Medical Scheme's Act and the Scheme Rules when a member registers on another benefit option or medical Scheme which does not have a savings account or when a member resigns from the Scheme.

As at year end the carrying amount of the members' personal medical savings accounts were deemed to be equal to its fair value, which is the amount payable on demand. The amounts were not discounted due to the demand feature.

Advances on personal medical savings accounts are funded by the Scheme and are included in trade and other receivables (refer note 7). The Scheme does not charge interest on advances on personal medical savings accounts.

10. TRADE AND OTHER PAYABLES

	2021 (R'000)	2020 (R'000)
Insurance liabilities		Restated
Claims reported not yet paid	530 238	421 614
Accredited managed healthcare fees due *	84 933	74 789
Total liabilities arising from insurance contracts	615 171	496 403
Financial liabilities		
Trade payables	280 493	240 123
Administration fees payable	108 020	108 683
Consulting fees payable	1 012	5 947
Marketing services	4 803	11 396
Sundry payables and accrued expenses	103 092	62 422
Refunds due to members	832	832
Unallocated deposits	4 255	2 966
Total arising from financial liabilities	502 507	432 369
Total trade and other payables	1 117 678	928 772

* In 2020 the Accredited management fees were disclosed as financial liabilities instead of insurance liabilities. The comparative has been restated to correct this.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

11. OUTSTANDING RISK CLAIMS PROVISION

Outstanding risk claims provision

Not covered by risk transfer arrangements

2021 (R'000)	2020 (R'000)
1 719 880	2 014 389

Reconciliation of outstanding risk claims provision - 2021

	Opening balance	Current year increase in provision	Payments in respect of prior year	Total
Outstanding risk claims provision	2 014 389	1 642 339	(1 936 848)	1 719 880

Reconciliation of outstanding risk claims provision - 2020

	Opening balance	Current year increase in provision	Payments in respect of prior year	Total
Outstanding risk claims provision	1 303 080	1 949 037	(1 237 728)	2 014 389

Analysis of outstanding risk claims provision 2021

Not covered by risk transfer arrangements

Estimated gross claims	Balance at the end of the year
1 719 880	1 719 880

This provision, known as the outstanding risk claims provision, is determined by way of statistically sound analyses of a number of factors, which include previous experience in claim patterns, claim settlement patterns, changes in the number of members according to gender and age, trends in claim frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim. The provision is net of estimated recoveries from members for co-payments.

The actuaries followed a standard operating procedure governing the calculation of the provision as agreed with the Scheme to ensure consistency in application and interpretation of results. The Scheme does not discount its outstanding risk claims provision since the effect of the time value of money is not considered material. The adequacy of the provision is assessed on a monthly basis, through reviews of past experience and consideration of changes in fundamentals such as claims processing and composition. Furthermore, the Scheme has standardised the provision calculation methodology and any deviation to this is adequately supported. An actuarial peer review of the provision calculation is in place and the Scheme considers the outstanding risk claims provision of R1.720 billion (2020: R2.014 billion) to be adequate. The estimation of the provision gives an indication of whether the Scheme would have adequate assets to cover the potential liability from the Scheme's insurance contracts, as required by accounting policy. The Scheme has sufficient assets to cover any potential liability from insurance contracts as the cash and cash equivalents including invested funds at year end cover the outstanding risk claims provision.

Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from managed care organisations and historical evidence of the quantum of similar claims.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

11. OUTSTANDING RISK CLAIMS PROVISION (continued)

The outstanding risk claims provision are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate cost of the loss is difficult to estimate. The provision estimation also accommodates the processing and adjudication of different categories of claims (i.e. in hospital, chronic and above threshold benefits). This is caused by differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, the determination of the occurrence date of a claim, and reporting lags.

Members must submit all claims for payment within four months of seeking medical treatment (i.e. the date of service). The cost of outstanding claims at the reporting date is estimated with reference to the actual claims submitted within the first three months after the reporting date that relates to the period before the reporting date. The claims to be submitted in the fourth month, relating to the reporting period, are then extrapolated using the bootstrapping, chain ladder, expected minus actual and the Bornheutter Ferguson method.

The Chain ladder method was the preferred actuarial method for estimating the provision for the year under review and the prior year. This method of calculating the outstanding risk claims provision is in line with the standard operating procedure (SOP) for the Scheme. Refer to note 23 for actuarial assumptions made.

12. FINANCIAL ASSETS AND LIABILITY BY CATEGORY R'000

	Fair value through profit or loss - Held for trading	Loans and receivables	Financial liabilities at amortised cost	Total
2021				
Trade and other payables	-	-	(1 117 678)	(1 117 678)
Financial assets at fair value through profit or loss	23 252 985	-	-	23 252 985
Personal Medical aid savings account liability	-	-	(1 444 682)	(1 444 682)
Trade and other receivables	-	470 258	-	470 258
Cash and Cash equivalents	-	3 170 701	-	3 170 701
	23 252 985	3 640 959	(2 562 360)	24 331 584

Restated 2020

Trade and other payables *	-	-	(928 772)	(928 772)
Financial assets at fair value through profit or loss	19 417 621	-	-	19 417 621
Personal Medical aid savings account liability	-	-	(1 263 247)	(1 263 247)
Trade and other receivables *	-	338 571	-	338 571
Cash and Cash equivalents	-	2 765 607	-	2 765 607
	19 417 621	3 104 178	(2 192 019)	20 329 780

* In the 2020 financial period the trade receivables and payables were not aligned to note 7 and note 10 respectively and have been restated.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

13. RISK CONTRIBUTION INCOME

Revenue from contracts with customers

Gross contributions per registered Rules

Less: Personal medical savings account contributions received*

2021 (R'000)	2020 (R'000)
47 989 687	45 300 114
(1 460 845)	(1 295 242)
46 528 842	44 004 872

* The savings contributions are received by the Scheme in terms of Regulation 10(1) and the Scheme's registered Rules and held on behalf of its members. Refer to note 9 on how the monies were utilised.

14. RISK CLAIMS INCURRED

Claims incurred

Current year claims per registered Rules*

Outstanding risk claims provision as at 31 December

(Over) / Under provision in prior year*

Less:

Claims paid from personal medical savings accounts**

Discount received

Total net claims incurred

2021 (R'000)	2020 (R'000)
	Restated
40 342 692	35 430 914
1 719 880	2 014 389
(77 541)	(65 352)
(1 144 516)	(955 637)
(5 054)	(8 180)
40 835 461	36 416 134

The claims ratio is calculated as relevant healthcare costs expressed as a percentage of risk contributions received. The Scheme recorded a claims ratio for the current financial year of 90% (2020: 85%).

* The over / under provision in prior year was disclosed within the "current year claims per registered Rules" and its now correctly disclosed separately in the note.

** Claims are paid on behalf of the members from their personal medical savings accounts in terms of Regulation 10(3) and the Scheme's registered benefits. Refer to note 9 for a breakdown of the movement in these balances.

15. ACCREDITED MANAGED HEALTHCARE SERVICES

Chronic medicine management services

Dental managed care

HIV management

Managed care services

Pharmaceutical benefit management

2021 (R'000)	2020 (R'000)
194 554	192 316
76 163	69 120
7 226	48 689
649 967	446 363
83 867	125 335
1 011 777	881 823

The HIV Disease management now form part of the Managed healthcare services performed by Medscheme Holdings.

Fees are contractually determined per member per month, reducing any upfront capital outlays and reducing as membership grows resulting in improved economies of scale.

Refer to note 25 for more information on managed care agreements.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

16. ADMINISTRATION EXPENDITURE

	2021 (R'000)	2020 (R'000)
Actuarial fees *	44 803	15 062
Accredited Administration services (Note 17)	1 247 712	1 114 388
Advertising and marketing	23 340	32 967
Auditors remuneration - statutory fees	3 766	5 121
Bank charges	3 599	2 831
Benefit management services (Unaccredited managed care providers)	120 038	154 628
Board and Independent Committee fees (Inc S & T allowance)	11 308	9 076
Conferences and workshops	924	812
Consulting fees	168 161	122 492
Depreciation and amortisation	31 700	36 770
Employee costs **	303 534	264 858
Legal expenses	13 992	13 700
Loss on disposal of assets	115	29
Motor vehicle expenses	644	313
Office supplies	6 295	6 613
Other expenses	4 347	377
Practice Code Numbering System (PCNS) fees and CMS levies	39 377	34 012
Principal Officer's fees	5 069	9 128
Rentals paid	1 338	1 271
Telephone and fax	1 187	1 098
Travel and accommodation	25 294	27 299
Trustees' and Independent Committee members' training	716	136
Trustees' and Independent Committee members' travel and accommodation	469	189
Water and electricity	2 443	2 707
	2 060 171	1 855 877

* The substantial increase of Actuarial service fees in 2021 relates to the Healthcare Quantitative Analysis and reporting work that was previously reported within Managed Care services. Actuarial services are no longer part of managed healthcare services and subject to a new separate contract in the current year. It accounts for R22.8 million of the Actuarial service fee.

** Employee costs went up due to the increase in personnel in line with the strategy of the Scheme.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

17. ACCREDITED ADMINISTRATION SERVICES

	2021 (R'000)
Member record management	85 596
Claims management	354 875
Financial management	12 078
Information management and data control	143 253
Customer services	459 569
Internal audit services	2 826
Forensic investigations and recoveries	24 385
Governance and compliance	58 341
Provider relation management	15 679
Contribution management	91 110
	1 247 712

Circular 77 of 2019 states that Medical Schemes are required to disclose administration fees paid per individual component per entity and is effective for year beginning 1 January 2021. There is no requirement to show prior year figures.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

18. TRUSTEES' AND INDEPENDENT COMMITTEE MEMBERS' REMUNERATION

Board of Trustees' remuneration

2021	Term End	Attendance Fees R '000	Travel And Accommodation R '000	Reimbursements And Allowances R '000	Training R '000	Total R '000
Mr NL Theledi	2022/12/04	901	41	3	35	980
Dr IJ Van Zyl (Re-elected)	2027/08/29	650	22	10	3	685
Dr JA Breed (Term extended)	2021/07/29	410	-	-	15	425
Mr JS Roux (Term extended)	2021/07/29	327	-	-	13	340
Dr C Moloko	2022/10/27	894	9	2	-	905
Mr M Phophi (Deputy Chairperson)	2023/09/23	782	31	29	79	921
Dr SM Hlatshwayo (Chairperson)	2024/02/19	1 250	53	2	90	1 395
Mr RA Manoko	2024/03/05	937	49	4	89	1 079
Ms C Ntshane	2025/09/24	889	66	8	44	1 007
Mr L Mankge	2021/03/31	140	-	-	-	140
Mr M Brand	2025/09/24	722	-	-	28	750
Dr N Tutu	2026/07/30	783	52	-	106	941
Ms. L Khumalo	2025/09/24	418	51	4	49	522
Mr. P de Villiers	2027/08/29	355	37	2	45	439
Dr. J Smit	2027/08/29	579	22	11	22	634
		10 037	433	75	618	11 163

Notes to the Audited Annual Financial Statements

as at December 31, 2021

2020	Term End	Attendance Fees R '000	Travel And Accommodation R '000	Reimbursements And Allowances R '000	Training R '000	Total R '000
Mr NL Theledi	2022/12/04	641	15	3	7	666
Dr IJ Van Zyl	2020/07/29	641	32	18	7	698
DrJA Breed	2020/07/29	660	2	4	7	673
Mr JS Roux	2020/07/29	553	19	7	7	586
Dr C Moloko	2024/03/05	646	7	5	5	663
Mr Phophi (Deputy Chairperson)	2023/09/23	684	10	21	7	722
Dr SM Hlatshwayo (Chairperson)	2024/03/05	928	2	3	35	968
Mr RA Manoko	2024/03/05	825	9	7	35	876
Ms C Ntshane	2025/09/24	750	41	20	7	818
Mr L Mankge	2021/03/31	664	16	15	7	702
Mr M Brand	2025/09/24	572	19	4	6	601
Dr N Tutu	2026/07/30	352	-	-	3	355
		7 916	172	107	133	8 328

The Trustee remuneration should be seen in relation to the attendance of meetings as reported in the Board of Trustees report as well as the term of office applicable to each trustee. It is worth noting that not all Trustees reside in Gauteng and therefore travel and accommodation costs are incurred.

The total of the Trustees and Independent Committee fees disclosed in this note is included in the Board and Committee fee line items as disclosed in Administration Expenditure (refer note 16).

Notes to the Audited Annual Financial Statements

as at December 31, 2021

18. TRUSTEES' AND INDEPENDENT COMMITTEE MEMBERS' REMUNERATION (continued)

Independent Committee members' remuneration

2021	Term End	Attendance Fees R '000	Travel And Accommodation R '000	Reimbursements And Allowances R '000	Training R '000	Total R '000
Mr J Lesejane (Audit Committee Chairperson)	2024/01/01	476	12	-	38	526
Ms M Tonjeni *	2022/03/31	301	12	2	1	316
Ms C Chalmers **	2022/04/01	417	13	-	59	489
		1 194	37	2	98	1 331

2020	Term End	Attendance Fees R '000	Travel And Accommodation R '000	Reimbursements And Allowances R '000	Training R '000	Total R '000
Mr J Lesejane (Audit Committee Chairperson)	2024/01/01	389	7	3	3	402
Ms M Tonjeni *	2022/03/31	311	7	2	-	320
Ms C Chalmers **	2022/04/01	321	4	31	1	357
		1 021	18	36	4	1 079

* Ms M Tonjeni sits on the Audit committee and Finance investment committee.

** Ms C Chalmers sits on the Risk, social & ethics committee and Audit committee.

Remuneration paid to independent committee members during 2021 was based on a fixed rate per meeting.

19. IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES

Movement in the allowance account for impairment losses

Impairment losses recognised directly in the Statement of Comprehensive Income

	2021 (R'000)	2020 (R'000)
Movement in the allowance account for impairment losses	6 748	(28 933)
Impairment losses recognised directly in the Statement of Comprehensive Income	60 156	70 195
	66 904	41 262

Notes to the Audited Annual Financial Statements

as at December 31, 2021

20. INVESTMENT INCOME

	2021 (R'000)	2020 (R'000)
Dividend income		Restated
From investments in financial assets measured at fair value through profit or loss:		
Listed investments - Local	92 905	74 164
Interest income *		
From investments in financial assets:		
Interest received on financial assets at fair value through profit or loss	1 016 147	864 383
Interest received on Scheme cash invested	36 554	42 478
Gains / losses on financial assets at fair value through profit or loss **		
Realised gains / (losses) on financial assets at fair value through profit or loss	128 863	(68 090)
Unrealised gains / (losses) on financial assets at fair value through profit or loss	590 192	(10 651)
	1 864 661	902 284

* Interest income is comprised of interest earned from short term fixed deposits, current accounts, bonds and money market instruments. This interest is recognised on a yield to maturity basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

** In 2020 gains and losses through profit and loss were incorrectly disclosed as part of interest income. In the current year this has been shown under a separate heading. Hence the comparative has been restated.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

21. NET HEALTHCARE RESULT PER BENEFIT OPTION

2021	TANZANITE ONE R '000	BERYL R '000	RUBY R '000	EMERALD VALUE R '000	EMERALD R '000	ONYX R '000	TOTAL R '000
Risk contribution income	2 878 906	2 508 518	5 845 139	6 127 330	27 178 436	1 990 513	46 528 842
Relevant healthcare expenditure	(2 042 155)	(2 303 939)	(4 085 976)	(5 562 889)	(25 442 415)	(2 409 861)	(41 847 238)
Risk claims incurred	(1 927 642)	(2 227 139)	(3 935 995)	(5 436 344)	(24 929 686)	(2 378 654)	(40 835 461)
Managed care services	(114 513)	(76 800)	(149 981)	(126 545)	(512 729)	(31 207)	(1 011 777)
Gross healthcare result	836 751	204 579	1 759 163	564 441	1 736 021	(419 348)	4 681 604
Administration expenditure	(252 696)	(162 162)	(306 261)	(265 955)	(1 012 228)	(60 871)	(2 060 171)
Marketing services	(12 171)	(8 256)	(16 254)	(13 577)	(56 056)	(3 420)	(109 734)
	571 884	34 161	1 436 648	284 909	667 737	(483 639)	2 511 699
Net impairment losses on healthcare receivables	(4 806)	(3 757)	(10 576)	(7 933)	(37 100)	(2 732)	(66 904)
Net healthcare result	567 078	30 404	1 426 072	276 976	630 637	(486 371)	2 444 795
Investment income	231 465	147 521	277 291	241 881	911 793	54 709	1 864 661
Finance cost	(87)	(56)	(104)	(91)	(343)	(21)	(702)
Other income	2 840	1 810	3 401	2 967	11 185	671	22 874
Investment management fees	(6 755)	(4 305)	(8 092)	(7 058)	(26 608)	(1 596)	(54 414)
Total comprehensive income/(deficit) for the year	794 541	175 374	1 698 568	514 675	1 526 664	(432 608)	4 277 214
Number of members	96 018	61 196	115 028	100 339	378 237	22 695	773 513

Notes to the Audited Annual Financial Statements

as at December 31, 2021

2020	TANZANITE		RUBY R '000	EMERALD		ONYX R '000	TOTAL R '000
	ONE R '000	BERYL R '000		VALUE R '000	EMERALD R '000		
Risk contribution income	1 973 861	1 891 107	5 178 805	5 080 836	27 780 730	2 099 533	44 004 872
Relevant healthcare expenditure	(1 078 944)	(1 669 116)	(3 441 341)	(4 334 054)	(24 435 719)	(2 338 785)	(37 297 957)
Risk claims incurred	(1 004 247)	(1 612 750)	(3 315 112)	(4 236 038)	(23 940 520)	(2 307 468)	(36 416 134)
Managed care services*	(74 697)	(56 366)	(126 229)	(98 016)	(495 199)	(31 317)	(881 823)
Gross healthcare result	894 917	221 991	1 737 464	746 782	3 345 011	(239 252)	6 706 915
Administration expenditure	(157 343)	(118 643)	(265 653)	(206 324)	(1 042 014)	(65 899)	(1 855 877)
Marketing services	(10 795)	(8 149)	(18 238)	(14 159)	(71 512)	(4 519)	(127 374)
	726 779	95 199	1 453 573	526 299	2 231 485	(309 670)	4 723 664
Net impairment losses on healthcare receivables	(4 216)	(2 552)	(4 580)	(12 795)	(14 959)	(2 159)	(41 262)
Net healthcare result	722 563	92 647	1 448 993	513 504	2 216 526	(311 829)	4 682 402
Investment income	81 510	58 941	129 230	104 960	496 476	31 167	902 284
Finance Costs	(79)	(57)	(123)	(98)	(468)	(29)	(852)
Other income	2 696	1 939	4 204	3 347	16 014	989	29 189
Investment management fees	(3 912)	(2 813)	(6 098)	(4 855)	(23 232)	(1 434)	(42 344)
Total comprehensive income/(deficit) for the year	802 778	150 657	1 576 206	616 858	2 705 316	(281 136)	5 570 679
Number of members	69 372	49 884	108 151	86 099	411 997	25 432	750 935

Notes to the Audited Annual Financial Statements

as at December 31, 2021

21. NET HEALTHCARE RESULT PER BENEFIT OPTION (continued)

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

The Scheme offers its members five different benefit options and an efficiency option: Tanzanite one (previously named Sapphire), Beryl, Ruby, Emerald Value, Emerald and Onyx.

Tanzanite One and Beryl are the entry level options where cover is provided by designated provider networks. Tanzanite was specifically designed to be inexpensive and it achieves this by providing out of hospital care at private facilities and in hospital cover can be at a private or public facility using the Scheme's network of hospitals. Beryl provides in hospital cover at both public and private facilities.

Ruby offers members a savings account for day-to-day medical expenses as well as a hospital benefit. Savings contributions portion is comprised of 20% of contribution income of the Ruby option.

Emerald Value is an option which offers benefits through the use of the Gems networks with specific care co-ordination principles.

Emerald is the traditional option and the majority of the membership population is part of this option.

Onyx is the comprehensive option. Following engagements and approval from the Department of Public Service and Administration (DPSA) and National Treasury (NT) the Scheme migrated the pre-1992 state pensioners from Medihelp to GEMS, effective 1 April 2012. These members were registered on the Onyx option which adversely affected the financial performance of this option during the financial year.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

22. CASH GENERATED FROM OPERATIONS

	2021	Restated 2020
	R '000	R '000
Income / Deficit reported:	4 277 214	5 570 679
Adjustments for:		
Depreciation, amortisation and impairment	31 700	36 770
Investment transaction fees	852	654
Loss on disposals of assets	115	29
Investment income:		
Cash and cash equivalents	(36 554)	(42 478)
Interest earned on financial assets at fair value through profit or loss	(972 592)	(926 141)
Dividends	(92 905)	(74 164)
Realised (gains) \ losses	(128 863)	68 090
Unrealised (gains) \ losses	(590 192)	10 650
Other:		
Interest expense	702	852
Impairment losses on healthcare receivables	66 904	41 262
Movements in provisions	(294 509)	711 309
Other non-cash items	-	6 875
Changes in working capital:		
Trade and other receivables	(1 392 953)	(976 140)
Trade and other payables	188 907	282 184
Personal medical savings account liability	181 435	252 344
	1 239 261	4 962 775

The restatement of investment income and changes in working capital are disclosed in note 30.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

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

In the process of applying the Scheme's accounting policies, management has made no judgements that have a significant effect on the amounts recognised in the financial statements, other than the outstanding risk claims provision, the impairment allowance for trade and other receivables, as explained further in this note.

Impairment of trade and other receivables

Objective evidence of the impairment of trade and other receivables includes the Scheme's past experience of collecting payments, trade and other receivables outstanding for 120 days or more and receivables due from deceased members. Refer to note 1.18 for more detail with regards to the accounting policy for impairment losses.

Outstanding risk claims provision

This provision has been calculated on the standard operating procedure as agreed between the Scheme and its actuaries.

The assumptions that have the greatest effect on the measurement of the outstanding risk claims provision are the expected claims development for the most recent benefit months for the day-to-day, in hospital, acute and chronic benefit categories of claims.

There is some estimation uncertainty that has to be considered in the provision for the estimate of the liability arising from outstanding claims i.e. the cost of healthcare benefits that have occurred before the end of the accounting period but have not been reported to the Scheme by that date.

Sources of unreported claim payments include:

- Unknown and hence unreported claims; and
- closed claims that later become reopened and have additional payments made.

If no or insufficient allowance is made for these claims, the result is that the Scheme is likely to hold insufficient funds aside for paying claims. This in turn impacts the Scheme's cash flow and ability to honour claims.

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

The following table illustrates the quantum of uncertainty inherent to the outstanding risk claims provision estimates. As opposed to claims for 2020 that have already been paid, the claims for 2021 estimate to be paid (or reopened) in future payment months are still subject to uncertainty. This quantity forms a useful basis for a sensitivity analysis. The table below illustrates the effect of a 10% increase and decrease in this amount.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

	Claims for 2021 services paid from Jan 2022 to March 2022 R '000	2021 claims estimated at the time to be paid after March 2022 R '000	2021 Outstanding risk claims provision R '000	% change in outstanding risk claims provision
Base Scenario	1 512 334	207 546	1 719 880	-%
10% increase	1 512 334	228 300	1 740 634	1,21%
10% decrease	1 512 334	186 790	1 699 124	(1,21)%

The same analysis appears below for 31 December 2020 financial year outstanding risk claims provision, where claims paid after March 2021 for 2020 forms the basis for the sensitivity analysis. Note that the base scenario figures below are actual's, not estimates.

	Claims for 2020 services paid from Jan 2021 to March 2021 R '000	2020 claims estimated at the time to be paid after March 2021 R '000	2020 Outstanding risk claims provision R '000	% change in outstanding risk claims provision
Base Scenario	1 817 906	196 484	2 014 390	-%
10% increase	1 817 906	216 130	2 034 036	0,98%
10% decrease	1 817 906	176 840	1 994 746	(0,98)%

The Scheme monitors each month's initial outstanding risk claims provision over a four month period as subsequent claims are received. Due to the impact of COVID on the claims of the Scheme the variance range was increased to 10% to allow for the uncertainty brought on by the pandemic.

The Board of Trustees believe that the liability for claims reported in the Statement of Financial Position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

Additional comments are provided in note 11.

24. PROFESSIONAL INDEMNITY AND FIDELITY INSURANCE

In accordance with the Scheme Rules, the Scheme has Professional Indemnity and Fidelity insurance to cover the events of fidelity, trustees and officers' errors and omissions and medical Scheme reimbursements. On 31 December 2021 the effective cover was R1 billion (2020: R1 billion). The Scheme's insurance contracts are reviewed for adequacy and reinstated annually.

The Scheme renewed its additional cover during the 2021 financial year for Data protection and Cyber liability cover. This covers any electronically stored digital or digitalised information or media, network interruption cost and cyber terrorism. The effective cover is R150 million (2020: R150 million).

Notes to the Audited Annual Financial Statements

as at December 31, 2021

25. RELATED AND OTHER SIGNIFICANT PARTIES

Related Parties with significant influence over the Scheme

The Minister for Public Service and Administration is responsible for appointing 50% of the Board of Trustees and for determining the medical subsidy policy in the public service and thus has significant influence over the Scheme, but does not control it.

The Scheme engages with the Department of Public Service and Administration (DPSA) who is responsible for implementing and maintaining the medical subsidy policy. The DPSA therefore has significant influence over the Scheme, but does not control it.

Metropolitan Health Corporate (Pty) Ltd (MHC) provides membership and claims management services, operational information and recommendations, through its administration agreement with the Scheme, on which policy decisions are based, and therefore it has significant influence over the Scheme, but does not control it.

Medscheme Holdings (Pty) Ltd provides contribution and debt management Services through its administration agreement with the Scheme on which policy decisions are based, and therefore it has significant influence over the Scheme, but does not control it. Medscheme Holdings (Pty) Ltd provide managed care information on which benefit design decisions are based and therefore they have significant influence over the Scheme, but does not control it.

Insight Actuaries (Pty) Ltd provides actuarial and consulting services to the Scheme and therefore has significant influence over the Scheme, but do not control it.

The Scheme has multiple other Administration and Managed care providers that it contracts with, but none of these have significant influence over the Scheme or control over the Scheme.

Key management personnel and their close family members

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees, the Principal Officer and members of the Executive Committee. This disclosure deals with full time personnel that are compensated on a salary basis (Principal Officer and Executive Committee) and part time personnel that are compensated on a fee basis (Board of Trustees). Close family members include family members of the Board of Trustees, Principal Officer and members of the Executive Committee.

Transactions with related parties

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

Notes to the Audited Annual Financial Statements

as at December 31, 2021

	2021 (R'000)	2020 (R'000)
Key management personnel		
Compensation (includes remuneration and other costs)		
Short term benefits	30 178	22 968
Post employment benefit	1 883	1 697
Bonus	5 719	5 179
	37 780	29 844
Principal Officer*	5 840	9 128
Chief Finance Officer	4 410	4 130
Chief Admin and Transaction Services	2 796	2 678
Chief Communications and Member Affairs Officer	2 542	2 676
Chief Governance and Compliance Officer	3 186	2 920
Chief Healthcare Management Officer	3 931	3 773
Chief Information, Communication & Technology Officer	2 796	2 717
Chief Corporate Services Officer	3 931	3 773
Chief Audit Executive (Resigned as at 31 July 2021)	1 642	2 796
Chief Research Officer	3 018	2 287
Company Secretary and Legal Counsel	2 796	2 047
Gross contributions received (**)		
Board of Trustees	509	616
Principal Officer	113	123
Executive Committee	779	646
Claims incurred (*)		
Board of Trustees	1 516	611
Principal Officer	62	22
Executive Committee	338	325

(*) The Principal Officer's fee for the 2020 financial year includes all payments made to the current Principal Officer as well as final payments (inclusive of restraint of trade) made to the outgoing Principal Officer.

(**) Gross contributions and claims incurred include contributions and claims incurred by members and their beneficiaries.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

25. RELATED AND OTHER SIGNIFICANT PARTIES (continued)

Transaction	Nature of transactions and terms and conditions thereof
Gross contributions received	This constitutes the contributions paid by the related party as a member of the Scheme in their individual capacity. All contributions were at the same terms as applicable to third parties.
Claims incurred	This constitutes amounts claimed by the related parties in their individual capacity as members of the Scheme. All claims were paid out in terms of the Rules of the Scheme as applicable to third parties.

Parties with significant influence over the Scheme, but not control

	2021 (R'000)	2020 (R'000)
Statement of Comprehensive Income		
Administration fees	1 247 712	1 114 388
Accredited managed healthcare fees	1 011 776	881 823
Actuarial fees	44 803	15 062
Trade and other payables		
Administration fees due	105 337	95 937
Accredited managed healthcare fees due	84 933	74 788
	190 270	170 725

Terms and conditions of the administration agreement

Administration fees are calculated in terms of the underlying contract based on the number of members in good standing for the month. These contracts are renewable annually. The outstanding balance bears no interest and is settled within 7 days. The Scheme has the right to terminate the agreements on 90 days' notice.

The services covered by these agreements include:

Service	Provider 2021	Provider 2020
Contribution and Debt Services	Medscheme Holdings (Pty) Ltd	Medscheme Holdings (Pty) Ltd
Correspondence Services	Metropolitan Health (Pty) Ltd	Metropolitan Health (Pty) Ltd
Member and claims administration services	Metropolitan Health Corporate (Pty) Ltd (MHC)	Metropolitan Health Corporate (Pty) Ltd (MHC)

Notes to the Audited Annual Financial Statements

as at December 31, 2021

Terms and conditions of the managed care agreements

The Scheme has entered into managed care agreements in order to manage the costs of delivering healthcare services to its members while ensuring the highest quality of care.

All contracts are tendered for a maximum contract period of 3 to 5 years. The Scheme has the right to terminate the agreements on 90 days' notice. Managed care services are calculated on the number of members in good standing for the month. The outstanding balance bears no interest and is settled within 7 days.

The services covered by these agreements include:

Service	Provider 2021	Provider 2020
Chronic medicine management services	Universal Care (Pty) Ltd	Universal Care (Pty) Ltd
Dental managed care	Denis (Pty) Ltd	Denis (Pty) Ltd
HIV disease management services*	Thebe Health Risk Management	Thebe Health Risk Management
Managed health care services	Medscheme Holdings (Pty) Ltd	Medscheme Holdings (Pty) Ltd
Maternity programme services	Healthi Choices (Pty) Ltd	Healthi Choices (Pty) Ltd
Emergency medical dispatch services	Europ Assist (Pty) Ltd	Europ Assist (Pty) Ltd
Pharmaceutical benefit management services	Medikredit (Pty) Ltd	Medikredit (Pty) Ltd

* Thebe Health Risk Management contract came to an end in December 2020 and went through a four month wind down period which came to an end in April 2021. The HIV Disease management form part of the Managed healthcare services performed by Medscheme Holdings, effective from 1 January 2021.

26. INSURANCE RISK MANAGEMENT

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Scheme is that it assumes the risk of loss by members and their dependents that are directly subject to the risk. These risks relate to the health of the Scheme's members. As such the Scheme is exposed to the uncertainty surrounding 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, approval procedures for transactions that involve pricing guidelines, pre authorisation and case management, service provider profiling, centralised management of risk transfer arrangements as well as monitoring of emerging issues.

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

Notes to the Audited Annual Financial Statements

as at December 31, 2021

26. INSURANCE RISK MANAGEMENT (continued)

The Scheme uses the average age per member and claims per category of benefits to analyse its insurance risk. Income bands and geographical spread are not good indicators as the Scheme's risk is not concentrated in a specific income band or geographical location. Analyses based on the ageing of members indicate specific risks and behaviours that result in increased claims and these can be further analysed in different categories to inform the Scheme's interventions of which managed care is key.

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

The table below summarises the concentration of risk, with reference to the carrying amount of the insurance claims incurred (before and after risk transfer arrangements), by age group and in relation to the type of cover/benefit provided where:

- Hospital benefits cover all costs incurred by members, while they are in hospital to receive pre authorised treatment for certain medical conditions.
- Specialist benefits cover the cost of all visits by members to specialists and of the out of hospital procedures performed by specialists. Specialist benefits also include radiology and pathology benefits provided to members.
- Medicine benefits cover the cost of all medicines prescribed to members.
- General Practitioner and Optometry benefits cover the cost of all visits by members to these practitioners and the procedures performed by them, up to a prescribed annual limit per member.

The Scheme profiles members' risk exposure by using their age. Of the various other indicators available, age provides a better indication of who is most likely to claim.

2021 Insurance Age Grouping (in years)	Hospitals R '000	Specialists R '000	Medicines R '000	General Practitioners R '000	Optometry R '000	Other R '000	Total R '000
<26	84 961	57 441	14 605	16 370	3 280	21 720	198 377
26 - 35	1 949 306	1 330 485	484 280	413 405	69 463	588 285	4 835 224
36 - 50	5 199 723	3 710 976	2 131 662	1 164 333	283 009	2 110 171	14 599 874
51 - 65	5 554 081	3 809 986	2 342 965	872 893	261 506	2 038 977	14 880 408
>65	2 560 220	1 739 230	1 020 247	210 752	64 235	799 267	6 393 951
	15 348 291	10 648 118	5 993 759	2 677 753	681 493	5 558 420	40 907 834

2020 Insurance Age Grouping (in years)	Hospitals R '000	Specialists R '000	Medicines R '000	General Practitioners R '000	Optometry R '000	Other R '000	Total R '000
<26	90 382	55 524	14 599	15 795	3 368	18 816	198 484
26 - 35	1 704 365	1 122 637	472 883	358 096	68 248	510 692	4 236 921
36 - 50	4 505 746	3 202 696	2 097 446	1 027 718	267 703	1 864 075	12 965 384
51 - 65	4 555 775	3 198 946	2 177 700	761 450	235 925	1 745 541	12 675 337
>65	2 063 805	1 420 379	928 217	177 741	53 232	684 591	5 327 965
	12 920 073	9 000 182	5 690 845	2 340 800	628 476	4 823 715	35 404 091

Notes to the Audited Annual Financial Statements

as at December 31, 2021

The information presented in this table is based on claims with a service date during the relevant year.

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

The reporting of claims by age group is impacted by members who join and leave in the same month.

Claims development

Claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within one year and the majority of cases within four months. At year end, a provision is made of those claims outstanding that are not yet reported at that date. Details regarding the subsequent claim development in respect thereof have been disclosed in note 11 & 22.

27. FINANCIAL, CAPITAL AND INSURANCE RISK MANAGEMENT

The Scheme's activities expose it to credit risk, liquidity risk and market risk, including the effects of interest rate changes. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligation to its members.

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

The Scheme manages the financial risks as follows:

- The Finance and Investment Committee, a committee of the Board of Trustees, determines, recommends, implements and maintains investment policies and procedures. The Investment Committee advises the Board of Trustees on the strategic and operating matters in respect of the investment of Scheme funds and meets at least quarterly.
- The Scheme has appointed reputable external asset managers to manage its investments and their performance is monitored regularly.
- An external investment consultant has been appointed by the Scheme to assist in formulating the investment strategy and to provide ongoing reporting and monitoring of the asset managers.
- Investment strategy is guided by or within the risk appetite and risk tolerance set by the Board of Trustees.

Risk management and investment decisions are carried out by the executive management, under the guidance of policies approved by the Board of Trustees. The Board of Trustees approves all these written policies and there has been no change in these policies from previous financial years.

Market risk

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

Notes to the Audited Annual Financial Statements

as at December 31, 2021

27. FINANCIAL, CAPITAL AND INSURANCE RISK MANAGEMENT (continued)

The table summarises the Scheme's financial instrument exposure to market risk as at December 31, 2021.

As at December 31, 2021	Currency risk R '000	Price risk R '000	Interest rate risk R '000
Cash and cash equivalents	-	-	3 170 701
Equities	-	3 028 706	-
Local bonds	-	-	5 481 521
Local money markets *	-	-	13 758 959
Foreign money markets	108 779	-	108 779
Foreign bonds	875 020	-	875 020

Restated as at December 31, 2020	Currency risk R '000	Price risk R '000	Interest rate risk R '000
Cash and cash equivalents	-	-	2 765 607
Equities	-	2 081 603	-
Local bonds**	-	-	2 658 989
Local money markets	-	-	14 136 375
Foreign money markets***	6 940	-	6 940
Foreign bonds***	533 713	-	533 713

* Listed local and foreign bonds and listed money market instruments are also exposed to price risk, however, this price risk is closely correlated to interest rate risk. Refer to interest rate risk disclosures in this note.

** In 2020 the values disclosed for local bonds and money markets was cumulatively correct, however the split thereof was incorrect. This has been restated to ensure the correct allocation of values to the respective financial instrument category.

*** In 2020 local bonds and foreign bonds and foreign money markets should have been disclosed as having interest rate risk. This note has been restated to reflect this.

Interest rate risk

The Scheme is exposed to interest rate risk as it places funds in call accounts and money market instruments. This risk is managed by maintaining an appropriate mix between the Scheme's money market portfolio, call account investments as guided by the investment policy.

Cash and cash equivalents comprise deposits held on call with banks, cash on hand and other short term liquid investments. These deposits are readily convertible to a known amount of cash and are subject to insignificant risk of change in value. Cash and cash equivalents are classified as loans and receivables.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

The table summarises the Scheme's total exposure to interest rate risks as at 31 December. Included in the table are the Scheme's investments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

As at December 31, 2021	Up to 3 months R '000	3 - 12 months R '000	More than 12 months R '000	Total R '000
Cash and cash equivalents	3 028 706	-	-	3 028 706
Local money markets	5 494 647	3 354 559	4 909 754	13 758 960
Local bonds	1 471 690	133 812	3 876 018	5 481 520
Foreign money markets	108 779	-	-	108 779
Foreign bonds	-	175	874 845	875 020
	10 103 822	3 488 546	9 660 617	23 252 985

Restated as at December 31, 2020 *	Up to 3 months R '000	3 - 12 months R '000	More than 12 months R '000	Total R '000
Cash and cash equivalents	2 765 607	-	-	2 765 607
Local money markets	7 066 423	3 057 986	4 011 966	14 136 375
Local bonds	984 349	85 797	1 588 844	2 658 990
Foreign money markets	6 940	-	-	6 940
Foreign bonds	11 878	-	521 836	533 714
	10 835 197	3 143 783	6 122 646	20 101 626

* In 2020 the values disclosed for local bonds and money markets was cumulatively correct, however the split thereof was incorrect. This has been restated to ensure the correct allocation of values to the respective financial instrument category and accordingly the liquidity aging has been restated to take into account this change. In 2020 the disclosure above excluded local bonds, foreign money markets and foreign bonds. This has been restated accordingly.

The average effective interest rates for the year ended 31 December were as follows:

	2021	Restated 2020*
Current accounts	2,04%	2,73%
Call accounts	3,72%	4,50%
Money market instruments carried at fair value through profit or loss	4,21%	5,12%
Local Bonds	8,36%	6,95%
Foreign Bonds	-3,70%	9,70%
Foreign money markets	0,30%	0,77%

* In 2020 the average interest rate for local bonds, foreign money market and foreign bonds was not disclosed. This has been restated accordingly.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

27. FINANCIAL, CAPITAL AND INSURANCE RISK MANAGEMENT (continued)

Interest rate risk sensitivity analysis

The information below illustrates the impact that the fluctuation in investment income would have on interest income for the period and on the cash and cash equivalent balance.

The Scheme portfolio considers a long term view for the interest rate cycle. Based on past experience and a reasonable possible change in interest rate within the life of the investment, the rate of 0.50% is considered appropriate in measuring the sensitivity of the Scheme's interest bearing instruments. The Scheme's investments are short term in nature with a maximum investment period of twelve months permitted. This sensitivity analysis assumes that all other variables remain constant.

At December 31, 2021, if interest rates had been 50 basis points higher with all other variables held constant, the income for the year and accumulated funds would have been R117 million higher (Restated 2020: 100.5 million. In 2020 the interest rate sensitivity impact was incorrectly calculated. This was restated to reflect the correct impact. Refer to the interest rate risk restatements in the tables presented earlier in this note).

At December 31, 2021, if interest rates had been 50 basis points lower with all other variables held constant, the income for the year and accumulated funds would have been R117 million lower (Restated 2020: R100.5 million. In 2020 the interest rate sensitivity impact was incorrectly calculated. This was restated to reflect the correct impact. Refer to the interest rate risk restatements in the tables presented earlier in this note).

The sensitivity presented is on the assumption that all interest bearing financial instruments are at variable rate. The interest rate risk is mitigated by also investing in fixed rate instruments. Hence the disclosure represents the maximum exposure based on a 50 basis points movement.

Currency risk

The Scheme operates in South Africa and its cash flows are denominated in South African Rand. However through its investments, the Scheme is exposed to a direct currency risk.

For purpose of seeking investment diversification, the Scheme has invested 4.2% (2020: 2.8%) of its financial assets at fair value through profit or loss in offshore bond and cash portfolios. At December 31, 2021 this equated to R983.7 million (2020: R540.7 million).

The fair value of these contracts has been included in financial assets. Gains and losses on these arrangements are included in the profit or loss.

Currency risk sensitivity analysis

Based on past experience and a reasonable possible change in currency, 10% and 15% change in currency is considered appropriate in measuring the Scheme's currency risk sensitivity. A 10% depreciation in the Rand would result in a gain of R98.6 million (2020: R21.6million) and a 15% depreciation in the Rand would result in a gain of R147.9 million (2020: R32.8 million). A 10% appreciation in the Rand would result in a loss of R98.6 million (2020: R20.4 million) and a 15% appreciation in the Rand would result in a loss of R147.9 million (2020: R30.0 million).

Notes to the Audited Annual Financial Statements

as at December 31, 2021

This impact would be recognised in the income and accumulated funds. The sensitivity is based on the assumption that the Rand has strengthened or weakened against the US Dollar by 10% or 15% considered as the reasonable possible change, with all other variables held constant.

The following US Dollar exchange rate was applied.

	2021 (R'000)	2020 (R'000)
Average rate	14,79	16,46
Year-end closing rate	15,88	14,66

Price risk

The Scheme is exposed to equity securities price risk due to equity investments held by the Scheme that are classified at fair value through profit or loss. The Scheme is directly exposed to equity risk through its investments in listed equities. The value of the equity investments was R3 billion (2020: R2.1 billion)

The Scheme manages the price risk arising from investments in equity securities, through the diversification of its investment portfolios.

Diversification of the portfolios is performed by asset managers in accordance with the mandate set by the Scheme.

Price risk sensitivity analysis (Restated-2020)

Based on past experience and a reasonable possible change in equity prices, 10% change in equity prices is considered appropriate in measuring the Scheme's equity price risk sensitivity. A 10% increase in the price of equities within the equity portfolios would result in a gain of R302.9 million (Restated 2020: R208.3 million. In 2020 the price risk sensitivity was computed incorrectly, and this has been restated to reflect the correct amount). A 10% decrease in the price would result in a loss of R302.9 million (Restated 2020: R208.3 million. In 2020 the price risk sensitivity was computed incorrectly, and this has been restated to reflect the correct amount). This impact would be recognised in the income and accumulated funds. The sensitivity is based on the assumption that equity prices had increased or decreased by 10%, with all other variables held constant.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The availability of liquid cash holdings positions with various financial institutions ensures that the Scheme has the ability to fund its day to day operations. The Scheme manages liquidity risk by monitoring forecast cash flows and ensuring that adequate reserves are maintained. This approach ensures that the Scheme will have sufficient liquidity to meet its obligations when due, under both normal and stressed market conditions, without incurring losses that would threaten the Scheme's going concern status. The Scheme's available funds were invested in cash products to ensure that the Scheme can meet its short term obligations. The table below reflects the Scheme's liquidity requirements to meet its financial obligations.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

27. FINANCIAL, CAPITAL AND INSURANCE RISK MANAGEMENT (continued)

At December 31, 2021 Category	Less than 1 month R '000	Between 1 and 3 months R '000	Between 3 months and 1 year R '000	Over 1 year R '000	Total R '000
Insurance liabilities:					
Outstanding claims provision	985 620	526 714	207 546	-	1 719 880
Amounts owing to members and providers	249 898	-	-	-	249 898
Claims reported not yet paid	530 238	-	-	-	530 238
Accredited managed healthcare fees due	84 933	-	-	-	84 933
Non-derivative financial liabilities:					
Trade and other payables	252 609	-	-	-	252 609
Lease Liabilities	575	1 383	1 949	415	4 322
Personal medical savings accounts liability	1 444 682	-	-	-	1 444 682
Total liabilities	3 548 555	528 097	209 495	415	4 286 562
Cash and Cash Equivalents	3 170 701	-	-	-	3 170 701
Financial Assets at fair value through profit or loss	9 032 287	1 071 709	3 488 371	9 660 618	23 252 985
Trade and other receivables	470 258	-	-	-	470 258
Available cash and investments	12 673 246	1 071 709	3 488 371	9 660 618	26 893 944
Excess liquidity	9 124 691	543 612	3 278 876	9 660 203	22 607 382

Notes to the Audited Annual Financial Statements

as at December 31, 2021

Restatement at December 31, 2020 Category	Less than 1 month R '000	Between 1 and 3 months R '000	Between 3 months and 1 year R '000	Over 1 year R '000	Total R '000
Insurance liabilities:					
Outstanding claims provision	1 278 657	539 248	196 484	-	2 014 389
Amounts owing to members and providers *	208 293	-	-	-	208 293
Claims reported not yet paid *	421 614	-	-	-	421 614
Accredited managed healthcare fees due **	74 789	-	-	-	74 789
Non-derivative financial liabilities:					
Trade and other payables *	224 076	-	-	-	224 076
Lease liabilities *	552	1 646	3 852	2 791	8 841
Personal medical savings accounts liability	1 263 247	-	-	-	1 263 247
Total liabilities	3 471 228	540 894	200 336	2 791	4 215 249
Cash and Cash Equivalents	2 765 607	-	-	-	2 765 607
Financial Assets at fair value through profit or loss***	9 278 751	872 441	3 143 783	6 122 646	19 417 621
Trade and other receivables *	338 571	-	-	-	338 571
Available cash and investments	12 382 929	872 441	3 143 783	6 122 646	22 521 799
Excess liquidity	8 911 701	331 547	2 943 447	6 119 855	18 306 550

* The liquidity risk analysis should disclose all financial assets and liabilities. In the prior year the disclosure excluded certain elements of trade and other payables and trade and other receivables. The notes has been restated accordingly.

** During the prior year, accredited managed healthcare fees have been included under financial liabilities instead of insurance liabilities. This has been restated accordingly.

*** During the prior year, the aging categories for financial assets through profit and loss and outstanding claims provision were incorrectly classified and this has been restated accordingly.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

27. FINANCIAL, CAPITAL AND INSURANCE RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of financial loss to the Scheme, if a counterpart to a financial instrument fails to meet its contractual obligations. Key areas where the Scheme is exposed to credit risk are:

- Financial assets at fair value through profit or loss
- Cash and cash equivalents
- Trade and other receivables

The Scheme only deposits cash with registered banks per the South African Reserve Bank's Supervision Unit with high quality credit standing and limits the exposure to any one financial institution.

Financial assets are valued at fair value through profit or loss comprise money market and bond instruments entered into to fund the obligations arising from its insurance contracts and to invest income funds to maintain the statutory reserve requirement. The Scheme is exposed to the issuer's credit standing on these instruments. Exposure to credit risk is monitored and minimum credit ratings for these investments are set. Reputable asset managers have been appointed to manage these instruments.

Cash and cash equivalents

First National Bank

South African Reserve Bank

2021 (R'000)	2020 (R'000)
188 739	873 590
2 981 962	1 892 017
3 170 701	2 765 607

Long term ratings of Banks invested with:

ABSA Bank

First National Bank

Investec Bank

Nedbank

Standard Bank

South African Reserve Bank

Rand Merchant Bank

2021	Restated 2020*
AA	AA
AA	AA
AA	AA
AA	AA
AA	AA
AA+	AA+
AAA	AAA
AA	AA

The 2020 credit ratings were incorrectly reported as BB-, however these have been restated accordingly.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

The maximum exposure to credit risk for financial assets at year end were as follows:

Financial assets at fair value through profit or loss *

Loans and receivables (Cash and cash equivalents)

Loans and receivables (Trade and other receivables) **

		Restated
	20 224 279	17 336 018
	3 170 701	2 765 607
	470 258	338 571
	23 865 238	20 440 196

* The 2020 financial assets held at fair value through profit or loss has been restated to exclude equities of R2.081 bn as equities are not exposed to credit risk. The amounts represented in the Statement of financial position for trade and other receivables are net of allowances for doubtful receivables.

** This includes insurance receivables, refer to note 7 for the split between insurance receivables and receivables classified as financial assets. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The ageing of insurance receivables at year end was:

As at December 31, 2021	Not past due, not impaired R '000	Past due, not impaired R '000	Impaired R '000	Total R '000
Contribution debtors	239 178	6 177	5 946	251 301
Receivables from members and providers	8 094	4 600	25 454	38 148
Sundry accounts receivable	29 636	-	-	29 636

As at December 31, 2020	Not past due, not impaired R '000	Past due, not impaired R '000	Impaired R '000	Total R '000
Contribution debtors	158 703	5 409	6 162	170 274
Receivables from members and providers	14 529	4 781	18 489	37 799
Sundry accounts receivable	15 488	-	-	15 488

Notes to the Audited Annual Financial Statements

as at December 31, 2021

27. FINANCIAL, CAPITAL AND INSURANCE RISK MANAGEMENT (continued)

The table below provides an age analysis of the receivables that are past due.

Amounts outstanding for 30 days are not impaired, as they are within the normal expected recovery period. Debt outstanding between 30 to 90 days is considered past due, but not yet impaired. The credit quality of financial assets that are neither past due nor impaired has been assessed on the basis of historical information. This information indicated that the majority of debt is settled just after year end and within the Rules of the Scheme.

The carrying amount of insurance receivables best represents the maximum exposure to credit risk.

As at December 31, 2021	31 - 60 days R '000	61 - 90 days R '000	91 plus days R '000	Total R '000
Contribution debtors	3 684	2 493	5 946	12 123
Receivables from members and providers	1 518	3 082	25 454	30 054

Restatement as at December 31, 2020	31 - 60 days R '000	61 - 90 days R '000	91 plus days R '000	Total R '000
Contribution debtors*	4 444	964	6 162	11 570
Receivables from members and providers*	2 028	2 753	18 489	23 270

* The 2020 ageing has been restated to disclose all past due ageing.

Management information reported to the Scheme includes details of allowances for impairments on receivables. The table below provides an analysis of receivables that were impaired.

	2021 (R'000)	2020 (R'000)
Receivables impaired:		
Contribution debtors		
120 days	5 946	6 162
Receivables from members and providers		
120 days	25 454	18 489
Total	31 400	24 651

The amounts represented in the Statement of Financial Position are net of impairment receivables, estimated based on outcomes of recovery processes, prior experience and the current economic environment.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

Fair value estimation

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

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

The carrying value, less impairment provision of trade receivables, and payables are assumed to approximate their fair values due to their short-term nature.

The members' Personal Medical Savings Accounts contain a demand feature. In terms of Regulation 10 of the Act, any credit balance on a member's Personal Medical Savings Account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit plan, and enrolls in another benefit plan or medical Scheme without a savings account or does not enroll in another medical Scheme. Therefore the carrying values of the members' Personal Medical Savings Accounts are deemed to be equal to their fair values, which is the amount payable on demand.

Fair value of financial assets by hierarchy level

At December 31, 2021	Carrying amount	Total	Level 1	Level 2	Level 3
	R '000	R '000	R '000	R '000	R '000
Financial assets at fair value through profit or loss	23 252 985	23 252 985	19 084 157	4 168 828	-
Cash	191 871	191 871	-	191 871	-
Equities	3 028 706	3 028 706	3 028 706	-	-
Local bonds	5 481 521	5 481 521	5 479 660	1 861	-
Local money markets	13 567 088	13 567 088	9 700 771	3 866 317	-
Foreign money markets	108 779	108 779	-	108 779	-
Foreign bonds	875 020	875 020	875 020	-	-
	23 252 985	23 252 985	19 084 157	4 168 828	-

Notes to the Audited Annual Financial Statements

as at December 31, 2021

27. FINANCIAL, CAPITAL AND INSURANCE RISK MANAGEMENT (continued)

Restatement at December 31, 2020*	Carrying amount R '000	Total R '000	Level 1 R '000	Level 2 R '000	Level 3 R '000
Financial assets at fair value through profit or loss**	19 417 620	19 417 621	16 127 884	3 289 737	-
Cash	189 719	189 719	-	189 719	-
Equities	2 081 603	2 081 603	2 081 603	-	-
Local bonds	2 658 990	2 658 990	2 658 990	-	-
Local money markets	13 946 656	13 946 656	10 853 577	3 093 079	-
Foreign money markets	6 940	6 940	1	6 939	-
Foreign bonds	533 713	533 713	533 713	-	-
	19 417 621	19 417 621	16 127 884	3 289 737	-

* In 2020 this disclosure included cash and cash equivalent held at amortised cost held at 2.6 billion. This disclosure should only include instruments held at fair value, hence this note has been restated to correct this.

** In 2020 certain financial instruments were classified as level 1 and level 2, however the classification was incorrect and this has been restated accordingly. The fair value assets are classified using a fair value hierarchy that reflects the significance of the inputs used in determining the measurements.

The fair value hierarchy has the following levels:

Level 1 – These are assets measured using quoted prices in an active market

Level 2 – These are assets measured using inputs other than quoted prices included within Level 1, that are either directly or indirectly observable.

Level 3 – These are assets measured using inputs that are not based on observable market data.

Capital Management

The Scheme is subject to the capital requirement imposed by Regulation 29 (2) of the Act, which requires a minimum solvency ratio of accumulated funds expressed as a percentage of gross annual contributions of 25%.

Capital adequacy risk is the risk that there may be insufficient reserves to provide for adverse variations in actual future benefit liabilities. In terms of Regulation 29(3)A of the Medical Schemes Act, a medical Scheme registered for the first time must maintain reserves of no less than:

First year of operations	10,00%
Second year of operations	13,50%
Third year of operations	17,50%
Fourth year of operations	22,00%
Fifth year of operations	25,00%

Notes to the Audited Annual Financial Statements

as at December 31, 2021

The Registrar of Medical Schemes, in terms of the business plan submitted by the Scheme in 2017, agreed to revise the required reserve levels which will apply to the Scheme for each related year of operation:

	Actual levels	CMS approved levels
31 December 2018	24,74%	18,40%
31 December 2019	31,53%	20,80%
31 December 2020	41,11%	22,70%
31 December 2021	46,11%	24,20%

The Scheme monitors and manages the capital adequacy risk through the following means:

- The capital adequacy risk is documented on the risk register that is regularly reviewed by the Board of Trustees.
- Scheme management reviews the monthly management accounts where the Scheme's financial performance is monitored.
- Monthly management accounts and the Scheme's quarterly performance reports are submitted to and discussed with the Council for Medical Schemes.
- The annual budgeting process, long term projections and planning allows the Scheme to review its capital adequacy and reserve levels to ensure continuity of operations and sustainability.

28. GUARANTEES AND COMMITMENTS

The Scheme held guarantees in favour of the following instructions during the year

	2021 (R'000)	2020 (R'000)
Council for Medical Scheme	2 500	2 500
South African Post Office	5 000	5 000
	7 500	7 500

The guarantee in favour of the Council for Medical Scheme's has been issued in terms of Section 24(5) of the Medical Scheme's Act, 1998. The Act prescribes that the Registrar may demand from the person who manages the business of a medical Scheme such financial guarantees as will in the opinion of the Council ensure the financial stability of the medical Scheme.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

29. INVESTMENT IN UNCONSOLIDATED STRUCTURED ENTITIES

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

The Scheme has the right of redemption of its investments in the funds.

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

These investments are included in financial assets at fair value through profit or loss in the statement of financial position.

Name and description	2021 Fair Value of Scheme Funds invested R'000	Fair Value of Investee fund R'000	% of net assets attributable to the Scheme	Fund
	875 464	30 377 128	2,88%	Ninety One Corporate Money Market, Z, Inc, Zar
	23 446	18 768 004	0,12%	Nedgroup Investments Money Market Fund Class C1
Collective investment schemes	169	60 081 447	-%	Nedgroup Investments Core Income Fund - Class C1
	1 334 091	8 764 866	15,22%	M&G High Interest Fund B
	172 800	5 708 595	3,03%	M&G Corporate Bond Fund B
	689 453	1 104 132	62,44%	M&G Global FI Fund C

Name and description	2020 Fair Value of Scheme Funds invested R'000	Fair Value of Investee fund R'000	% of net assets attributable to the Scheme	Fund
	1 307 660	30 744 186	4,25%	Ninety One Corporate Money Market, Z Inc, Zar
	400	17 196 710	-%	Nedgroup Investment Money Market Fund - Class C1
	63 716	59 161 745	0,11%	Nedgroup Investment Core Income Fund - Class C1
Collective investment schemes	1 118 368	8 960 011	12,48%	Prudential Global Fixed Income Fund
	185 160	6 401 403	2,89%	Prudential Corporate Bond Fund
	480 989	808 251	59,51%	Prudential Global Fixed Income Fund

Notes to the Audited Annual Financial Statements

as at December 31, 2021

30. RESTATEMENT NOTE

The following restatements were processed in the financial statements:

30.1 Representation and restatement of Cash flow from investing activities

Purchase and sale of financial assets*

IAS 7 requires that cash payments to acquire financial assets and cash receipts from the sale of financial assets be disclosed separately on the face of the Statement of cash flows. The 2020 cash flow from investing activities in the cash flow statement is re-presented according to the requirement of IAS 7.

Investment income**

In the 2020 Annual Financial Statement the unrealised gain/loss on financial assets were not adjusted as non-cash item when computing the cash flows from operating activities, they were also treated as cash flows when disclosing cash received from investing activities. IAS 7 requires that non-cash items be adjusted from the profit to ensure that it is only cash flows that are disclosed. The restatement has been performed to reflect the correct treatment of unrealized gains/losses on the Statement of cash flow. The below table depicts the re-presentation and re-statement of cash flows from investing activities for the 2020 financial year.

CASH FLOWS FROM INVESTING ACTIVITIES

	Previously reported 2020 R'000	Restated 2020 R'000
Purchase of property and equipment	(89 812)	(89 812)
Sale of property and equipment	1	1
Net purchase of financial assets *	(5 524 764)	-
Purchase of financial assets *	-	(27 122 210)
Disposal of financial assets *	-	21 597 447
Interest received on Scheme cash invested	42 478	42 478
Income earned on financial assets at fair value through profit or loss	859 806	-
Interest earned on financial assets at fair value through profit or loss **	-	926 141
Dividend income **	-	74 164
Realised gains/(loss) on financial assets at fair value through profit or loss **	-	(68 090)
Net cash used in investing activities	(4 712 291)	(4 639 881)

Notes to the Audited Annual Financial Statements

as at December 31, 2021

30. RESTATEMENT NOTE (continued)

Changes in working capital

In the 2020 financial period, accrued interest was included in trade and other receivables when calculating the changes in working capital. This has been restated as follows:

	Previously reported 2020 R'000	Restated 2020 R'000
Trade and other receivables	(965 489)	(976 140)
Trade and other payables	282 184	282 184
Personal medical savings account liability	252 344	252 344
	(430 961)	(441 612)

Cash generated from operations

The investment income items were reclassified for the 2020 financial period and the restatement is depicted as follows:

	Previously reported 2020 R'000	Restated 2020 R'000
Investment income:	-	-
Cash and cash equivalents	(42 478)	(42 478)
Income earned on financial assets at fair value through profit or loss	(859 806)	-
Interest earned on financial assets at fair value through profit or loss	-	(926 141)
Dividends	-	(74 164)
Realised (gains) / losses	-	68 090
Unrealised (gains) / losses	-	10 650

The restatement for the investment income was as a result of changes to the cash flows from investing activities as disclosed above. Due to those corrections, the comparatives in note 22 needed to be amended.

Cash receipts and cash payments

In 2020 financial period the cash receipts from members and cash paid to suppliers, members and employees were recomputed to reflect an accurate split of the related cash transactions. The cash receipts portion was amended to include the Savings which was previously not included. This has been restated as follows:

	Previously reported 2020 R'000	Restated 2020 R'000
Cash receipts from members	45 318 421	45 260 646
Cash paid to suppliers, members and employees	(40 283 236)	(40 297 871)
Cash generated from operations	4 962 775	4 962 775

Notes to the Audited Annual Financial Statements

as at December 31, 2021

30.2 In addition, the following notes have been restated. Please refer to these notes for additional details:

Note 10 - Trade and other payables

Note 12 - Financial assets and liabilities by category

Note 14 - Risk claims incurred

Note 20 - Investment income

Note 27 - Financial, capital and Insurance risk management

31. REGULATORY NON - COMPLIANCE

To the best of the Scheme's knowledge, the compliance matters listed below cover all of the non-compliance matters for the 2021 financial year.

Late paying Employer groups

Nature

In terms of Rule 13.2 of GEMS' Scheme Rules and Section 26 (7) of the Medical Schemes Act members' contributions are due monthly in arrears and payable by no later than the third day of each month.

Cause

During the period under review, certain employer groups paid over contributions on behalf of their members after the third day of the month. Late payment may result in a loss of interest earned for the Scheme; however this is not significant due to the short duration of the contributions being outstanding.

Corrective action

Scheme management engaged with the employer groups concerned to ascertain the reasons for the late payment of contributions and to highlight the impact of this practice on members of the Scheme. The Council for Medical Scheme's is informed quarterly of any late payers and the Auditor General is informed annually. At year end there were nine late paying employer groups. Subsequently these amounts have been received.

Benefit Options

Nature

In terms of Section 33 (2) of the Medical Scheme's Act, medical scheme options shall be self sufficient in terms of membership and financial performance.

Cause

The Scheme's Onyx option did not meet the self sufficiency requirement in terms of Section 33(2) of the Medical Schemes Act. Loss making options adversely affect the financial performance of the Scheme and the reserve ratio. The claims on the Onyx option were driven by the option's older demographic profile, which resulted in higher claims being incurred relating to chronic and lifestyle related diseases. The migration of the pre-1992 pensioners to this option in prior years also resulted in the financial performance being adversely affected during the financial year.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

31. REGULATORY NON - COMPLIANCE (continued)

Corrective Action

The Scheme is however accumulating funds in accordance with a business plan approved by the Registrar. The Registrar was notified of the Scheme's performance throughout 2021 with the submission of quarterly performance reports and quarterly meetings with the Council for Medical Schemes. Part of the quarterly submission are actuarial reports for the specific option in order for Council for Medical Schemes to see progress of the options against the business plan and budget for the year.

Claims settled after 30 days

Nature

In terms of Section 59 (2) of the Medical Schemes Act, the Scheme shall, in the case where an account has been rendered, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the Scheme.

Cause

During the financial year, there were instances that were identified where the above regulation had not been complied with.

Corrective Action

Additional controls have been put in place at the Administrator to mitigate the risk of non-compliance and the Scheme will ensure that these are tested as part of the Internal Audit process of the Scheme during the coming year.

Guarantees

Nature

Section 35(6) (a) of the Medical Scheme Act states that a medical scheme shall not encumber its assets.

Cause

The guarantee in favour of the Council for Medical Scheme's has been issued in terms of Section 24(5) of the Medical Scheme's Act, 1998 to the value of R2,5 million. The Scheme's banker issued these guarantees as part of the Scheme's banking facilities.

The guarantee of R5 million in favour of the South African Post Office allows the Scheme to transact directly with the service provider for the provision of postal services, rather than procuring these services on an agency basis.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

Corrective Action

Council for Medical Schemes has issued GEMS an exemption from the provision of Section 35(6) of the MSA for a period of two years effective from 05 December 2019.

Investment in Medical Scheme Administrator

Nature

Section 35 (8) (a), (c) and (d) of the Act states that a medical scheme shall not invest any of its assets in the business of an employer who participates in the Scheme, or any administrator or any arrangement associated with the Scheme. The Scheme has investments in certain administrators.

Cause

The Scheme has investments in certain companies associated with the administrators of the scheme within its diversified investment portfolio.

Corrective action

This situation is common industry wide. CMS has granted GEMS an exemption for a period of three years effective from 05 December 2019.

32. COVID-19 IMPACT

COVID-19 was first detected in South Africa during March 2020. Since the pandemic started, the Scheme has funded claims relating to the diagnosis and treatment of the virus as well as actively promoting vaccinations against COVID-19.

GEMS experienced two waves of rapid infections which resulted in approximately R4.7 billion (2020: R3.1 billion) worth of claims expenditure, with 83% of the COVID-19 spend relating to in-hospital costs.

For 2021 the Scheme funded in excess of 730 000 (2020: 641 372) tests with more than 161 800 (2020: 131 346) individuals testing positive. On average 20.3% of beneficiaries testing positive are admitted into hospital. The Scheme reported 7 218 (2020: 5 517) fatalities due to COVID-19 for the financial year.

Expected Cost of vaccinations

The expected cost of vaccinating the eligible beneficiaries is described below. Currently, 33.30% of vaccinations on the Scheme are for the Johnson & Johnson vaccine. As at the end of 2021, the Scheme had already settled R316 million in total for vaccinations and R73.63 million in administration costs. For these claims we calculate an average cost of R368 for each Johnson & Johnson vaccine and R410 for each Pfizer vaccine, both inclusive of admin costs.

Notes to the Audited Annual Financial Statements

as at December 31, 2021

32. COVID-19 IMPACT (continued)

Number of Beneficiaries	Vaccinated 1 011 876
Total cost of vaccinations (including admin costs)	R389 679 000
Average cost per vaccination	R385

Assuming this trend continues we can use the average vaccination costs above for the unvaccinated and eligible beneficiaries. We estimate the cost for their vaccination to be R737 million. If 60% of remaining eligible beneficiaries get vaccinated the total cost would be R442 million.

Impact on debt balances and bad debt provision

In the 2021 financial year the Scheme wrote off R64.9 million. The debt write off for contribution and claim debt increased by 54% as compared to prior year. The increase is attributable to the number of member deaths in 2021 in comparison to 2020, this increase could also be attributable to the COVID-19 pandemic.

Impact on going concern status

While COVID-19 resulted in additional expenditure, the combined impact of COVID-19 and the national lockdown had no negative impact on the going concern status of the Scheme. In 2021 the Scheme continued to experience lower utilization of healthcare services as a result of COVID-19, though not at the levels experienced in 2020.

The Scheme does consider the longer term sustainability each year by taking a 5 year view and based on the outcome of this exercise there is no concern about the longer term going concern status of the Scheme.

Impact on IBNR

The 2021 claims experience was consistent with observations during 2020. While the pandemic resulted in additional COVID-19 claims, lock-down restrictions resulted in an overall reduced level of healthcare utilization during both 2020 and 2021.

A third and fourth wave of infections were experienced in 2021 with approximately R4.7 billion (2020: R 3.1 billion) being spent on COVID-19 related claims. The fourth wave was less severe than prior COVID-19 waves with a lower admission rate for beneficiaries testing positive for COVID-19.

Impact on Solvency Ratio

The Scheme's reserve ratio as at the end of 2021 was 46.48% which is higher than the statutory minimum requirement of 25%.

The Scheme has estimated that had it not been for the COVID-19 pandemic, the Scheme would have reported a reserve ratio of approximately 37.1%.

33. EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events after reporting period.



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