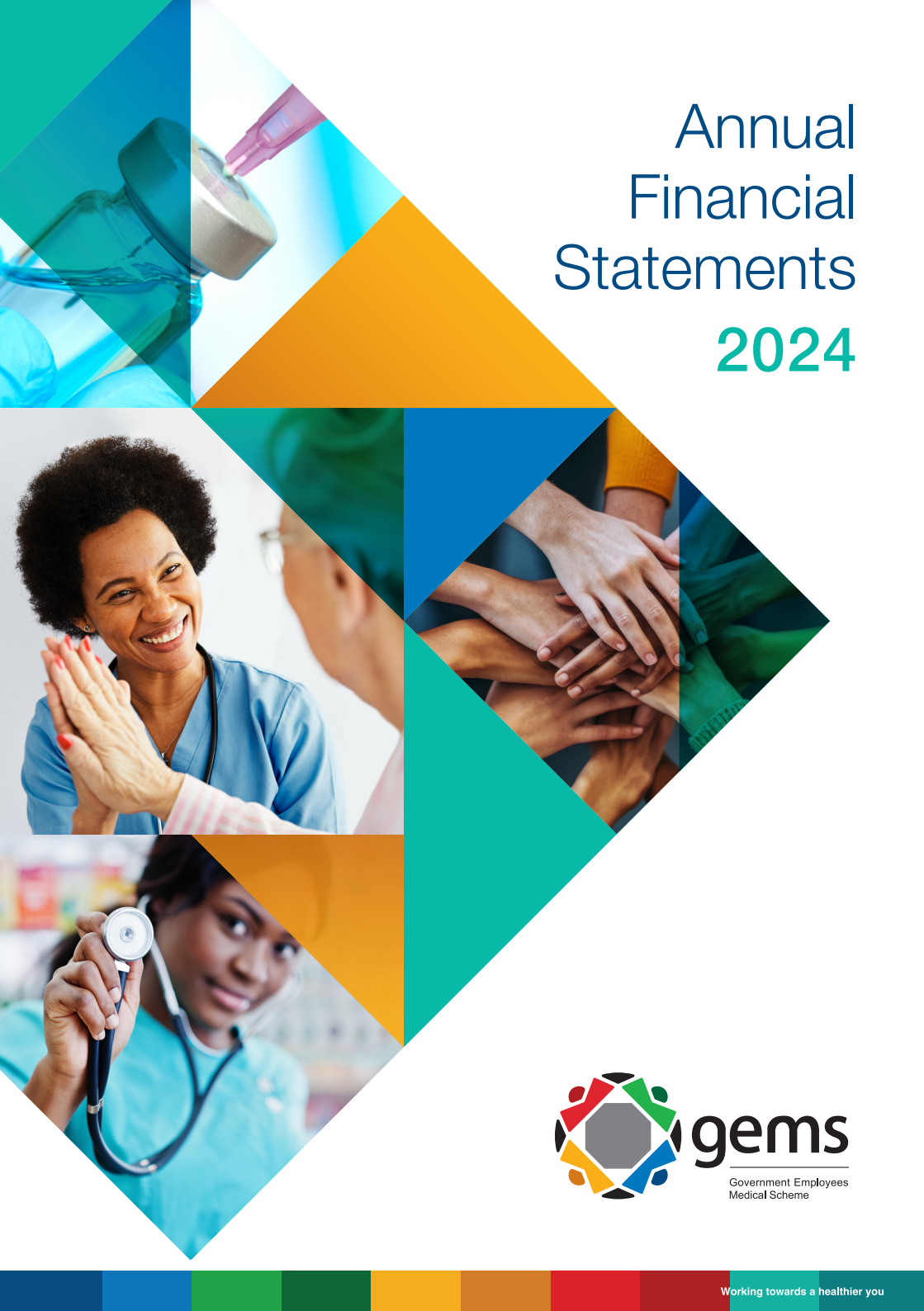


# Annual Financial Statements 2024





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BOARD OF TRUSTEES REPORT

GEMS is governed to protect and maintain value

Structures and processes for governance

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, responsibilities and duties of the Board and trustees collectively, and certain roles and responsibilities incumbent on trustees. The charter is aligned to the provisions of the MSA, as amended, its regulations, the registered Rules of GEMS and the King IV Report on Corporate Governance for South Africa. The full charter and King IV application register are available at [www.gems.gov.za](http://www.gems.gov.za).

The Board of Trustees reviews its and its Board committees' effectiveness, and its role and that of its chairperson. This previously took place every second year, with the most recent review concluded in 2024. This review found that the Board and its committees were functioning effectively. From 2024, the Board effectiveness assessment takes place annually.

The Board is responsible for providing strategic guidance and oversight to the Scheme.

Figure 41: Performance and outcomes monitoring by the Board of KPIs and risks









**Table 13: Complementary committee responsibilities:**











Responsibility	Committees
<b>Compliance management</b>	Risk, Social and Ethics Committee
	Audit Committee
<b>Risk management effectiveness, monitoring of top risks</b>	Risk, Social and Ethics Committee
	Audit Committee
	All standing committees depending on risk
<b>Fraud, waste and abuse management, monitoring of outcomes and impacts (for example on healthcare providers)</b>	Risk, Social and Ethics Committee
	Audit Committee
	Clinical Governance and Administration Committee (healthcare provider relationships)
<b>Stakeholder management, monitoring of outcomes and quality of relationships</b>	Clinical Governance and Administration Committee
	Risk, Social and Ethics Committee
<b>Oversight of strategic programmes and projects including insourcing and ICT projects</b>	Oversight Committee on Strategic Projects and Programmes
	Clinical Governance and Administration Committee
	Finance and Investment Committee

A five-year strategic plan and annual performance plan give effect to the Board's responsibility to govern the affairs of the Scheme by directing the activities of the Principal Officer, management and employees. These provide effective oversight through which performance can be monitored and ensure that the business of the Scheme operates efficiently and effectively. The Scheme's five-year strategic plan for 2022 to 2026 was approved by the Board, which monitored its implementation through quarterly reports from Scheme management on achievements against performance areas. Throughout 2024, the Board was appraised of the status of the business through standardised presentations covering key business indicators, including membership growth, financial performance and stakeholder engagement.

**Table 14: Board focuses for 2024 and beyond**

The Board's main focus was better aligning functional strategies with NHI implementation strategies, market conditions, and the Scheme's performance against the KPI targets of the strategic plan.			
Board major focuses and decisions for 2024	Capitals affected	Link to material matters	Stakeholders affected
The Board continued face-to-face engagements with members at provincial roadshows, which began in 2023. These are part of the Board's ongoing focus on the GEMS brand positioning, which depends on the quality of interaction with members and communication capabilities			
The Board considered an in-depth analysis of challenges to the achievement of the desired organisational culture and the potential solutions. It will monitor the implementation of an organisational culture strategy in 2025			

The Board's main focus was better aligning functional strategies with NHI implementation strategies, market conditions, and the Scheme's performance against the KPI targets of the strategic plan.

Board major focuses and decisions for 2024	Capitals affected	Link to material matters	Stakeholders affected
The quality of stakeholder relationships: The Board approved a new integrated stakeholder management strategy and engagement plan in September 2024. Part of this was initiating a relationship reset with the PSCBC based on the needs for mutual responsiveness, alignment of interests and effective communication		 	PSCBC 
The Board reassessed the Scheme's insourcing programme and approved a revised version considering the NHI implementation scenarios and the Board's renewed focus on strategic partnerships and collaboration in an NHI future.	 	 	 

Performance targets are reviewed annually by the Board based on changing realities and interrelated plans such as the 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 approach to risk management and the governance of risk is discussed on page 65 of the report.

The Board monitored the implementation of approved strategic and operational risk mitigation measures and the Scheme's changing risk environment during 2024 through quarterly and ad hoc reports from Scheme management. The Board is comfortable that residual risks were managed throughout the year and that risk assessments and mitigations to safeguard Scheme and member interests were effective.

The Board's approach to the governance of technology and information (page 132), ethics and compliance (pages 134 and 136) and stakeholder management (page 138) shows that value created for members is protected.

King IV Report on Corporate Governance for South Africa 2016:

The Board of Trustees formally adopted the King IV Report on Corporate Governance for South Africa 2016 (King IV) from 1 January 2018 through a Board resolution. Based on a CMS recommendation, the Scheme uses the governance and compliance instrument, an online tool developed by The Global Platform for Intellectual Property, to assess whether recommended King IV principles are applied.

The most recent full assessment was conducted in 2022 and found that the King IV principles are satisfactorily applied in the Scheme's business practices.

The explanation of our business practices is available at [www.gems.gov.za](http://www.gems.gov.za).



## Board members and meetings

The Board consists of 12 trustees as follows: six (50%) elected by Scheme members and six (50%), appointed by the MPSA.

**Table 15: Our trustees in 2024**

Name	Elected or appointed	Qualifications and expertise	GEMS Board committees in 2024 <sup>1</sup>	Other significant positions/roles in 2024
Dr Millicent 'Millie' Sebayitseng Hlatshwayo Board Chairperson until 19 February 2024 (9 January 1964)	Appointed, tenure started 20 February 2018 and ended 19 February 2024	BSc (Medunsa); MBChB (Medunsa)  Expertise: Clinical care, business administration and leadership	Clinical Governance and Administration  Human Resources and Remuneration	Panel member: Gauteng Infrastructure Financing Agency; consultant: Government Pensions Administration Agency; private practice and OR Tambo Travel Clinic  Memberships/affiliations: South African Medical Association, Health Professions Council of South Africa, Institute of Directors South Africa (IoDSA), The Ethics Institute (TEI)
Rakgama Andries 'Billy' Manoko Board Deputy Chairperson (2023 to 19 February 2024) (6 June 1966)	Appointed, tenure started 20 February 2018 and ended 19 February 2024	BProc; LLB; admitted attorney  Expertise: Legal, business administration and leadership	Audit Clinical Governance and Administration  Oversight on Strategic Projects and Programmes  Relationship-by-Objective Task Team	Founder and managing director: Manoko & Associates Inc Attorney Memberships/affiliations: IoDSA, TEI*
Dr Nomzamo Tutu Board Chairperson (19 February 2024 to date) (12 December 1965)	Appointed, 30 July 2020, tenure ends 29 July 2026	MBChB; BSc; Postgraduate Diploma: Occupational Health; Postgraduate Diploma: HIV/Aids Management in the World of Work.  Expertise: Clinical care, investment	Audit Finance and Investment  Oversight on Strategic Projects and Programmes	Member of KwaZulu-Natal Provincial Planning Commission Directorships in various private companies  Memberships/affiliations: SAMA, South African Society of Occupational Medicine, IoDSA, TEI

<sup>1</sup> The Board periodically revises membership of standing committees. Board members may serve on up to three standing committees while serving on temporary committees from time to time

Name	Elected or appointed	Qualifications and expertise	GEMS Board committees in 2024 <sup>1</sup>	Other significant positions/roles in 2024
Nkobane Constance 'Conny' Ntshane Board Deputy Chairperson (19 February 2024 to 20 September 2024) (17 May 1974)	Elected, tenure started on 25 September 2019 and ends on 24 September 2025	BA Honours: Social Work – University of South Africa (Unisa); certificates: Gender excellence – University of Pretoria (UP); employee assistance programme – UP; employee wellness programme – UP; Postgraduate Diploma: Public Health – UP  Expertise: Employee wellness, project management, member advocacy	Finance and Investment  Oversight on Strategic Projects and Programmes	Department of Health Mpumalanga – wellness manager  Memberships/affiliations: IoDSA, TEI
Siyabulela Thomas Tsengiwe Board Deputy Chairperson (20 September 2024 to date) (21 December 1967)	Appointed, 25 January 2024, tenure ends 24 January 2030	BCom; BEd; Masters in Management in Public and Development Management; Master of Arts in Applied Ethics for Professionals  Expertise: Strategy, leadership management, strategy formulation and implementation, research, negotiations, policy planning and development, conflict and communication management, reporting, project management	Audit Committee Finance and Investment  Oversight on Strategic Projects and Programmes	Serves on iKamvelihle Development Trust,  Memberships/affiliations: IoDSA, TEI
Dr Izak Jacobus 'Kobus' van Zyl (31 January 1951)	Elected, tenure started 30 July 2020 and ended 28 July 2021 Re-elected from 29 July 2021 to 28 July 2027	BMil; BCom Honours Personnel Management; MBA; PhD Industrial Economics; Industrial Relations Development Programme  Expertise: Labour relations, dispute resolution	Finance and Investment  Human Resources and Remuneration  Risk, Social and Ethics	Retired from: Department of Employment and Labour as chief director: labour relations in 1996  Memberships/affiliations: IoDSA, TEI

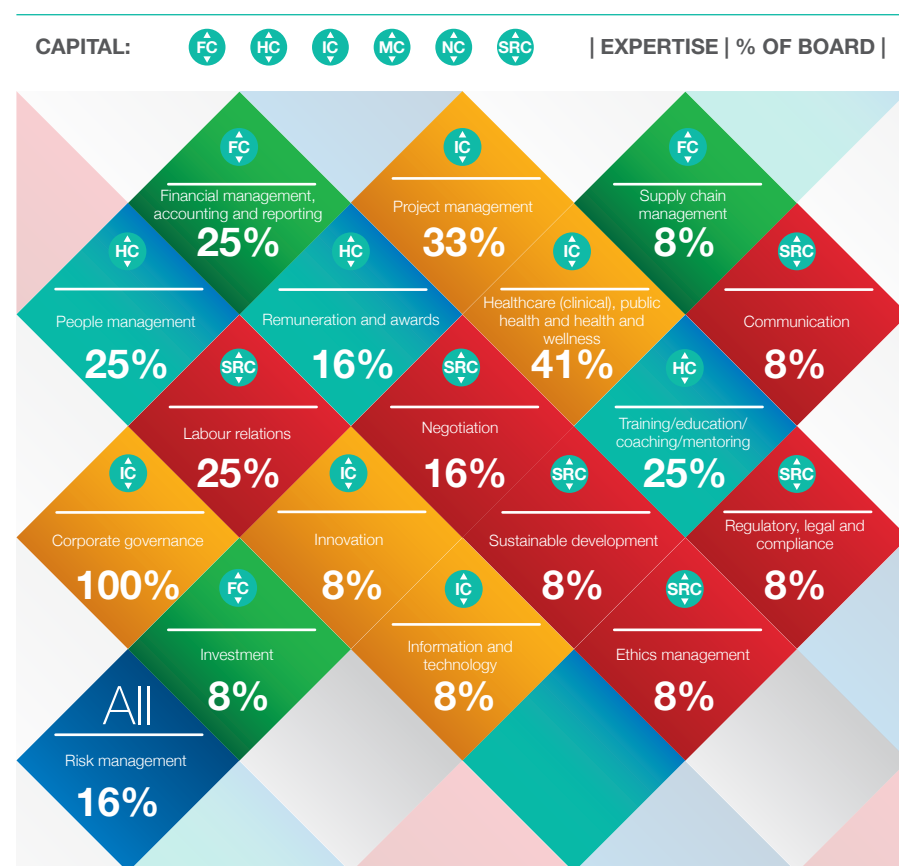
Name	Elected or appointed	Qualifications and expertise	GEMS Board committees in 2024 <sup>1</sup>	Other significant positions/roles in 2024
Dr Johannes Frederik Smit (22 July 1951)	Elected, tenure started 30 July 2021 and ends 28 July 2027	BCHD: Dentistry – UP; Dental Public Health – UP; Public Health Administration – UP  Expertise: Clinical care (dentistry), administration and leadership, governance, ethics	Clinical Governance and Administration  Risk, Social and Ethics	Retired from senior management: National Department of Health Serving on HPCSA and Allied Health Professions Council of South Africa  Memberships/affiliations: IODSA, TEI
Pierre Francois de Villiers (25 June 1960)	Elected, tenure started 30 August 2021 and ends 29 August 2027	NND Engineering Studies – Ekurhuleni Technical and Vocational Education Training College; Teachers Diploma – UP; BEd and Med – University of Johannesburg  Expertise: Governance and ethics, member advocacy	Finance and Investment  Risk, Social and Ethics  Oversight on Strategic Projects and Programmes	Retired from Department of Higher Education and Training as chief education specialist (curriculum development)  Memberships/affiliations: IoDSA, TEI
Lebohang Precious Khumalo (25 March 1980)	Elected, tenure started 30 August 2021 and ends 24 September 2025	Diploma: Clinical Nursing Science; Diploma: General Nursing; Advanced Certificate: Project Management – University of KwaZulu-Natal; Advanced Certificate: Healthcare Management – Foundation for Professional Development; Postgraduate Diploma: Health Systems Management – Executive Leadership  Expertise: Clinical care, business administration, leadership, member advocacy	Clinical Governance and Administration  Human Resources and Remuneration  Relationship-by-Objective Task Team	Chief executive officer: Bertha Gxowa Hospital Nursing professional  Memberships/affiliations: IoDSA; TEI

Name	Elected or appointed	Qualifications and expertise	GEMS Board committees in 2024 <sup>1</sup>	Other significant positions/roles in 2024
Dr Hendrik 'Henk' Pieter Punt (25 May 1953)	Elected, tenure started 22 February 2024 and ends 24 September 2025 (took over from Martinus Cornelis Brand, who resigned on 31 December 2023)	Primary Teachers Diploma, Teachers' Diploma (Handwork); Paarl Teachers College, BA.; BEd; MEd and PhD: Stellenbosch University  Expertise: Business administration and leadership, education, member advocacy	Clinical Governance and Administration  Human Resources and Remuneration	Education consultant: training team of South African Teachers' Union Temporary headmaster: Private high school in Somerset West  Memberships/affiliations: IoDSA, TEI
Alvin Phumudzo Rapea (29 June 1964)	Appointed, 25 January 2024, tenure ends 24 January 2030	BCom: University of Limpopo; Postgraduate Diploma in Management – Wits Business School; Diploma: Labour Law: Graduate Institute of Management and Technology; Certificate in Executive Coaching: University of Cape Town  Expertise: Labour relations, coaching, mentoring	Human Resources and Remuneration  Risk, Social and Ethics  Oversight on Strategic Projects and Programmes	Director: Tshivhambe Trading  Memberships/affiliations: IoDSA, TEI
Neville Pulane Ndumo (28 January 1963)	Appointed, 25 January 2024, tenure ends 24 January 2030	BA AccSc; Certificate: Taxation, EDP; Masters Business Leadership – Unisa  Expertise: Finance	Audit Committee  Finance and Investment  Risk, Social and Ethics	District treasurer: Methodist Church of Southern Africa  Memberships/affiliations: IoDSA, TEI
Adv Sibongile Sigodi (13 December 1957)	Appointed, 16 September 2024, tenure ends 15 January 2030	LLB, BProc, LLM – University of KwaZulu Natal; International Legal Studies: Georgetown University Law Center in Washington DC; International Women's Human Rights  Expertise: Legal – human rights, constitutional, local government law	Audit Committee  Human Resources and Remuneration Risk, Social and Ethics	Retired Memberships/affiliations: IoDSA, TEI

Name	Elected or appointed	Qualifications and expertise	GEMS Board committees in 2024 <sup>1</sup>	Other significant positions/roles in 2024
Dr Mpho Mashoto Johannes Rabada (17 June 1970)	Appointed, 16 September 2024, tenure ends 15 January 2030	MBA: Surrey University (United Kingdom), Dissertation: Health Economics and Healthcare Financing; BA: Medicine, MBBCh - University of the Witwatersrand  Expertise: Sustainable development, public health, occupational medicine, strategic management	Clinical Governance and Administration  Oversight on Strategic Projects and Programmes	Health and business consultant: Department of Health  Memberships/affiliations: IoDSA, TEI

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

**Table 16: Combined board expertise and skills:**



## Board meetings and engagements in 2024:

The GEMS Board of Trustees held 31 meetings and engagements during 2024 (2023: 52), including one strategic planning meeting (2023: one); one Annual General Meeting (2023: one) and three workshops (2023: five). All meetings and engagements were hybrid, with most delegates attending in person:

- 25 January 2024 (special in-committee meeting);
- 22 February 2024 (quarterly meeting);
- 12 to 13 February 2024 (Board of Trustees induction programme – three new MPSA appointees);
- 11 to 13 March 2024 (meeting with SPN/BBBEE partners);
- 14 March 2024 (22 February 2024 in-committee Board of Trustees meeting continuation);
- 23 April 2024 (quarterly meeting);
- 24 April 2024 (in-committee meeting and NHI meeting preparations);
- 17 May 2024 (special Audit Committee meeting);
- 27 June 2024 (interim meeting);
- 30 July 2024 (quarterly meeting – annual general meeting preparation meeting);
- 16 September 2024 (Risk Identification and Assessment Workshop and Special In-Committee Meeting);
- 17 to 19 September 2024 (annual strategic planning meeting);
- 20 September 2024 (interim meeting to consider benefit design recommendations);
- 22 and 23 October 2024 (Board of Trustees induction programme for two new MPSA appointees);
- 24 October 2024 (quarterly meeting);
- 19 November 2024 (Board Charter workshop);
- 20 November 2024 (independent effectiveness assessment and enneagram workshop);
- 25 November 2024 (PSCBC meeting preparation and special MPSA meeting);
- 3 December 2024 (interim meeting: Key approvals required for 2024);
- 4 December 2024 (in-committee meeting).

## Stakeholder engagements

The Board of Trustees held four stakeholder engagements (2023: 12) with the Minister/Deputy Minister for the Public Service and Administration (2023: five); one stakeholder symposium (2023: one), one PSCBC meeting (2023: five), and three member makgotla/provincial roadshows (2023: five):

- 21 May 2024 (George provincial roadshow);
- 23 May 2024 (KwaZulu-Natal provincial roadshow);
- 14 June 2024 (Limpopo – Polokwane provincial roadshow);
- 17 July 2024 (MPSA meet-and-greet with new MPSA Inkosi Mzamo Buthelezi);
- 26 and 27 September 2024 (GEMS stakeholder symposium);
- 14 November 2024 (urgent PSCBC meeting);
- 29 November 2024 (special MPSA meeting).

Affiliates and conferences

- 4 to 8 May 2024 (BHF conference);
- 5 to 8 November 2024, 41<sup>st</sup> African governance conference.

## Board task teams

After an independent review of the Tokiso Report, relationship-by-objective meetings were held in 2022/23 Scheme-wide, including at Board level. The relationship-by-objective task team met twice in 2024 (2023: 13) to wind down the committee's work and handed over its operations to the Risk, Social and Ethics Committee to continue with strategic culture and transformation.

- 30. 16 April 2024 (relationship-by-objective task team);
- 31. 12 July 2024 (relationship-by-objective task team).

For the year ended 31 December 2024, the task team members were:

- LP Khumalo (trustee, elected, tenure started 30 August 2021);
- P de Villiers (trustee, elected, tenure started 30 August 2021);
- MJ Lesejane (tenure started 1 January 2018 and ended 31 December 2024).

## Standing committee structure and responsibilities

The Board of Trustees has established 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 standing committee structure is based on:

- o Statutory requirements.
- o The King IV Report on Corporate Governance.
- o The GEMS strategic plan for accountability and strategic oversight framework.
- o The GEMS operating model.
- o Cost effectiveness and value-for-money considerations.

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

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

## The committees in operation in 2024 were:

### Audit Committee

The Audit Committee is mandated by the Board of Trustees by 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 2023 for 2024.

The Audit Committee assists the Board of Trustees in its evaluation of the adequacy and efficiency of 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 SPN. The committee considers and recommends the appointment of external auditors and monitors and reports on their independence. It also appoints, performance

assesses and/or dismisses the Chief Audit Executive, approves the annual internal audit plan and annually reviews and approves the internal audit charter.

## Committee composition, including qualifications and experience:

The committee consists of five members, two of whom are members of the Board of Trustees. Most members, including the chairperson, are independent and are not trustees, officers of the Scheme or of any of its service providers. For the year ended 31 December 2024, the committee members were:

**Table 17: Audit Committee members for 2024**

Name	Designation	Qualifications	Role in 2024
Motshoanedi Johannes Lesejane  (29 February 1956)	Independent committee member – chairperson, appointed for two terms from 1 January 2028 to 31 December 2023, second term extended by 12 months until 31 December 2024. Member of the relationship-by-objective task team	Chartered Director South Africa (CD SA); CA(SA); Fellow Chartered Management Accountant (Global Management Accountant); BCom Honours Accounting Science; BCom Accountancy	Independent non-executive director, consultant, lecturer at Wits Business School
Prittish Dala (13 November 1982)	Independent committee member appointed for the first term from 2 February 2023 to 1 February 2026	PhD, Masters (IT), Bachelor in information technology; BSc Hons (Computer Science), CISA, CISM, CRISC, CGEIT, CISSP, CDPSE, LA ISO 27001, CEH and CHFI – should be spelt out for consistency	Independent non-executive director, executive director (Exponential Enterprises)
Aziza Galiel (10 August 1969)	Independent committee member appointed for first term from 1 April 2022 to 31 March 2025	CA(SA); BCom; Postgraduate Diploma: Accounting	Independent non-executive director and entrepreneur
Neville Pulane Ndumo (28 January 1963)	Trustee, appointed, 25 January 2024, tenure ends 24 January 2030	BA AccSc; Certificate in Taxation; EDP; Masters Business Leadership – Unisa	District treasurer: Methodist Church of Southern Africa, IoDSA, TEI
Siyabulela Thomas Tsengiwe (21 December 1967)	Trustee, appointed, 25 January 2024, tenure ends 24 January 2030	BCom; BA Ed; Masters Management in Public and Development Management; Masters Arts in Applied Ethics for Professionals Expertise: Strategy, leadership management, strategy formulation and implementation, research, negotiations, policy planning and development, conflict and communication management, reporting, project management	Serves on iKamvelihle Development Trust, IoDSA; TEI



Name	Designation	Qualifications	Role in 2024
Dr Nomzamo Tutu (12 December 1965)	Trustee, appointed, term started on 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
(Attended only 1 Meeting on 7 and 15 February 2024 – before she was appointed as BOT Chairperson)			

The Audit Committee carried out the responsibilities 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 eight times during 2024 (2023: eight). All meetings were hybrid and most members attended in person:

1. 7 February 2024 (quarterly meeting);
2. 15 February 2024 (in-committee meeting);
3. 18 March 2024 (special meeting);
4. 10 May 2024 (special meeting);
5. 25 June 2024 (ICT joint meeting with Finance and Investment Committee);
6. 29 July 2024 (quarterly meeting);
7. 19 September 2024 (special meeting – approval of annual financial statements);
8. 17 October 2024 (quarterly meeting).

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

### Benefit Design Committee – additional to standing committees

Recommendations pertaining to GEMS benefits and contributions for 2025 were developed by the GEMS Benefit Design Committee for the Board's consideration.

The committee met twice in 2024 (2023: two). Both meetings were held hybrid and most members attended in person:

- 14 August 2024;
- 11 September 2024.

For the year ended 31 December 2024, attendance of Benefit Design Committee meetings was open to all trustees, and most attended.

### Clinical Governance and Administration Committee

The committee assists the Board of Trustees in ensuring the efficient operations of the Scheme by overseeing, assessing and reviewing all administration aspects of the Scheme's business. It assists the Board in ensuring that seamless interaction takes place among service providers to meet the operational objectives of the Scheme. The committee also helps ensure growth in Scheme membership and excellent member affairs by overseeing communication and marketing activities, stakeholder relations and the complaints management function and to:

- Assess, decide and report on the approval of ex gratia applications and payments to Scheme members. The committee 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 proven the inability to afford the treatment by any other means.

- Assist the Board in ensuring the implementation of the healthcare management strategic objective, namely to improve the Scheme's clinical risk profile and contain claims experience.
- Oversee the Scheme's product development and benefit design work.

The committee met over two days every quarter for a total of five meetings in 2024 (2023: five). All meetings were hybrid and most members attended in person:

1. 15 and 16 February 2024 (quarterly meeting);
2. 22 and 23 May 2024 (quarterly meeting);
3. 6 August 2024 (special joint meeting with the Finance and Investment Committee on strategic planning and the Scheme's 2025 benefit design);
4. 21 and 22 August 2024 (quarterly meeting);
5. 11 and 12 November 2024 (quarterly meeting).

For the year ended 31 December 2024, the committee members were:

- Dr MS Hlatshwayo (trustee, appointed, chairperson, tenure started 20 February 2018)
- LP Khumalo (trustee, elected, tenure started 30 August 2021);
- RA Manoko (trustee, appointed, tenure started 20 February 2018);
- Dr JF Smit (Trustee, elected, tenure commenced 29 July 2021);
- Dr H Punt (trustee, elected, tenure started 22 February 2024);
- Dr N Tutu (trustee, appointed, tenure started 30 July 2020).

### Finance and Investment Committee

The Finance and Investment Committee assists the Board in overseeing the Scheme's investment activities and considers issues arising from investment decisions and activities. It monitors the Scheme's organisational and financial performance in line with the Scheme's business model, which requires ongoing review of contracting of service providers. As such, the committee monitors the Scheme's cashflow, investment performance and compliance to the regulatory framework for medical scheme investments. It oversees the ICT function and performance of contracted asset consultants and managers.

The committee met five times in 2024 (2023: five). All meetings were held hybrid and most members attended in person:

1. 14 February 2024 (quarterly meeting);
2. 21 May 2024 (quarterly meeting);
3. 6 August 2024 (special joint meeting with the Clinical Governance and Administration Committee on strategic planning and the Scheme's 2025 benefit design);
4. 12 September 2024 (quarterly meeting);
5. 13 November 2024 (quarterly meeting).

For the year ended 31 December 2024, the committee members were:

- Dr N Tutu (Trustee, appointed, chairperson, tenure started 30 July 2020);
- C Ntshane (trustee, elected, tenure started 23 September 2019);
- P de Villiers (trustee, elected, tenure started 30 August 2021);
- Dr IJ van Zyl (trustee, elected, tenure started 30 July 2014, ended 28 July 2021, with re-election from 29 July 2021);
- ST Tsengiwe (trustee, appointed, tenure started 25 January 2024);
- NP Ndumo (trustee, appointed, tenure started 25 January 2024).

## Human Resources and Remuneration Committee

This committee ensures sound people management of Scheme employees through oversight, assessment and review of maintenance of human resources and remuneration policies. In addition, it advises the Board on the annual cost of living adjustment for Scheme employees, the criteria for annual remuneration survey benchmark exercises, remuneration rates applicable to employees, trustees and independent committee members, implementation of remuneration survey results, implementation of performance reward measures for employees and overseeing the disclosure of the remuneration of trustees, independent committee members and members of the GEMS Exco in the Scheme's annual integrated report.

The committee met six times in 2024 (2023: five). All meetings were hybrid and most members attended in person:

1. 6 February 2024 (quarterly meeting);
2. 17 April 2024 (quarterly meeting);
3. 8 May 2024 (special in-committee meeting)
4. 18 July 2024 (quarterly meeting);
5. 3 October 2024 (quarterly meeting);
6. 21 November 2024 (special in-committee meeting).

For the year ended 31 December 2024, the committee members were:

- Dr IJ van Zyl (trustee, re-elected, chairperson, term started 29 July 2021);
- LP Khumalo (trustee, elected, tenure started 30 August 2021);
- AP Rapea (trustee, appointed, tenure started 25 January 2024);
- Dr H Punt (trustee, elected, tenure started 22 February 2024).

## Oversight Committee on Strategic Projects and Programmes

The Board of Trustees, on the recommendation of the Risk, Social and Ethics Committee, established the Ad-Hoc Oversight Committee on Strategic Projects and Programmes. The committee held its inaugural meeting and began its duties on 10 August 2021, and was later renamed the Oversight Committee on Strategic Projects and Programmes.

The committee supports the Board in ensuring effective oversight of GEMS projects, programmes and other change initiatives defined in the scope of its terms of reference. It reports to the Board on:

- 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 resource, 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 within its responsibilities.

It held six meetings in 2024 (2023: six). All meetings were hybrid and most members attended in person:

1. 24 January 2024 (quarterly meeting);
2. 10 April 2024 (quarterly meeting);
3. 9 May 2024 (special meeting);
4. 10 July 2024 (quarterly meeting);
5. 30 July 2024 (special meeting);
6. 15 October 2024 (quarterly meeting).

For the year ended 31 December 2024, the committee members were:

- CN Ntshane (trustee, elected, chairperson, tenure started 23 September 2019);
- Dr N Tutu (trustee, appointed, tenure started 30 July 2020);
- P de Villiers (trustee, elected, tenure started 30 August 2021);
- AP Rapea (trustee, appointed, tenure started 25 January 2024);
- ST Tsengiwe (trustee, appointed, tenure started 25 January 2024).

## Risk, Social and Ethics Committee

The committee has been mandated by the Board to ensure sound corporate governance by providing oversight, assessment and review of the risk management, ethics management, compliance management, CSI and fraud, waste and abuse management activities of the Scheme. Its responsibilities include ensuring compliance with the MSA and its regulations, patent and trademark legislation and any other legislative framework relevant to Scheme business.

The committee met four times in 2024 (2023: four). All meetings were hybrid, and most members attended in person:

1. 8 February 2024 (quarterly meeting);
2. 16 May 2024 (quarterly meeting);
3. 15 August 2024 (quarterly meeting);
4. 14 November 2024 (quarterly meeting).

For the year ended 31 December 2024, the committee members were:

- P de Villiers (trustee, elected, chairperson, tenure started 30 August 2021);
- CN Ntshane (trustee, elected, tenure started 23 September 2019);
- Dr IJ van Zyl (trustee, re-elected term started 29 July 2021);
- Dr JF Smit (trustee, elected, tenure started 29 July 2021);
- AP Rapea (trustee, appointed, tenure started 25 January 2024); and
- NP Ndumo (trustee, appointed, tenure started 25 January 2024).

**Table 18: Trustee and Principal Officer meeting attendance in 2024**

A – meetings attended, B – meetings that could be attended

These weren't spelt out last year, but they must be since we don't use the acronyms anywhere else	Annual general meeting	Board		Strategic planning meeting		Audit Committee		Benefits Design Committee		Clinical Governance and Administration Committee			Finance and Investment Committee		Human Resources and Remuneration Committee		Oversight Committee pm Special Projects and Programmes		Risk, Social and Ethics Committee		Training, including induction	Stakeholder meetings	Task teams and relationship by objective		Workshops
Trustee	A	A	B	A	B	A	B	A	B	A	B		A	B	A	B	A	B	A	B	A	A	A	B	A
De Villiers P	1	17	17	1	1	-	-	2	2				5	5			6	6	4	4	1	4	1	1	3
Hlatshwayo, SM	1	1	17	-	-	-	-	2	2	1	1		1	1	1	1	1	1	1	1	-	-	-	-	-
Khumalo LP	1	16	17	1	1	-	-	2	2	5	5		-	-	6	6		-	-	-	3	4	2	2	3
Manoko, RA	1	1	17	-	-	-	-	2	2	1	1		-	-	1	1	1	1	-	-	-	-	-	-	-
Ntshane, NC	1	17	17	1	1	-	-	2	2				5	5	1	1	6	6	4	4	3	4	-	-	3
Rapea, AP	1	17	17	1	1	2	2	2	2	1	1		1	1	5	5	5	5	4	4	3	7	-	-	3
Smit JF	1	17	17	1	1	-	-	2	2	5	5								4	4	1	5	-	-	3
Tutu, N	1	16	17	1	1	2	2	2	2	4	4		5	5			1	1	1	1	1	4	-	-	3
Van Zyl, IJ	1	16	17	1	1	-	-	2	2	-	-		5	5	6	6			4	4	1	4	-	-	3
Ndumo, NP	1	17	17	1	1	8	8	2	2	-	-		5	5	1	1	-	-	4	4	5	7	-	-	3
Tsengiwe, ST	1	17	17	1	1	6	6	2	2	1	1		4	4	1	1	5	5	-	-	1	4	-	-	3
Punt, HC	1	15	16	1	1	-	-	2	2	4	4		-	-	5	5	-	-	-	-	1	3	-	-	3
Rabada, MMJ	-	6	6	1	1	1	1	2	2	1	1		1	1	1	1	1	1	1	1	3	-	-	-	3
Sigodi S	-	6	6	1	1	1	1	2	2	1	1		1	1	1	1	1	1	1	1	3	-	-	-	3
PRINCIPAL OFFICER																									
Moloabi, BOS	1	16	16	1	1	8	8	2	2	3	3		3	5	5	6	5	6	4	4	1	4	-	-	1

**Table 19: GEMS independent committee members' meeting attendance in 2024**

A – meetings attended, B – meetings that could be attended

	Annual general meeting	Board		Audit Committee		Strategic planning meeting		Training	Task teams and relationship by objective		Workshops
Member	A	A	B	A	B	A	B	A	A	B	A
Lesejane, MJ	1	11	11	7	8	1	1	1	1	2	1
Dala P	1	-	-	8	8	1	1	-	-	-	1
Galiel A	1	-	-	8	8	1	1	1	-	-	1

Functional governance areas:

Information and Technology

**King IV Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives. The GEMS King IV Application Register is available from [www.gems.gov.za](http://www.gems.gov.za).**

The GEMS Information Communication and Technology Division reports to the Finance and Investment Committee and the Board of Trustees. The division is headed by the Chief Information Officer and its structure is based on the six key areas of applications development, infrastructure and operations, data and business intelligence, ICT service management, business continuity and security management. Other areas of focus are administration, ICT strategy and governance and service planning and enterprise architecture.

Strategic plan alignment: The division’s work supports the achievement of strategic objective 4: “Be an agile data driven scheme that leverages research, information, technology and platforms to manage risk, create disruptive innovations and contributes towards clinically appropriate, socially responsible and cost-effective interventions, to improve the health of our members”

With the support of the project management office and other divisions, this division drives key strategic projects such as enterprise-wide resource planning and insourcing of capabilities. Work continues on the GEMS website, member app and portal and provider app and portal with the divisions tasked with member communication and healthcare management. These multichannel platforms facilitate access to real-time information for members, healthcare providers and the public about benefits and offers advice they may need to access Scheme services.

We continue to optimise the Scheme’s intranet platform Gemzito, containing the Board portal, divisional portals and the public library that hold important Scheme records. These are managed through the necessary restrictions and workflow based on the users’ role at the Scheme. Employees are enabled to perform their duties through tools such as email, office suite of solutions, the enterprise-wide resource system for managing Scheme finances and a customer relationship management solution to enable services Client Liaison Officers provide to members.

Implementation of the information security management system, aligned to ISO 27001:2022, is advanced. This cybersecurity framework has given the Scheme a strong and more resilient security status. There were no critical security breaches during 2024.

The adequacy and effectiveness of technology and information management are monitored through risk management control effectiveness reviews by management supported by the GEMS risk management function. Periodic independent reviews are performed by GEMS’ internal audit and external assurance providers.

It is imperative for GEMS to advance its ICT strategic objectives to develop a core information management system/capability. Focuses for 2025 are building a data-driven backbone enabling one data platform, adoption and use of artificial intelligence, big data, cloud, internet of things and blockchain while incorporating greater human-intelligence-integrating robots with humans. Agile infrastructure architectures and optimisation of cybersecurity are also priorities.

Important procurement processes were launched in 2024 to implement hybrid cloud ICT infrastructure platforms services and building the one-data platform.

Existing policies were updated during the year.

Table 20: ICT policy development in 2024

Policy	Purpose of policy
ICT and Cybersecurity Policy	Establish standards for physical and information technology environmental security of in line with ISO/IEC 27000
ICT Disaster Recovery Policy	Detail the basic requirements of a disaster recovery plan, describing processes and systems to recover ICT systems, applications and data after a major disaster
Utilisation of Telephone, Mobile Broadband APN and Facsimile Policy	Provide policy measures and minimum requirements for using GEMS’ telephone facilities and outline the process and values for cellphone refunds

Ethics

Figure 42: Ethical leadership

**King IV Principle 1: The governing body should lead ethically and effectively**

The Board exercises ethical leadership and assumes responsibility for the governance of ethics by setting the direction for how ethics should be approached and addressed by the Scheme in all its dealings. The Risk, Social and Ethics Committee is mandated by the Board to oversee the implementation of the ethics management strategy through the approved annual ethics management plan.

Objectives	Initiatives
Setting ethical requirements for all stakeholders including employees, service providers, members and healthcare providers	Position ethics in strategic objective 6, particularly: Be a good corporate citizen, prevent or reduce negative impacts on the environment and function as an ethical, caring, innovative leader in the South African healthcare sector. GEMS Rules (registered in terms of the MSA). GEMS Code of Ethics and Business Conduct. GEMS Supply Chain Management Code of Conduct. Code of Conduct for Trustees and Independent Committee Members. Ethics policies, including conflict of interest, vetting, claims, fraud, waste and abuse, gifts and hospitality.
Setting and monitoring the ethics management strategy	Ethics management strategy Monitoring progress against the annual ethics management plan
Enabling an effective ethics management function	Delegating authority for ethics from the Board to the Risk, Social and Ethics Committee through its terms of reference Monitoring the adequacy and effectiveness of the ethics management process Ensuring adequate capacitation of the ethics management function



### King IV Principle 2: The governing body should govern the ethics of an organisation in a way that supports the establishment of an ethical culture

The Board governs the organisation's ethics in the organisation, on strategic level, also encompassing the Scheme outsourced service providers. The effectiveness of existing ethics controls and focused ethics management programmes are overseen. Ethics are contained in the Scheme culture KPI in the annual performance plan.

Objectives	Initiatives
Consider ethical culture strategically	Monitor ethical culture risks as part of the overall Scheme culture strategic risk
	Monitor ethical culture risks across Scheme operating divisions and outsourced service providers
Review the effectiveness of ethics management programmes and controls	Oversee the implementation of ethics management programmes Consider the effectiveness of ethics management processes and controls

**Table 21: Ethics key focuses**

Progress on key focuses for 2024	Planned key focuses for 2025
Target ethics culture risk level exceeded	Execution of the 2025 ethics management plan
Ethics management workplan 2024 implemented	Focused ethics solutions for members, healthcare providers and the SPN
Expansion of lifestyle audits to executives and senior managers with no red flags raised	Ethical leadership training for the Board of Trustees, Exco and all employees to advance ethics culture maturity
Board trustees signed the ethics pledge	Continuation of ethics awareness programmes for healthcare providers and members
Ethics awareness heightened through extensive employee training on all Scheme ethics processes and policies	Conduct independent external ethics survey to gauge the effectiveness of the ethics management strategy
Work outside GEMS and vetting policies revised	Regular internal ethics surveys
Ethics awareness and training sessions expanded with healthcare providers, members and SPN	
Extensive ethics risk assessments with the SPN and GEMS divisions	

## Compliance

**Figure 43: Protecting value and rights through compliance**

### King IV Principle 13: The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good citizen

The Board governs the Scheme's compliance by setting and steering its compliance approach and management by identifying regulatory requirements, monitoring the effectiveness thereof and responding where change is needed. The Risk, Social and Ethics Committee is mandated by the Board to oversee the implementation of the compliance strategy through the approved annual compliance coverage plan.

Objectives	Initiatives
Compliance with regulatory requirements	Approve the Scheme's compliance universe, which comprises applicable laws, regulations, Scheme Rules and adopted codes and standards
Effective management of compliance risks	Oversee the monitoring of compliance risks and progress against the approved compliance coverage plan
Proactive compliance management	Maintain constructive relationships with the CMS, Financial Sector Conduct Authority and Information Regulator
Avoid regulatory non-compliance and safeguard against fines and reputational harm and ensure freedom to operate sanctions	Maintain compliance Index of 90% and above

**Figure 44: The compliance function forms part of the second line of defence in the Scheme's combined assurance framework**



The compliance function is represented on the Scheme's Combined Assurance Forum convened by the Chief Audit Executive.

The function is strengthened by the Risk, Compliance and Ethics Forum, comprising representatives from all Scheme divisions and the SPN. The forum monitors compliance with the compliance universe, including the GEMS Rules. It fosters and promotes robust discussion on all compliance issues that affect stakeholders.

The compliance function aligns to the Generally Accepted Compliance Practice Framework (Compliance Institute South Africa). Our compliance governance documents are streamlined into a compliance framework and compliance strategy and coverage plan supported by a Compliance Policy and compliance monitoring and reporting standard operating procedure. Compliance management encompasses:

- Identifying and prioritising all Acts and regulations at all levels applicable to the Scheme;
- Incorporating regulatory requirements into control measures such as compliance risk management plans, standard operating procedures, manuals and policies;
- Recommending corrective measures or steps to ensure compliance;
- Monitoring compliance through adequacy and effectiveness of control measures.

The risk of non-compliance is managed through:

- Annual review and update of the GEMS compliance universe;
- Compilation of compliance risk management plans for high-risk legislation;
- Continuous monitoring of the regulatory and policy environment;
- Activities in the annual compliance coverage plan.

Table 22: Compliance focuses

Progress on key focuses for 2024:	Planned key focuses for 2025:
Protection of Personal Information Act compliance embedded and the business supported	Embed compliance within the financial services provider and Financial and Intermediary Services Act environment
Key Protection of Personal Information Act governance documents drafted	Implement and monitor 2025 compliance coverage plan
2024 compliance coverage plan executed	Maintain compliance index rating of 90% or above
Compliance index rating of not less than 90% exceeded by 7%	Advance compliance risk management plans for the MSA, Scheme Rules, Financial and Intermediary Services Act and Protection of Personal Information Act
King IV Report disclosure register published on the Scheme's website	Continued compliance awareness training
Policy development, monitoring and maintenance managed	Maintain proactive and constructive relationships with Scheme regulators
SPN given guidance to ensure correct application of the Rules of GEMS.	
Extensive ethics risk assessments conducted with the SPN and GEMS divisions	
monitoring and advising on year-end implementation processes and attending sessions with SPN	
Financial services provider governance documents and processes developed	
Staff trained and made aware of key compliance deliverables of registration as a financial services provider	

Disclosure on regulatory matters

GEMS did not attract regulatory penalties nor fines in 2024. Previously, however, the Scheme had addressed the following issues raised by CMS:

Section 43: Multivitamin wellness programme

May 2022 - a tender to provide multivitamins to GEMS members and their beneficiaries, with CMS citing procurement process concerns and a potential conflict of interest with the awarded supplier. The Scheme responded to CMS in June 2022.

Section 43: Whistleblowing allegation against Europ Assistance

August 2023 - a whistleblowing tipoff on allegations of corrupt and unethical activities against the emergency medical service provider Europ Assistance. Following a preliminary investigation, the Scheme was satisfied with the results of the investigation and submitted its response to CMS, which closed the matter in March 2024.

Section 43: Educational Psychology Association of South Africa

November 2022 - a complaint from the Educational Psychology Association of South Africa about the exclusion/dismissal of claims of its members by medical schemes, including GEMS (the association had submitted a letter of complaint to the Scheme in October 2020 through its lawyers). The Scheme reviewed its rules, wherein educational psychologists were included in the benefits of members. The rules were subsequently registered by the CMS on 25 January 2021 and the association's lawyers were informed of this. The Scheme met with the CMS on this matter in December 2023 and feedback is awaited.

Section 44: Multivitamin inspection

In July 2023, CMS launched a Section 44 inspection through Ernst and into the Scheme's multivitamin programme through Ernst & Young, whose representatives were given the required information in August 2023. A follow-up meeting was held in October 2023 The Scheme awaits the CMS feedback.

Section 59 investigation

GEMS responded formally to the Section 59 investigation interim report in April 2021 and will respond to the final report when issued. The investigation panel held additional public hearings in June 2023 which were followed by further requests for information, including data from affected parties. In November 2023, the panel released revised statistical findings on which affected parties were asked to respond and comment. by 31 January 2024. It is unclear when the final report will be released.

CMS inspection 2017/18

GEMS responded formally to the final inspection report and awaits the CMS feedback.

## REGULATORY NON-COMPLIANCE

To the best of the Scheme's knowledge, the compliance matters listed below cover all the noncompliance matters for the 2024 financial year.

### Late-paying employer groups

#### Nature

In terms of Rule 13.5 of the Scheme Rules and Section 26 (7) of the MSA, 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 payments may result in loss of interest earnings 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 CMS is informed quarterly of any late payers.

### Benefit options

#### Nature

In terms of Section 33(2) of the MSA, medical scheme options shall be selfsufficient in terms of membership and financial performance.

#### Cause

The Scheme's Tanzanite One, Beryl, Emerald Value, Emerald and Onyx options did not meet the selfsufficiency requirement in terms of Section 33(2) of the MSA. Loss-making options adversely affect the financial performance of the Scheme and the reserve ratio.

The deficits on these options were as a result of higher healthcare costs which deviated from budget.

#### Corrective action

The Scheme's reserves are sufficient to absorb these deficits over the short- to medium term. Continuous longterm forecasting, scenario planning, and sensitivity analysis are employed to ensure the Scheme's solvency margin remain above the statutory level. Regular updates on the Scheme's performance during the 2024 financial year were provided to the Registrar through quarterly performance reports and meetings with the CMS.

### Guarantees

#### Nature

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

#### Cause

The guarantee in favour of the CMS has been issued in terms of Section 24(5) of the 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.

#### Corrective action

The CMS has issued the Scheme an exemption from the provision of Section 35(6) of the MSA for a period of three years effective from 09 March 2022.

### 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 a number of equities which involve some of its appointed administrators.

#### Cause

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

#### Corrective action

The CMS has granted the Scheme an exemption for a period of three years effective from 15 December 2022.

### Credit facility

#### Nature

Section 35(6)(c) of the MSA states that a medical scheme shall not directly or indirectly borrow money.

## Cause

The Scheme has credit facilities with RMB/FNB for corporate and auto cards to the value of R3,3 million. The corporate cards are issued to Scheme executives as well as regional managers for work related expenses and the travel agency to manage the Scheme's travel bookings. The auto cards are used for the fuel and maintenance of the Scheme's fleet. The balances on the cards are settled within 30 days.

## Corrective action

The Scheme has been granted an exemption from the provisions of section 35 (6) of the MSA for a period of three years effective from 09 March 2022.

## Claims settled after 30 days

## Nature

In terms of Section 59 (2) of the 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 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 noncompliance and the Scheme will ensure that these are tested as part of the Internal Audit processes.

## PMB Claims for Ruby members paid from Personal Medical Savings Account

Chapter 10(6) of the Regulations of the Medical Schemes Act, states that, "The funds in a member's medical savings account shall not be used to pay for the costs of a prescribed minimum benefit".

Section 8 of Annexure F of the GEMS Scheme Rules states that, "During the term of a Member's membership on the Ruby Benefit Option, the Scheme shall not be entitled to use the funds in the member's PMSA to pay for the cost of a PMB or to offset any outstanding contributions, penalties or other debt due and payable to the Scheme".

Section 4 of the Business Logic – Access to Personal Medical Savings Account (PMSA) states, 'All shortfalls which stem from the below criteria will not be eligible for extraordinary access to savings'.

## Nature

For the period under review, claims were identified where the PMSA was used to settle PMB claims for Ruby members. These claims were not processed in accordance with the access to PMSA business logic document and the Scheme Rules.

## Cause

The shortfall stemmed from the service providers charging above from the GEMS agreed rates (contracted or negotiated providers) or where the insured risk benefit allocated for the service was exceeded for the in-hospital or disease management PMB authorisation event.

## Corrective action

The Scheme will put in place mechanisms to monitor PMB claims processed for Ruby members. This will include exception reports detailing claims paid out of savings, which will then be reviewed in accordance with the PMB manual.

## Committee assurance

The Risk, Social and Ethics Committee is satisfied that it complied with its legal, regulatory and other responsibilities during 2024.

Note: The statistics on the following ratios as required by CMS Circular 20 of 2024 are disclosed in the Annual Integrated Report;

- i. Relevant healthcare expenditure\* ratio and Relevant healthcare expenditure incurred per average beneficiary per month (pabpm).  
\*(excluding amounts attributable to members)
- ii. Directly Attributable Insurance Service Expenses (DAE) ratio and per average beneficiary per month (pabpm).



Dr Nomzamo Tutu

Chairperson

02 May 2025



Siyabulela Thomas Tsengiwe

Deputy Chairperson



Dr BOS Moloabi

Principal Officer



## STATEMENT OF RESPONSIBILITY OF THE BOARD OF TRUSTEES

The Board of Trustees is responsible for the preparation, integrity and fair presentation of the GEMS annual integrated report and financial statements. The statements have been prepared in accordance with IFRS and the MSA and include amounts based on judgments and estimates by management.

Accounting policies applied by the Scheme are informed by and updated, when required, according to CMS circulars, the Annual Medical Schemes Accounting Guide issued by the South African Institute of Chartered Accountants (SAICA), and the latest IFRS developments. The trustees consider that, in preparing the annual financial statements, they have used the most appropriate accounting policies, consistently applied them and supported their application with reasonable and prudent judgments and estimates.

The Board adopted the King IV Report on Corporate Governance for South Africa and the Scheme applies the practices where appropriate to the business of a medical scheme and its trustees.

The trustees are satisfied that the information contained in the 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 in the 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 them to ensure that the annual financial statements comply with legislation.


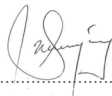

The trustees are also responsible for internal controls that enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining an effective system of risk management.

GEMS operates in a well-established control environment, that is thoroughly documented and regularly reviewed. This environment incorporates risk management and internal control procedures designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that 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 Scheme's viability.

The Scheme's external auditor, BDO South Africa Incorporated and RAIN Chartered Accountants consortium, audits the statements against international auditing standards and its unqualified report is presented with the Scheme's annual financial statements.

The annual financial statements for 2024 were approved by the Board of Trustees on 24 April 2025 for distribution to Members and are signed on its behalf by:

 ..... <b>Dr Nomzamo Tutu</b> <b>Chairperson</b> 02 May 2025	 ..... <b>Siyabulela Thomas Tsengiwe</b> <b>Deputy Chairperson</b>	 ..... <b>Dr BOS Moloabi</b> <b>Principal Officer</b>
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## 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 ethically and within a recognised framework comprising the Rules of GEMS, the GEMS governance framework, the GEMS Board Charter and Scheme policies.

The Scheme acknowledges its role in the medical schemes industry as well as its responsibilities to each beneficiary and the community. The Scheme recognises that sustainability is 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 allows the Scheme to recognise the concerns and objectives of stakeholders in decision-making.

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 Scheme's reputation. 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 and appointed by the members of the Scheme and the employer (MPSA) respectively according to the provisions of the MSA, as amended, and the Rules of the Scheme. The trustees are representatives of the Scheme's members and are legally responsible for the Scheme's management and strategic direction 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 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 adhere to all aspects of governance required by the MSA, as amended. The Board is committed to the principles of the King IV Report on Corporate Governance for South Africa.

The Board resolved to hold its effectiveness assessment every year from 2024. The chairperson meets with individual trustees one-on-one during the 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 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 appropriate segregation of duties.

As part of its annual audit plan, the GEMS internal audit function performs an independent analysis of the controls of the Scheme and those of service providers.

The Board-appointed Risk, Social and Ethics Committee, consisting of Board members and attended by senior Scheme management, assesses the risk register and plans to mitigate risks. This committee reports to the Board of Trustees independently.

Annually, the Board assesses risks facing the Scheme and determines their impact and likelihood through development of a strategic risk register. Once the register is approved by the Board, monitoring of the implementation of mitigation measures and internal controls takes place at least quarterly. No event or item came to the attention of the Board of Trustees during the year that indicates any material breakdown in the functioning of key internal controls and systems.

		
.....	.....	.....
<b>Dr Nomzamo Tutu</b>	<b>Siyabulela Thomas Tsengiwe</b>	<b>Dr BOS Moloabi</b>
<b>Chairperson</b>	<b>Deputy Chairperson</b>	<b>Principal Officer</b>
02 May 2025		

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 December 2024.

The Audit Committee's mandate requires it to adhere to high-quality corporate accountability standards, oversee the quality of the financial reporting process and control systems, and maintain a high degree of integrity in both the external and internal audit processes. For the 2024 financial year, Audit Committee meetings were held via a hybrid model, which the Board has approved as a way of working.

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

Significant matters considered in the annual financial statements

A going-concern basis was adopted to prepare 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 the audited 2024 annual financial statements with the external auditor and management, and we believe that they comply, in all material respects, with 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 related 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 auditor, was satisfied that the appointment complied with Section 36(3) of the Medical Schemes Act No. 131 of 1998, as amended.

The committee approved the external auditor's engagement letter, audit plan, and budgeted fees for the year ended 31 December 2024. The Scheme maintains a Non-audit Services and Consulting Services Policy, which describes prohibited services by the external auditor and services 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 did not perform prohibited work during the 2024 financial year. The newly appointed audit partners from the BDO and RAIN consortium began their duties in 2024. In a positive step towards ensuring accountability, the auditors provided assurance that the internal governance processes at the audit firms effectively support and demonstrate their claims 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 Principal Officer assesses the executive's

performance in consultation with the Audit Committee. To this end, the Principal Officer and Audit Committee Chairperson sign off the performance scorecard. The internal audit function has an appropriate and formal charter, which was approved by the Audit Committee in 2024. We are satisfied that the scheme's internal audit function is independent and has the skills and resources to perform its duties.

To fulfil the internal audit mandate, the Scheme's Internal Audit Division uses in-house resources and specialists from a panel of internal audit service providers when necessary. The internal audit team submits quarterly reports to the Audit Committee detailing assurance results and progress against strategic objectives.

Design and implementation of internal financial controls

The Scheme's internal audit function reviewed the design and operating effectiveness of 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 or corruption. Based on this assurance, we are satisfied that the finances and systems of internal control are appropriately managed.

Furthermore, the external auditors issued an unqualified opinion that the 2024 annual financial statements are a fair reflection that the Scheme's activities and accounting practices have been applied appropriately. In alignment with the International Standard on Assurance Engagements 3402, assurance reports were obtained from the auditors of the service providers associated with the Scheme's administrators. The findings presented in these reports indicated a commendable level of compliance, with no material exposure to the Scheme identified.

Key focuses during the reporting period

In 2024, the committee prioritised the oversight of cybersecurity controls and focused on supply chain activities. This strategic emphasis reflects a commitment to enhancing operational integrity and safeguarding Scheme systems against potential risks.

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

The Scheme's first fraud risk management strategy and plan was formulated in 2021 to reduce and/or prevent negative impact and financial loss caused by fraud and corruption. The plan is dynamic and continuously evolving, considering changes in the Scheme's environment and promoting an anti-fraud and corrupt culture. The fraud and corruption risk management plan is reviewed and updated annually or when changes to the forensic environment are identified. The plan provides an overview of the GEMS approach to the prevention and detection of fraud and corruption. It aims to effectively prevent and detect fraud and corruption within the Scheme through various initiatives and by fostering a culture of integrity and ethics.

Effectiveness of the Chief Financial Officer and the finance function

The committee evaluated the expertise, resources, and experience of the Scheme's finance function. It concluded that the Chief Financial Officer and the finance team possess the necessary skills and competence. Throughout the financial year, financial reporting maintained a high standard, which is supported by an unqualified opinion from the external auditors.

Combined assurance

The Chief Audit Executive of the Scheme oversees its combined assurance model. During the review period, GEMS engaged various assurance providers, including the internal audit functions of its network of service providers. The Audit Committee received reports throughout the financial year, which offered insights into the coverage and assurance activities provided by these providers. Areas needing remediation were identified and then monitored for resolution. The mapping of the combined assurance model has been reviewed and will continue to be assessed regularly to ensure that all key issues affecting the Scheme are addressed and that sufficient assurance coverage is maintained. Based on submissions from internal audit, the Audit Committee is confident in the effectiveness of the combined assurance arrangements. In the future, the term 'aligned assurance' will replace 'combined assurance' to better reflect a contemporary approach to assurance coverage.

Conclusion

The committee recommends that the Board of Trustees approve the annual financial statements. We fulfilled the responsibilities outlined in our charter during this reporting period. We appreciate the Board's continued support.



Rene van Wyk  
Chairperson: Audit Committee  
Date: 2 May 2025



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South Africa

Independent Auditor's Report  
To the members of  
The Government Employees Medical Scheme

Report on the Financial Statements

Opinion

We have audited the financial statements of The Government Employees Medical Scheme (the Scheme), set out on pages 41 to 108, which comprise the Statement of Financial Position as at 31 December 2024, and the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Government Employees Medical Scheme as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act of South Africa.

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.

In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette No. 49309 dated 15 September 2023 (EAR Rule), we report:

Final materiality

Final materiality was set at R 577.7m, which represents approximately 1% of insurance revenue.

Insurance revenue was chosen as the most appropriate benchmark as it is a key metric in the determination of the solvency of the Scheme, it is a representative measure of the size of the Scheme and is a key benchmark value that is considered by the users of the financial statements. We chose 1% as an appropriate threshold after consideration was given to the Scheme having a significant public interest in its financial statements due to its large member base, the interest of other significant outside stakeholders, as well as the fact that the Scheme operates in a regulated environment.

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 year. 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.

In terms of the EAR Rule, we are required to report the outcome of audit procedures or key observations with respect to the key audit matters and these are included below.

BDO South Africa Incorporated  
Registration number: 1995/002310/21  
Practice number: 905526  
VAT number: 4910148685

Chief Executive Officer: LD Mokoena

A full list of all company directors is available on www.bdo.co.za

The company's principal place of business is at The Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg where a list of directors' names is available for inspection. BDO South Africa Incorporated, a South African personal liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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1. Liability for incurred claims - (Note 15)	
Key audit matter	How our audit addressed the key audit matter
<p>Liability for incurred claims - (Note 15)</p> <p>The insurance contract liability as described in note 15 amounting to R5.3bn (2023: R5.1bn), is attributable to current members. The liability for incurred claims ("LIC") includes the estimated cost of healthcare benefits that have been incurred by the members before the end of the financial year, but that have not been reported to the Scheme, as well as insurance accounts. The insurance contract liability is made up of the LIC of R 3.5bn (2023: R3.3bn), the Risk Adjustment ("RA") of R 44.3m (2023: R43.0m) and the Liability for Remaining Coverage ("LRC") of R1.8bn (2023: R1.7bn).</p> <p>We considered the LIC (Note 15) as a matter of most significance to the current year audit of the financial statements due to the following:</p> <ul style="list-style-type: none"> <li>the materiality of this liability;</li> <li>the degree of estimation uncertainty and complexity of the fulfilment cashflows; and</li> <li>significant judgment in selecting the related risk adjustment for non-financial risk factors.</li> </ul> <p>Sources of these outstanding claim payments include:</p> <ul style="list-style-type: none"> <li>benefit changes that may result in a previously uncovered claim now being eligible for payment;</li> <li>reported claims that have not yet been paid out;</li> <li>unknown and hence unreported claims; and</li> <li>closed claims that may later be re-opened and require additional payments etc.</li> </ul> <p>A potential change in the projected claims pattern can cause a material change to the amount of the LIC provision due to the sensitivity of the calculation. The calculation of the Insurance Contract Liability, specifically the claims incurred but not yet reported component of the LIC, and the RA, is inherently complex and represents a key judgement.</p> <p>The Rules of the Scheme provide that claims may only be paid if the Scheme is notified of the claim and documentation is submitted within 4 months of the date of the healthcare service.</p> <p>At year-end, the cost of outstanding incurred claims is estimated by the Scheme's actuaries, using the Bornhuetter-Ferguson method ("BFM") and Basic Chain ladder techniques ("BCL"). The Scheme used a standard model to calculate the LIC namely, the Health Monitor Model: A stochastic model to estimate claim amounts.</p>	<p>Our audit procedures for the LIC provision included the following:</p> <ul style="list-style-type: none"> <li>We obtained an understanding of the inherent risk factors in relation to the complexity, subjectivity and the change of the LIC provision estimate by performing the system description and process walkthroughs of the various business cycles, specifically pertaining to the claims, as well as the process to calculate the provision;</li> <li>We obtained an understanding of the relevant controls, and assessed its design and implementation, in these business cycles;</li> <li>We assessed the appropriateness and recognition of the related LIC provision against the requirements of <i>IFRS 17 - Insurance contracts</i>;</li> <li>We obtained the report of the Scheme's independent actuary used for the determination of the LIC provision at year end. Making use of our actuarial expertise, we tested the appropriateness of the significant estimate as follows: <ul style="list-style-type: none"> <li>Evaluated the competence, capabilities and objectivity of the Scheme's independent actuary by assessing their experience and qualifications;</li> <li>Obtained an understanding of the method and models used in calculating the LIC provision estimate and assessed whether it is appropriate in terms of generally acceptable methodologies industry standards, and whether it meet the measurement objectives of <i>IFRS 17</i>;</li> <li>Obtained an understanding of the significant assumptions used in the estimate and evaluated whether the assumptions are appropriate for the estimate of the LIC provision and the risk adjustment factors, in terms of acceptable methodologies, industry standards, and whether it meets the measurement objectives of <i>IFRS 17</i>. We did not note any aspects in this regard requiring further consideration;</li> <li>Obtained an understanding of the data utilised in the calculation of the estimate and agreed the inputs to the source data;</li> <li>Assessed the estimate for indicators of possible management bias by assessing the work of the external actuary, through the use of our own internal actuary and through consideration of claims patterns subsequent to year end. Based on our work performed, we did not note any such indicators.</li> </ul> </li> <li>We obtained audit evidence from events occurring after the reporting period as a retrospective review of the LIC provision estimate that was set at year end: <ul style="list-style-type: none"> <li>We compared the calculation of claims run-off triangles against current and historical claims development patterns to assess the reasonability</li> </ul> </li> </ul>

<p>The Scheme also used a bootstrapping methodology to determine the RA for non-financial risk for the Scheme on a per option level in the calculation of the Scheme's LIC provision. Considering the IFRS 17 requirements, the LIC estimate shows the LIC provision at various percentiles of the simulated LIC estimates, each allowing for a different assumed risk adjustment factor.</p>	<p>thereof in comparison to the LIC provision (which includes the risk adjustment percentile selected) at year-end;</p> <ul style="list-style-type: none"> <li>We assessed the claims received subsequent to year-end for claims incurred relating to the 2024 financial year;</li> <li>We inspected the hospital pre-authorisation lists as well as confirmations from hospitals for claims incurred up to year-end for inclusion in the LIC provision;</li> <li>We evaluated the presentation of the disclosure relating to the LIC provision in the current year, against the requirements of the IFRS Accounting Standards and relevant industry guidance.</li> </ul>
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#### Other Information

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

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

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

#### Responsibilities of the Scheme's Trustees for the Financial Statements

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

#### Report on Other Legal and Regulatory Requirements

##### Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa as amended that have come to our attention during the course of our audit.

##### Audit tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that BDO South Africa Incorporated has been the auditor of The Government Employees Medical Scheme for one year.

The engagement partner, **Chan-ré Pietersen**, has been responsible for The Government Employees Medical Scheme's audit for one year.

**BDO South Africa Incorporated**  
Registered Auditors

*BDO South Africa Inc*

**C Pietersen**  
Director  
Registered Auditor

2 May 2025

Wanderers Office Park  
52 Corlett Drive  
Illovo, 2196

## Statement of Financial Position

For the year ended 31 December 2024

	Note(s)	2024 R '000	2023 R '000
<b>ASSETS</b>			
Intangible assets	5	13,874	836
Property and equipment	3	246,907	251,555
Right-of-use assets	4	11,204	3,880
Financial assets at fair value through profit or loss	6	18,980,417	23,669,097
Other receivables	7	1,062,731	365,172
Cash and cash equivalents	8	4,832,851	4,179,061
<b>Total Assets</b>		<b>25,147,984</b>	<b>28,469,601</b>
<b>LIABILITIES</b>			
Insurance contract liability to members	10	19,640,936	23,234,746
Lease liabilities	4	11,303	3,802
Insurance contract liabilities	15	5,297,536	5,057,127
Other payables	9	198,209	173,926
<b>Total Liabilities</b>		<b>25,147,984</b>	<b>28,469,601</b>

\* The Statement of Financial Position has been prepared in order of liquidity in terms of IAS 1, from least to most liquid. Refer to Note 23 for the current and non-current split of the assets and liabilities.

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## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Note(s)	2024 R '000	2023 *Restated R '000
Insurance revenue	12	57,939,585	51,312,492
Insurance service expenses	12	(63,491,316)	(54,270,278)
<b>Insurance service result</b>		<b>(5,551,731)</b>	<b>(2,957,786)</b>
<b>Other Income</b>		<b>3,140,030</b>	<b>3,188,743</b>
Investment income	18	3,046,592	2,457,459
Sundry Income	19	93,438	731,284
<b>Other expenditure</b>		<b>(1,182,110)</b>	<b>(1,075,973)</b>
Asset management services expenses		(80,276)	(83,842)
Finance costs		(589)	(463)
Other operating expenses	16	(1,101,245)	(991,668)
<b>Loss for the year before the amount attributable to members</b>		<b>(3,593,811)</b>	<b>(845,016)</b>
Amount attributable to members		3,593,811	845,016
<b>Profit/(Loss) for the year</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

\* The figures for 2023 were reclassified due to the revised format of the Statement of Profit or Loss and Other Comprehensive Income, there is no material impact on other figures.

## Statement of Cash Flows

For the year ended 31 December 2024

	Note(s)	2024 R '000	2023 *Restated R '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from members and providers*		59,861,244	53,782,711
Cash paid to providers, members and employees*		(66,222,301)	(56,331,861)
Cash used in operating activities	22	(6,361,057)	(2,549,150)
Finance costs paid		(589)	(463)
<b>Net cash used in operating activities</b>		<b>(6,361,646)</b>	<b>(2,549,613)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	3	(10,190)	(4,215)
Proceeds from sale of property and equipment		28	7
Purchases of intangible assets	5	(13,592)	-
Purchases of financial assets	6	(21,611,399)	(24,477,328)
Proceeds from disposal of financial assets	6	26,102,794	24,974,980
Interest received on cash and cash equivalents	18	113,249	96,951
Realised gains on financial assets at fair value through profit or loss	18	871,921	87,888
Interest received on financial assets at fair value through profit or loss	18	1,429,269	1,578,249
Dividends received	18	137,497	292,303
<b>Net cash from investing activities</b>		<b>7,019,577</b>	<b>2,548,835</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments on lease liabilities	4	(4,141)	(3,572)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>653,790</b>	<b>(4,350)</b>
Cash and cash equivalents at the beginning of the year		4,179,061	4,183,411
<b>Cash and cash equivalents at the end of the year</b>	8	<b>4,832,851</b>	<b>4,179,061</b>

\* 2023 figures have been restated refer to note 15 for details.

1. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these 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 IFRS® Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act no. 131 of 1998, as amended (the Act), which requires additional disclosure for registered medical schemes.

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 Standards Interpretations Committee (“IFRIC®”) interpretations issued and effective at the time of preparing these financial statements.

The financial statements comply with the requirements of the 2024 SAICA Medical Scheme Accounting Guide as issued by the Medical Schemes Projects Group of the South African Institute of Chartered Accountants.

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

The Scheme has no financial assets through other comprehensive income, and thus does not present the Statement of changes in funds and reserves.

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 is 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.

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 as an expense in the Statement of Profit or Loss and Other comprehensive Income. 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.

Items of property and equipment are derecognised upon disposal or when no future economic benefits are expected from their continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment are, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Intangible assets

An intangible asset is recognised when:

- It meets the definition of an intangible asset
- 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.



Accounting Policies  
For the year ended 31 December 2024

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.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end. Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

1.5 Financial instruments

Initial recognition and measurement

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

Financial instruments are initially measured at fair value plus or minus transaction cost that are directly attributable to the acquisition or issue of the financial asset or financial liability.

For financial instruments classified to be subsequently measured at fair value through profit or loss, transaction costs are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income.

Classification

The Scheme classifies financial assets into the following categories:

- Financial assets at fair value through profit or loss
- Financial assets measured at amortised cost

Classification is based on both:

- Business model for managing the financial assets and
- Contractual cash flow characteristics.

Accounting Policies  
For the year ended 31 December 2024

The Scheme classifies financial assets as at amortised cost if the business model is to hold the financial assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest.

Classification takes place at initial recognition and is re-assessed on an annual basis.

The Scheme made an irrevocable election at initial recognition to classify financial assets (investments) as at fair value through profit or loss as it significantly reduces measurement and recognition inconsistency

The Scheme expects the business model for managing the financial assets to remain stable and in the instance there is a change, it shall be treated as a reclassification as the standard permits. Reclassification shall be applied prospectively from the beginning of the financial year the reclassification occurred.

Subsequent measurement

Financial instruments are subsequently measured based on respective classification for 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 year. These gains and losses are recognized under investment income in the Statement of Profit or Loss and Other Comprehensive Income.

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

Dividend income is recognised in surplus or deficit as part of investment income only when:

- the Scheme's right to receive payment is established.
- It is probable that the economic benefits associated with the dividend will flow to the Scheme and
- The amount of the dividend can be measured reliably.

Other receivables are subsequently measured at amortised cost, using the effective interest method, less allowance for expected credit losses.

Other payables 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, cancelled or expires.

Accounting Policies  
For the year ended 31 December 2024

Expected credit losses

The Scheme recognises a loss allowance for expected credit losses on financial assets (excluding insurance assets) measured at amortised cost.

The Scheme defines credit risk as the risk of financial loss to the Scheme if a counterparty to a financial instrument fails to meet its contractual obligations.

The definition of default is in accordance with the nature of credit risk of the financial instruments and is defined as below:

- Other receivables: Default is considered to have occurred when the other receivables' balance is 120 days past due, and it is probable that the debtor will be unable to settle the balance outstanding in full.

At each reporting date the Scheme measures the loss allowance at an amount equal to the:

- lifetime expected credit losses if credit risk increased significantly since initial recognition.
- 12-month expected credit losses if credit risk has not increased significantly since initial recognition.

Measurement of expected credit losses encompass:

- Unbiased and probability-weighted amount determined by evaluating a range of possible outcomes.
- Time value of money.
- Data regarding past events, current conditions and forecasts of future economic conditions.

A significant increase in credit risk is deemed to have occurred when the other receivables' balance becomes 120 days past due. There is no significant increase in credit risk at the end of the reporting period. The Scheme deems the credit risk to be low for financial assets at the end of the reporting period.

The Scheme rebutted the rebuttable presumption that if contractual payments are more than 30 days past due, they represent a significant increase in credit risk. Based on past experience, the Scheme considers that contractual payments that are more than 120 days past due represent a significant increase in credit risk.

The Scheme measures expected credit losses on other receivables measured at amortised cost and on cash and cash equivalents. Expected credit losses are recognised in Statement of Profit or Loss and Other Comprehensive Income.

Write-off

The Scheme reduces the carrying amount of a financial asset when it has no reasonable expectation of recovering a financial asset entirely or a portion thereof. Write-off is also considered a derecognition event.

Other receivables

Other receivables (excluding insurance assets) are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Accounting Policies  
For the year ended 31 December 2024

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 policy, no interest is charged on overdue receivable balances.

Other payables

Other payables (excluding insurance contract liabilities) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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 recognised at fair value and subsequently measured at amortised cost.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Scheme has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Scheme will disclose the net asset or liability in the Statement of Financial Position or accompanying notes if the above conditions are met.

Interest Income

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

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 IFRS 16.

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 asset for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by the Scheme.

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.

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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 which equates to the lease term.

1.7 Impairment of tangible and intangible 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.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. The recoverable amount of an asset 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.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.8 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.

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1.9 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 losses . The expected fulfilment cash flows are discounted and reflect 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.

1.10 Investment Income

The Scheme's investment income includes:

- Dividends received 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 earned 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.

Gains and losses are split into two categories, realised and unrealised. Realised gains are fair value gains or losses of the financial instruments disposed of during the reporting period. Unrealised gains are fair value gains or losses of the financial instruments that are not disposed of at the end of the reporting period.

1.11 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.

- 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

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- 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 Scheme (“funds”) are investments in unconsolidated structured entities. The Scheme invests in these funds, whose objectives range from achieving medium- to long-term capital growth and whose investment strategy do not include the use of leverage. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

The change in fair value of each fund is included in the Statement of Profit or Loss and Other Comprehensive Income in ‘Net gains/ (losses)’ on financial instruments held at fair value through profit or loss.

1.12 Allocation of revenue and expenditure to benefit options

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 overall membership base.

The following items are directly allocated to benefit options:

- Insurance revenue;
- Insurance service expense;

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

- Investment Income;
- Sundry Income;
- Asset management service expense;
- Finance cost;
- Other operating expenses.

1.13 Insurance contracts

Mutual entity identification

The Scheme is identified as a mutual entity in terms of IFRS 17. Management assessed facts and circumstances surrounding the Scheme and concluded that the Scheme shall be classified as a mutual entity for financial reporting purposes. Refer to Note 24 for details on management judgements applied.

Identification of insurance contracts

The Scheme issues contracts that indemnify covered members (the policyholders) and their covered dependants against the risk of loss resulting from health events (Insured events). The timing, frequency, and severity of the health event covered is uncertain. These contracts fall within the scope of IFRS 17.

Despite the uncertainty, the ultimate insurance risk faced by the Scheme can be defined as a single risk which is providing cover for a health event that members may incur. This risk is expressed as the probability of an insured event occurring, multiplied by the expected claim amount.

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Separating components

The personal medical savings account, which is managed by the Scheme on behalf of its members, represents savings premiums (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.

Personal medical savings account (PMSA) is identified as an investment component under IFRS 17 as the Scheme is required to pay a member in all circumstances regardless of whether an insured event occurs or not.

The Scheme concluded that the investment component is not distinct as the PMSA cannot be sold separately without the medical Scheme policy being active. Where the contract is cancelled, both the risk and PMSA component are cancelled. This means the condition where these can be sold separately is not met.

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 insurance revenue are funded from the Scheme’s funds and the risk of impairment is carried by the Scheme.

PMSA will be accounted for under insurance contract liabilities and the cash flows will not be recognised in the Statement of Profit or Loss and Other Comprehensive Income but shall be factored in the assessment of onerous contracts.

Personal medical savings account is not held in a trust and there is no interest income attributable, therefore, no finance expense is disclosed.

Level of aggregation

The Scheme has aggregated all its product lines (benefit options) into a single portfolio as:

- The members can move into other options without restrictions and incur no cancellation fees.
- The act specifically constrains the entity’s practical ability to set a different price or level of benefits for members with different characteristics the Scheme as a whole was also identified as the group.
- The loss-making individuals are being subsidised by members who pay more and claim less.
- All contracts are subject to similar risks and managed together.
- Benefit options are not managed in isolation, and decisions such as pricing impact other options concerning benefits, growth and contribution increments.
- The Scheme assess if the group of contracts as a whole is onerous or profitable.

Contract boundary

The Scheme apply the contract boundary concept to identify the cash flows that should be factored into the measurement of insurance contract groups. Cash flows fall within an insurance contract’s boundary if they stem from the rights and obligations present during the time the member is obligated to pay premiums, or when the Scheme has a substantive obligation to provide insurance coverage or other services to the member. A substantive obligation ends when both of the following criteria are satisfied:

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- The Scheme has the practical ability to reprice the group of contracts so that the price fully reflects the reassessed risk of that portfolio; and
- the pricing of contributions related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

Practical ability to reprice is assessed by considering risks transferred from the member to the Scheme excluding other risks, such as lapse or surrender and expense risk. Cash flows that are not within the boundary of insurance contracts relate to future services and are recognised when those contracts meet the recognition criteria.

The Scheme has assessed all its contracts and determined all contracts have a boundary of one year. This assessment is reviewed annually.

Recognition

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

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

The Scheme shall derecognise an insurance contract when, and only when it is extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled).

Initial and subsequent measurement

Premium allocation approach (PAA)

The Scheme elected to apply the premium allocation approach ("PAA") as the coverage period does not exceed 12 months.

The classification of the Scheme as a mutual entity has no impact on the extent of the insurance cover or service to be provided, therefore PAA is still applicable.

The Scheme elected to recognise insurance acquisition cash flows as an expense when incurred as permitted when applying the PAA.

The Scheme measures the liability for incurred claims as the fulfilment cash flows relating to incurred claims. The fulfilment cash flows are not adjusted for the time value of money and the effect of financial risk as these cash flows are expected to be paid in one year or less from the date the claims are incurred.

The carrying amount of the group of insurance contracts issued at each reporting period is the sum of:

- a) the Liability for remaining coverage (LRC); and
- b) the Liability for incurred claims (LIC), comprising the fulfilment cash flows (FCF) related to past services allocated to the group at the reporting date.

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Liability for remaining coverage (LRC)

The Scheme made the following accounting policy choice for the treatment of the PMSA;

The investment component (PMSA) is recognised in the liability for remaining coverage at the inception of the insurance contract. The investment component is utilised during the year and the utilised amount is transferred from the liability for remaining coverage to the liability for incurred claims. At the end of the financial year, the remaining balance of the PMSA is retained in the liability for remaining coverage as it is utilised for future contracts. If interest is payable on the PMSA, the insurance finance income and expense is included in the liability for remaining coverage.

At the end of each reporting period, the Scheme measures the carrying amount of the liability for remaining coverage as the increase in the carrying amount at the start of the period:

- plus, any premiums received at initial recognition;
- minus the amount recognised as insurance revenue for services provided.
- minus any investment component paid or transferred to the liability for incurred claims.

The Liability for Incurred Claims (LIC)

The Scheme defines LIC as an obligation to settle claims that have already occurred, including estimated cost of healthcare benefits that have been incurred before the end of the accounting period but that have not been reported to the medical Scheme by that date and other incurred insurance expenses.

Estimated fulfilment cash flows for incurred claims is determined as accurately as possible on the basis of a number of factors, which include 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 liability for incurred claims. The Scheme does not discount its liability for incurred claim since the effect of the time value of money is not considered material. A standard operating procedure governing the calculation of the estimated fulfilment cash flows for incurred claims as agreed with the Scheme is followed by the Scheme's actuaries to ensure consistency in the application and interpretation of results.

The Scheme will be using the fulfillment Cash Flow Model to measure the liability for incurred claims (calculated as future expenses and claims incurred but not yet reported, which represents amounts due to members for claims incurred and would be based on fulfilment cash flows and a risk adjustment).

The risk adjustment is adjusted to the estimate of the fulfillment cash flows in terms of the liability for incurred claims to reflect the compensation that the medical Scheme requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk.

Risk adjustment methodology

The Scheme applies the bootstrapping model to determine the risk adjustment. The bootstrap method is a statistical technique for estimating quantities about a population by averaging estimates from multiple small data sample and uses statistical methods to determine confidence intervals for the simulated average claims.



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The risk adjustment bootstrap process relies on claims data from the 12 months preceding the calculation date, without incorporating hindsight adjustments.

The confidence level is set at 75% to reflect the risk tolerance of the risk adjustment. An Undiversified Risk Margin (URM) is calculated as the 75th percentile less the mean LIC.

For insurance contracts issued, a portion of the risk adjustment relating to the liability for incurred claims (LIC) is recognised in insurance service expenses.

The insurance contract liabilities consists of two components:

- a) the insurance liability attributable to current members; and
- b) the insurance liability attributable to members.

Onerous contract

The Scheme identifies an onerous contract as a contract from which fulfilment cash flows allocated to the contract in total are a net outflow.

The Scheme shall recognise an onerous contract when during the coverage period, facts and circumstances indicate that the group of insurance contracts are onerous. Onerous contracts shall be determined by calculating the difference between:

- the carrying amount of the liability for remaining coverage determined applying the premium allocation approach; and
- the fulfilment cash flows that relate to the remaining coverage of the group, applying the Fulfilment Cashflow Model.

If a group of insurance contracts becomes onerous in subsequent years, the excess loss is recognised in the Statement of Profit and Loss and Other Comprehensive Income when it is initially measured (i.e. current year).

As the net residual (i.e., liability attributable to members in their capacity as policy holders) is disclosed as a liability, onerous contracts shall be recognised if it results in an additional liability (i.e. onerous contract exceed liability attributable to members in their capacity as policy holders).

If an onerous contract is recognised, the Scheme shall establish a loss component of the liability for remaining coverage depicting the losses.

Onerous contract under a mutual entity

The Scheme measures an onerous contract liability as the difference between the carrying amount of the liability determined by applying the Premium Allocation Approach and the fulfilment cash flows that relate to remaining coverage by applying the Fulfilment Cashflow Model. All cash flows within contract boundary shall be included in the onerous contract assessment including investment component (i.e. Personal Medical Savings Account) cash flows.

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If the Scheme is in a surplus position (i.e. insurance contract liability to members with credit balance), no onerous contract liability shall be recognized as it will be absorbed by the insurance contract liability to members.

To the extent that the following year's deficit exceeds the value attributable to members, the contracts written would be onerous and an onerous contract liability raised. Where the amounts attributable to members exceed the following year's deficit the contracts would not be determined as onerous, and no provision raised as a liability is already recognised. This liability shall be presented as part of insurance contract liabilities and disclosed separately on insurance contract liabilities reconciliation as 'loss component'.

Recognition, measurement and presentation of insurance contract liability to members

The Scheme recognises insurance contract liability to members (i.e. previously known as "Accumulated funds") in the Statement of Financial Position.

The fulfillment cash flows of this liability are to be measured at current value.

The insurance liability attributable to members consists of accumulated profits or losses of the Scheme and it is:

- a) increased by net profits for the period; and
- b) decreased by the net losses for the period.

Refer to Note 24 for details on management judgements applied regarding measurement of this liability.

Insurance revenue

The Scheme recognises insurance revenue for the coverage period as the amount of expected premium income allocated to the period that arises from a group of insurance contracts. It represents the income that the Scheme expects to earn based on the services it will provide in the period. The liability for remaining coverage will therefore be reduced by insurance revenue.

The expected pattern of claims during the coverage period does not differ significantly from the passage of time thus insurance revenue is allocated on the basis of the passage of time.

Insurance service expenses

Insurance services expenses include the following:

- incurred claims and benefits; and
- incurred directly attributable insurance service expenses.
  - changes that relate to past service (i.e changes in the FCF relating to the LIC).
  - changes that relate to future service (i.e losses / reversals on onerous group of contracts from changes in the loss component.

Management identified the below expenses as directly attributable expenses:

- accredited managed healthcare services
- accredited administration service

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- benefit management services
- telemarketing expenses (identified as acquisition cash flow)

Acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts. The Scheme identified telemarketing expenses as these are costs directly related to selling insurance contracts to its prospective members.

Insurance acquisition costs are expensed by the Scheme when it incurs the cost.

Accredited managed healthcare services 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.

Incurred claims

Incurred claims 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.

Net incurred 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 Liability for claims incurred but not reported.
- Movement of risk-adjustment margin.

The Scheme recognises the expenses in profit or loss when incurred.

Road Accident Fund (RAF) Recoveries

Amounts received from the RAF are not recognised in profit or loss and recognised within liability for incurred claims. These amounts are refunded to members.

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. The unclaimed benefits are held as part of liability for incurred claims until written off or claimed.

Notes to the Financial Statements  
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2. NEW STANDARDS AND INTERPRETATIONS

The following new standards and interpretations have been published and are not yet effective for the current financial year. The Scheme has not opted for an early adoption of the new standards, which 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 are expected to be as follows:

2.1 IFRS 18: Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS1 Presentation of Financial Statements, and not all paragraphs are reconsidered. IAS 1 did not have detailed requirements on:

- classification of income and expenses in the statement of profit or loss.
- presentation of subtotals above 'profit or loss' in the statement of profit or loss; or
- aggregation and disaggregation of information presented in the primary financial statements or disclosed in the notes.

This lack of detailed requirements led to diversity in practice as entities defined their own subtotals and performance measures. Investors found it difficult to analyse and compare companies' financial performance.

This standard requires additional defined subtotals in the statement of comprehensive income, disclosures about management-defined performance measures, and adding new principles for aggregation and disaggregation of presented items.

The effective date of this standard is 1 January 2027.

This standard will not have a material impact on the Scheme's financial statements.

2.2 IFRS 19: Subsidiaries without Public Accountability Disclosures

IFRS 19 permits certain subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements.

The effective date of this standard is 1 January 2027

This standard will not impact the Scheme's financial statements. The Scheme is not a subsidiary and does not have business combination transactions.

2.3 Amendments to the Classification and Measurement of Financial Instruments  
Amendments to IFRS 9 and IFRS 7

Amendments of IFRS 7 & 9 were issued in May 2024 as part of a post-implementation review of these standards by IASB. The amendments specify that:

- when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;

## Notes to the Financial Statements

### For the year ended 31 December 2024

- how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs and
- new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets);
- make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

#### The effective date of these amendments is 1 January 2026.

These amendments will not have a material impact on the Scheme's financial statements, considering that:

- Financial liabilities within the Scheme do not have complexity surrounding the settlement date.
- The Scheme does not have financial assets with contingent features that are classified as at fair value through other comprehensive income.

#### 2.4 Lack of exchangeability (Amendment of IAS 21)

IAS 21, prior to the Amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice. Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

#### The effective date of these amendments is 1 January 2025

These amendments will not impact the Scheme's financial statement since there are no transactions involving exchange rates that are not exchangeable with the reporting currency.

## Notes to the Financial Statements

### For the year ended 31 December 2024

### 3. PROPERTY AND EQUIPMENT

	2024			2023		
	Cost R '000	Accumulated depreciation R '000	Carrying value R '000	Cost R '000	Accumulated depreciation R '000	Carrying value R '000
Land	102,743	-	102,743	102,743	-	102,743
Buildings	188,040	(57,484)	130,556	188,040	(48,074)	139,966
Furniture and fixtures	8,055	(6,746)	1,309	7,038	(6,423)	615
Motor vehicles	9,316	(7,948)	1,368	8,808	(8,235)	573
Office equipment	21,487	(20,424)	1,063	21,531	(19,943)	1,588
IT equipment	39,989	(30,687)	9,302	33,916	(28,581)	5,335
Leasehold improvements	737	(316)	421	601	(206)	395
Kitchen Equipment	1,303	(1,158)	145	1,303	(963)	340
<b>Total</b>	<b>371,670</b>	<b>(124,763)</b>	<b>246,907</b>	<b>363,980</b>	<b>(112,425)</b>	<b>251,555</b>

	Opening balance R '000	Additions R '000	Disposals R '000	Depreciation R '000	Total R '000
<b>Reconciliation of property and equipment - 2024</b>					
Land	102,743	-	-	-	102,743
Buildings	139,966	-	-	(9,410)	130,556
Furniture and fixtures	615	1,085	(50)	(342)	1,308
Motor vehicles	573	900	(21)	(83)	1,369
Office equipment	1,588	91	(3)	(613)	1,063
IT equipment	5,335	7,841	(83)	(3,791)	9,302
Leasehold improvements	395	273	-	(247)	421
Kitchen Equipment	340	-	-	(195)	145
	<b>251,555</b>	<b>10,190</b>	<b>(157)</b>	<b>(14,681)</b>	<b>246,907</b>

#### Reconciliation of property and equipment - 2023

Land	102,743	-	-	-	102,743
Buildings	149,376	-	-	(9,410)	139,966
Furniture and fixtures	1,499	142	(2)	(1,024)	615
Motor vehicles	694	-	-	(121)	573
Office equipment	4,855	279	(109)	(3,437)	1,588
IT equipment	6,023	3,321	(95)	(3,914)	5,335
Leasehold improvements	85	473	-	(163)	395
Kitchen Equipment	546	-	-	(206)	340
	<b>265,821</b>	<b>4,215</b>	<b>(206)</b>	<b>(18,275)</b>	<b>251,555</b>

4. RIGHT OF USE OF ASSETS

The Scheme leases several assets, including buildings in various provinces with an average lease term of 4 years.

Nature of leasing activities:

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

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:

	2024 R '000	2023 R '000
Buildings	11,204	3,880

Additions to right-of-use assets

	2024 R '000	2023 R '000
Buildings	11,627	2,882

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.

	2024 R '000	2023 R '000
Buildings	4,303	3,611

Other disclosures

	2024 R '000	2023 R '000
Interest expense on lease liabilities	592	459

Lease liabilities

The maturity analysis of lease liabilities is as follows:

	2024 R '000	2023 R '000
Year 1	6,133	2,569
Year 2	3,973	1,155
Year 3	1,988	436
Year 4	684	-
	12,778	4,160
Less finance charges component	(1,475)	(358)
	11,303	3,802
Non-current liabilities	5,239	1,480
Current liabilities	6,064	2,322
	11,303	3,802

The 2023 maturity analysis has been revised to align with the carrying amount

Right of Use Assets

The opening balance of right-of-use assets was R3 880 000. During the year, the balance increased to R11 627 000 as a result of additional office space requirements for Client Liason Office operations, which necessitated the commencement of new lease agreements. Depreciation for the year amounted to R4 303 000, resulting in a closing balance of R11 204 000.

Lease liabilities

The opening balance of lease liabilities was R3 802 000. During the reporting period, new leases with a capitalised value of R11 627 000 were recognised. Interest expenses incurred totalled R592 000, while lease payments amounted to R4 718 000, this resulted in a closing lease liability of R11 303 000.

5. INTANGIBLE ASSETS

	2024			2023		
	Cost R '000	Accumulated amortisation R '000	Carrying value R '000	Cost R '000	Accumulated amortisation R '000	Carrying value R '000
Computer software	81,668	(80,805)	863	81,087	(80,251)	836
Computer software under development	13,011	-	13,011	-	-	-
Total	94,679	(80,805)	13,874	81,087	(80,251)	836

## Notes to the Financial Statements

### For the year ended 31 December 2024

#### Reconciliation of intangible assets - 2024

	Opening balance R '000	Additions R '000	Amortisation R '000	Total R '000
Computer software	836	581	(554)	863
Computer software under development	-	13,011	-	13,011
	<b>836</b>	<b>13,592</b>	<b>(554)</b>	<b>13,874</b>

#### Reconciliation of intangible assets - 2023

	Opening balance R '000	Amortisation R '000	Total R '000
Computer software	1,672	(836)	836

## 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 R '000	2023 R '000
Opening balance	23,669,097	23,874,076
Purchase of financial assets*	21,611,399	24,477,328
Disposal of financial assets**	(26,102,794)	(24,974,980)
Cash and cash equivalents available to asset managers	405,623	284,618
Unrealised gains	464,180	295,360
Investment transaction fees***	(1,763)	(2,686)
<b>Fair value of investments at year end</b>	<b>20,045,742</b>	<b>23,953,716</b>
Cash and cash equivalents available to asset managers	(405,623)	(284,619)
Unsettled trades	(659,702)	-
<b>Closing balance at year end</b>	<b>18,980,417</b>	<b>23,669,097</b>

\* Purchase of financial assets represents purchases of financial assets and re-investment of realised gains during the year.

\*\* Disposal of financial assets refers to sales of financial assets by the scheme during the year

\*\*\* 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, equities and collective investment schemes(CIS).

Financial assets at fair value through profit or loss are categorised as Levels 1 and 2. Also refer to note 28. Details of collective investment schemes (the Funds) are outlined in Note 30.

## Notes to the Financial Statements

### For the year ended 31 December 2024

## 7. OTHER RECEIVABLES

	2024 R '000	2023 R '000
Accrued interest	390,165	359,548
Sundry account receivable	672,566	5,624
Total financial receivables	1,062,731	365,172
<b>Total other receivables</b>	<b>1,062,731</b>	<b>365,172</b>

Due to the short term nature of the other receivables, the carrying amount approximates the fair value. Refer to Note 28 for expected credit loss considerations.

## 8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2024 R '000	2023 R '000
Call accounts	2,014,941	2,825,093
Cash and call accounts with asset managers	405,623	284,619
Current accounts	2,412,287	1,069,349
	<b>4,832,851</b>	<b>4,179,061</b>

The carrying amount of cash and cash equivalents approximate their fair values due to the short term maturities.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For an analysis of the average interest rates and maturity refer to note 28.

## 9. OTHER PAYABLES

	2024 R '000	2023 R '000
Trade payables	52,040	33,333
Consulting fees payable	3,248	17,976
Sundry payables and accrued expenses	142,921	122,617
Total arising from other payables	<b>198,209</b>	<b>173,926</b>
<b>Total other payables</b>	<b>198,209</b>	<b>173,926</b>

Due to the short term nature of the other payables, the carrying amount approximates the fair value.



## Notes to the Financial Statements

For the year ended 31 December 2024

### 10. INSURANCE CONTRACT LIABILITY TO MEMBERS

Management made an assessment and concluded that the Scheme falls within the definition of a mutual entity for financial reporting purposes.

IFRS 17 requires the Scheme as a mutual entity to recognise a liability in the statement of financial position which is used to provide coverage for members in the future and derecognise the statement of changes in member funds (previously reported as Accumulated reserves). The below note depicts movement in the insurance contract liability attributable to members.

	2024 R '000	2023 R '000
Opening balance	23,234,746	24,079,762
Movement in insurance liability attributable to members	(3,593,810)	(845,016)
<b>Closing balance</b>	<b>19,640,936</b>	<b>23,234,746</b>

### 11. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

R '000

	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
<b>2024</b>				
Other payables	-	-	(198,209)	(198,209)
Financial assets at fair value through profit or loss	18,980,417	-	-	18,980,417
Other receivables	-	1,062,731	-	1,062,731
Cash and cash equivalents	-	4,832,851	-	4,832,851
	<b>18,980,417</b>	<b>5,895,582</b>	<b>(198,209)</b>	<b>24,677,790</b>
<b>2023</b>				
Other payables	-	-	(173,926)	(173,926)
Financial assets at fair value through profit or loss	23,669,097	-	-	23,669,097
Other receivables	-	365,172	-	365,172
Cash and cash equivalents	-	4,179,061	-	4,179,061
	<b>23,669,097</b>	<b>4,544,233</b>	<b>(173,926)</b>	<b>28,039,404</b>

## Notes to the Financial Statements

For the year ended 31 December 2024

### 12. INSURANCE REVENUE AND EXPENSES

	2024 R '000	2023 R '000
<b>Insurance revenue</b>		
Insurance revenue from contracts measured under the PAA	59,870,008	53,036,850
Investment component	(1,930,423)	(1,724,358)
<b>Total insurance revenue</b>	<b>57,939,585</b>	<b>51,312,492</b>
<b>Insurance service expenses</b>		
Incurred claims	57,403,427	48,929,790
Estimated future cash flows for incurred claims	2,793,613	2,386,180
Changes that relate to past service	32,929	28,586
<b>Other directly attributable expenses</b>		
Accredited managed healthcare services	1,291,137	1,173,086
Accredited administration services	1,688,465	1,509,243
Benefit management services	165,818	113,215
Insurance acquisition cash flow	103,736	76,358
Expected losses on claims debt	12,191	53,820
<b>Total insurance service expenses</b>	<b>(63,491,316)</b>	<b>(54,270,278)</b>
<b>Total insurance service result</b>	<b>(5,551,731)</b>	<b>(2,957,786)</b>

\* The figures for 2023 were reclassified due to the revised format of the Statement of Profit or Loss and Other Comprehensive Income, there is no material impact on other figures.

**Investment component** (i.e., PMSA 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. The investment component does not accrue interest to members in terms of the Scheme rules .

Claims are paid on behalf of the members from their investment component (i.e., personal medical savings accounts) in terms of Regulation 10(3) and the Scheme's registered benefits.

Insurance acquisition cash flows includes telemarketing costs of managing new members joining the Scheme and providing Financial Advisory services for potential new members.

**Changes relating to past services** is an adjustment of over or under provision of estimated future cashflow for incurred claims.

### 13. ACCREDITED MANAGED HEALTHCARE SERVICES

	2024 R '000	2023 R '000
Pharmaceutical benefit management	91,879	101,228
Managed care services	870,688	776,055
Dental managed care	101,365	90,977
Pharmaceutical Network Management	227,205	204,826
	<b>1,291,137</b>	<b>1,173,086</b>

### 14. ACCREDITED ADMINISTRATION SERVICES

	2024 R '000	2023 R '000
Member record management	113,855	102,115
Claims management	511,706	423,836
Financial management	15,380	13,897
Information management and data control	190,447	171,012
Customer services	578,494	548,226
Internal audit services	6,899	6,109
Forensic investigations and recoveries	53,986	48,495
Governance and compliance	90,423	81,218
Provider relation management	20,645	18,629
Contribution management	106,630	95,706
	<b>1,688,465</b>	<b>1,509,243</b>

Circular 77 of 2019 requires Medical Schemes to disclose administration fees paid per individual component per entity and is effective for financial years commencing on 1 January 2021.

### 15. INSURANCE CONTRACT LIABILITY

2024

Insurance contracts issued	LRC (Liability for remaining coverage) (excluding loss component) R '000	LIC (Liability for incurred claims)		
		Best estimate future cash flows R '000	Risk adjustment R '000	Total R '000
Opening insurance contract liabilities	1,665,301	3,348,839	42,987	5,057,127
<b>Net opening balance</b>	<b>1,665,301</b>	<b>3,348,839</b>	<b>42,987</b>	<b>5,057,127</b>
Insurance revenue from contracts measured under the PAA	(57,939,585)	-	-	(57,939,585)
<b>Insurance revenue</b>	<b>(57,939,585)</b>	<b>-</b>	<b>-</b>	<b>(57,939,585)</b>
<b>Insurance service expenses</b>				
Incurred claims and other directly attributable expenses	-	63,353,369	1,282	63,354,651
Changes that relate to past service - adjustments to the LIC	-	32,929	-	32,929
Insurance acquisition cash flows - expensed	-	103,736	-	103,736
<b>Insurance service result</b>	<b>(57,939,585)</b>	<b>63,490,034</b>	<b>1,282</b>	<b>5,551,731</b>
<b>Total changes in the statement of profit or loss and Other Comprehensive Income</b>	<b>(57,939,585)</b>	<b>63,490,034</b>	<b>1,282</b>	<b>5,551,731</b>
Investment component*	(1,789,138)	1,789,138	-	-
Transfer from LRC - past service to LIC	54,310	(54,310)	-	-
<b>Cash flows</b>				
Contributions received	59,816,041	-	-	59,816,041
Claims paid	-	(61,909,943)	-	(61,909,943)
Directly attributable expenses	-	(3,121,597)	-	(3,121,597)
Insurance acquisition cash flows	-	(106,869)	-	(106,869)
Other cashflows **	-	11,046	-	11,046
<b>Total cash flows</b>	<b>59,816,041</b>	<b>(65,127,363)</b>	<b>-</b>	<b>(5,311,322)</b>
<b>Net balance at the end of the year</b>	<b>1,806,929</b>	<b>3,446,338</b>	<b>44,269</b>	<b>5,297,536</b>
Closing insurance contract liabilities	1,806,929	3,446,338	44,269	5,297,536
<b>Net balance at the end of the year</b>	<b>1,806,929</b>	<b>3,446,338</b>	<b>44,269</b>	<b>5,297,536</b>

\* The Investment component is made up of the following amounts:

## Notes to the Financial Statements

For the year ended 31 December 2024

	R '000
Contributions	(1,930,423)
Movements	141,628
Net advances	(343)
<b>Investment Component</b>	<b>(1,789,138)</b>

\*\* Other cash flows includes movement in unallocated deposits, member refunds, claims debt and credit balances.

Closing balance consists of:

	R '000
<b>Insurance contract receivables</b>	
Contribution outstanding	(270,191)
Amounts due from members and suppliers	(69,232)
Expected losses on contribution and claims debt	60,000
Advances on PMSA's	(943)
<b>Insurance contract payables</b>	
Credit balances in insurance contract receivables	285,466
Unallocated deposits	1,478
Amounts due to the administrator	167,060
Amounts due to accredited managed care service providers	109,939
Amounts due to other service providers	6,592
Unallocated funds due to members	832
<b>Liability for incurred claims</b>	
Estimated future cash flows for incurred claims	2,792,330
Risk adjustment	44,269
Reported claims not yet paid	363,907
<b>Liability for remaining coverage</b>	
Personal Medical Savings Account Liability	1,806,929
	<b>5,297,536</b>
<b>Reconciliation of cash flow to the statement of cash flows - 2024</b>	
<b>Cash receipts from members and providers</b>	
Cash receipts from members - Contributions	59,816,041
Cash receipts from members and providers - Other	45,203
	<b>59,861,244</b>
<b>Cash paid to provider, members and employees</b>	
Cash paid to members and providers - Claims	61,909,943
Cash paid to members and providers - Directly attributable expenses	3,190,390
Cash paid to providers and employees - Other administration expenses	1,121,967
	<b>66,222,300</b>

## Notes to the Financial Statements

For the year ended 31 December 2024

2023

Insurance contracts issued	LRC (Liability for remaining coverage) (excluding loss component) R '000	LIC (Liability for incurred claims)		
		Best estimate future cash flows R '000	Risk adjustment R '000	Total R '000
<b>Opening insurance contract liabilities</b>	<b>1,562,964</b>	<b>2,661,485</b>	<b>35,396</b>	<b>4,259,845</b>
<b>Net opening balance</b>	<b>1,562,964</b>	<b>2,661,485</b>	<b>35,396</b>	<b>4,259,845</b>
Insurance revenue from contracts measured under the PAA	(51,312,492)	-	-	(51,312,492)
<b>Insurance revenue</b>	<b>(51,312,492)</b>	<b>-</b>	<b>-</b>	<b>(51,312,492)</b>
<b>Insurance service expenses</b>				
Incurred claims and other directly attributable expenses	-	54,157,744	7,591	54,165,335
Changes that relate to past service - adjustments to the LIC	-	28,586	-	28,586
Insurance acquisition cash flows - expensed	-	76,358	-	76,358
<b>Insurance service result</b>	<b>(51,312,492)</b>	<b>54,262,688</b>	<b>7,591</b>	<b>2,957,787</b>
<b>Total changes in the statement of profit or loss and Other Comprehensive Income</b>	<b>(51,312,492)</b>	<b>54,262,688</b>	<b>7,591</b>	<b>2,957,787</b>
Investment component	(1,622,023)	1,622,023	-	-
Transfer from LRC - past service to LIC	(2,240)	2,240	-	-
<b>Cash flows</b>				
Contributions received	53,039,091	-	-	53,039,091
Claims paid	-	(52,340,273)	-	(52,340,273)
Directly attributable expenses	-	(2,724,724)	-	(2,724,724)
Insurance acquisition cash flows	-	(77,685)	-	(77,685)
Other cashflows	-	(56,916)	-	(56,916)
<b>Total cash flows</b>	<b>53,039,091</b>	<b>(55,199,597)</b>	<b>-</b>	<b>(2,160,507)</b>
<b>Net balance at the end of the year</b>	<b>1,665,301</b>	<b>3,348,839</b>	<b>42,987</b>	<b>5,057,127</b>
Closing insurance contract liabilities	1,665,301	3,348,839	42,987	5,057,127
<b>Net balance at the end of the year</b>	<b>1,665,301</b>	<b>3,348,839</b>	<b>42,987</b>	<b>5,057,127</b>

The 2023 figures are reclassified on a gross basis.

## Notes to the Financial Statements

For the year ended 31 December 2024

	R '000
The Investment component is made up of the following amounts:	
Contributions	(1,724,358)
Movements	102,336
Net advances	(1)
<b>Investment component</b>	<b>(1,622,023)</b>
Closing balance consists of:	
<b>Insurance contract receivables</b>	
Contribution outstanding	(223,224)
Amounts due from members and suppliers	(56,136)
Expected losses on contribution and claims debt	80,032
Advances on PMSAs	(600)
<b>Insurance contract payables</b>	
Credit balances in insurance contract receivables	246,146
Unallocated deposits	2,724
Amounts due to the administrator	140,139
Amounts due to accredited managed care service providers	100,845
Amounts due to other service providers	9,725
Unallocated funds due to members	832
<b>Liability for incurred claims</b>	
Estimated future cash flows for incurred claims	2,378,590
Risk adjustment	42,987
Reported claims not yet paid	669,766
<b>Liability for remaining coverage</b>	
Personal Medical Savings Account Liability	1,665,301
	<b>5,057,127</b>

### Reconciliation of cash flows to the statement of cash flows - 2023

	2023 - Restated	2023 - Reported
<b>Cash receipts from members and providers</b>		
Cash receipts from members - Contributions	53,039,091	49,590,375
Cash receipts from members and providers - Other	743,620	1,760,621
	<b>53,782,711</b>	<b>51,350,996</b>
<b>Cash paid to provider, members and employees</b>		
Cash paid to members and providers - Claims	52,340,273	52,142,498
Cash paid to members and providers - Directly attributable expenses	2,871,660	-
Cash paid to providers and employees - Other administration expenses	1,119,928	1,757,648
	<b>56,331,861</b>	<b>53,900,146</b>

The PMSA contributions and payments were disclosed on a net basis under cash receipts from members and providers and cash paid to providers, members and employees for 2023. These amounts have been re-represented in the current year to more closely align with the nature of the underlying cash flows, and to reconcile the statement of cash flows to note 15. The prior year comparatives have been updated to reflect the contributions and payments on a gross basis. The effect of the re-representation on the line items impacted are shown above. There is no impact on the net cash flow position for 2023.

## Notes to the Financial Statements

For the year ended 31 December 2024

### 16. OTHER OPERATING EXPENSES

	2024 R '000	2023 R '000
Actuarial fees	63,618	68,918
Advertising	63,889	54,777
Auditors remuneration - statutory fees	6,226	7,412
Bank charges	4,718	4,350
Board and Independent Committee fees ( Inc S & T allowance)	11,959	12,278
Conferences and workshops	10,712	8,908
Consulting fees	262,224	238,770
Depreciation and amortisation	19,539	22,723
Employee costs	501,627	423,328
Insurance	11,259	7,524
Legal expenses	21,089	13,672
Loss on disposal of assets	-	150
Motor vehicle expenses	1,336	1,471
Municipal expenses	4,143	2,737
Office supplies	18,181	21,609
Other expenses	49,259	44,827
Principal Officer's fees	5,907	6,474
Rental expenses	1,602	1,041
Telephone and fax	2,195	1,909
Travel - local	37,907	45,903
Trustees' and Independent Committee members' training	678	437
Trustees' and Independent Committee members' travel and accommodation	3,177	2,450
	<b>1,101,245</b>	<b>991,668</b>

17. TRUSTEES' AND INDEPENDENT COMMITTEE  
MEMBERS' REMUNERATION

Board of Trustees' remuneration

	Term End	Attendance Fees R '000	Travel And Accommodation R '000	Reimbursements And Allowances R '000	Training R '000	Total R '000
<b>2024</b>						
Dr IJ Van Zyl	29-Aug-27	949	198	14	37	1,198
Dr SM Hlatshwayo	19-Feb-24	263	103	2	9	377
Mr RA Manoko	05-Mar-24	176	61	3	2	242
Ms C Ntshane	24-Sep-25	926	607	31	90	1,654
Mr M Brand	24-Sep-25	-	1	1	-	2
Dr N Tutu (Chairperson)*	30-Jul-26	1,330	653	1	76	2,060
Ms L Khumalo	24-Sep-25	981	361	24	77	1,443
Mr P de Villiers	29-Aug-27	953	110	20	81	1,164
Dr J Smit	29-Aug-27	901	328	62	69	1,360
Mr S Tsengiwe (Deputy Chairperson)**	24-Jan-30	909	78	10	36	1,033
Mr A Rapea	24-Jan-30	1,050	160	12	64	1,286
Mr H Punt	24-Sep-25	715	275	7	23	1,020
Mr M Rabada	15-Apr-30	309	-	4	20	333
Mr N Ndumo	24-Jan-30	1,001	219	13	74	1,307
Mrs S Sigodi	15-Apr-30	320	-	2	20	342
		<b>10,783</b>	<b>3,154</b>	<b>206</b>	<b>678</b>	<b>14,821</b>
<b>2023</b>						
Dr IJ Van Zyl ( Re - elected)	29-Aug-27	931	132	40	5	1,108
Mr Phophi	25-Sep-23	890	44	115	18	1,067
Dr SM Hlatshwayo (Chairperson)	19-Feb-24	1,539	312	18	55	1,924
Mr RA Manoko	05-Mar-24	1,239	209	21	58	1,527
Ms C Ntshane (Deputy Chairperson)	24-Sep-25	1,061	461	28	49	1,599
Mr M Brand	24-Sep-25	939	177	16	51	1,183
Dr N Tutu (Chairperson)	29-Jul-26	1,071	537	2	80	1,690
Ms L Khumalo	24-Sep-25	1,145	249	26	53	1,473
Mr P de Villiers	29-Aug-27	1,060	58	14	44	1,176
Dr J Smit	29-Aug-27	956	234	70	18	1,278
		<b>10,831</b>	<b>2,413</b>	<b>350</b>	<b>431</b>	<b>14,025</b>

\* Dr N Tutu was appointed as Chairperson on the 22nd of February 2024.

\*\* Mr S Tsengiwe was appointed as Deputy Chairperson in September 2024.

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.

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 Other operating expenses (refer note 16).

Independent Committee members' remuneration

2024

	Term End	Attendance Fees R '000	Travel And Accommodation R '000	Reimbursements And Allowances R '000	Total R '000
Mr J Lesejane (Audit Term extended)*	31-Dec-24	478	23	6	507
Ms A Galiel	31-Mar-25	239	-	-	239
Mr Dala Prittish	01-Feb-26	247	-	-	247
		<b>964</b>	<b>23</b>	<b>6</b>	<b>993</b>

\* Mr J Lesejane's term was extended by a year and came to an end on 31 December 2024.  
A new Chairperson of the Audit Committee was appointed effective 1 January 2025.

2023

	Term End R '000	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 Term extended)	31-Dec-24	663	14	8	5	690
Ms A Galiel	31-Mar-25	224	24	-	-	248
Mr Dala Prittish (appointed 2 February 2023)	01-Feb-26	202	-	-	-	202
		<b>1,089</b>	<b>38</b>	<b>8</b>	<b>5</b>	<b>1,140</b>



## Notes to the Financial Statements

For the year ended 31 December 2024

### 18. INVESTMENT INCOME

	2024 R '000	2023 R '000
<b>Dividend income</b>		
<b>From investments in financial assets measured at fair value through profit or loss:</b>		
Listed investments - Local	137,497	292,303
<b>Interest income</b>		
<b>From investments in financial assets</b>		
Interest received on financial assets at fair value through profit or loss	1,459,745	1,684,957
Interest received on cash and cash equivalents	113,249	96,951
<b>Gains on financial assets at fair value through profit or loss</b>		
Realised gains on financial assets at fair value through profit or loss	871,921	87,888
Unrealised gains on financial assets at fair value through profit or loss	464,180	295,360
	<b>3,046,592</b>	<b>2,457,459</b>

### 19. SUNDRY INCOME

	2024 R '000	2023 R '000
Sundry Income	61,265	704,881
Bad debt recovered	8,018	9,921
Sundry Income - fraud recoveries	24,155	16,482
	<b>93,438</b>	<b>731,284</b>

### 20. PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY

	2024 R '000	2023 R '000
Balance of savings account balances at the beginning of the year	1,665,301	1,562,965
<b>Add:</b>		
Savings account contributions received	1,930,423	1,724,358
Transfers (to) / from other schemes in terms of Regulation 10(4)	106	-
Advances from members	343	1
<b>Less amount transferred to the liability for incurred claims:</b>		
Claims paid out of savings	(1,619,702)	(1,435,076)
Refunds on death or resignation in terms of regulation 10(5)	(179,961)	(195,929)
Clawbacks from members	10,419	8,982
<b>Balances due to members on personal medical savings account end of the year</b>	<b>1,806,929</b>	<b>1,665,301</b>

## Notes to the Financial Statements

For the year ended 31 December 2024

Regulation 10 of Medical Scheme Act (MSA) requires the Scheme to disclose a reconciliation of the PMSA. With the adoption of IFRS 17, the personal medical savings liability ("PMSA") which was separately presented on the statement of financial position under IFRS 4 is now presented under insurance contract liabilities. 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.

The carrying amount of the PMSA is included as part of closing balance of LRC in Note 15.

### 21. NET HEALTHCARE RESULT PER BENEFIT OPTION

2024	TANZANITE ONE R '000	BERYL R '000	RUBY R '000	EMERALD VALUE R '000	EMERALD R '000	ONYX R '000	TOTAL R '000
<b>Insurance service result</b>	(1,091,659)	(742,233)	1,164,041	(639,745)	(3,517,482)	(724,653)	(5,551,731)
Insurance revenue	7,130,713	4,726,840	7,721,739	10,560,202	26,080,079	1,720,012	57,939,585
Insurance service expenses	(8,222,372)	(5,469,073)	(6,557,698)	(11,199,947)	(29,597,561)	(2,444,665)	(63,491,316)
<b>Other Income</b>	645,937	339,759	456,871	515,648	1,120,193	61,622	3,140,030
Investment Income	626,716	329,649	443,276	500,304	1,086,859	59,788	3,046,592
Sundry Income	19,221	10,110	13,595	15,344	33,334	1,834	93,438
<b>Other expenditure</b>	(243,172)	(127,907)	(171,996)	(194,124)	(421,712)	(23,199)	(1,182,110)
Asset management services expense	(16,514)	(8,686)	(11,680)	(13,183)	(28,638)	(1,575)	(80,276)
Other Finance cost	(120)	(64)	(86)	(97)	(210)	(12)	(589)
Other operating expense	(226,538)	(119,157)	(160,230)	(180,844)	(392,864)	(21,612)	(1,101,245)
<b>Total comprehensive income/(deficit) for the year</b>	<b>(688,894)</b>	<b>(530,381)</b>	<b>1,448,916</b>	<b>(318,221)</b>	<b>(2,819,001)</b>	<b>(686,230)</b>	<b>(3,593,811)</b>
Number of members	181,141	95,279	128,121	144,604	314,137	17,281	880,563
Number of beneficiaries	452,698	165,768	206,108	253,738	427,265	7,914	1,513,491
Average age	35.03	34.87	28.39	35.87	32.22	59.38	33.40
Pensioner ratio	5.26 %	5.03 %	4.05 %	6.86 %	11.23 %	62.51 %	7.79 %

## Notes to the Financial Statements

### For the year ended 31 December 2024

The Scheme intentionally budgeted for a deficit for all options other than the Ruby option. These deficits were funded from the reserves and has been approved by the Regulator.

2023	TANZANITE ONE R '000	BERYL R '000	RUBY R '000	EMERALD VALUE R '000	EMERALD R '000	ONYX R '000	TOTAL R '000
<b>Insurance service result</b>	(4,516,278)	(1,606,541)	(1,312,944)	247,441	3,709,539	520,997	(2,957,786)
Insurance revenue	5,130,354	3,564,287	6,894,367	8,315,541	25,675,809	1,732,134	51,312,492
Insurance service expense	(9,646,632)	(5,170,828)	(8,207,311)	(8,068,100)	(21,966,270)	(1,211,137)	(54,270,278)
<b>Other Income</b>	566,804	303,820	482,235	474,055	1,290,666	71,163	3,188,743
Investment Income	436,817	234,144	371,641	365,339	994,674	54,844	2,457,459
Sundry Income	129,987	69,676	110,594	108,716	295,992	16,319	731,284
<b>Other expenditure</b>	(191,255)	(102,518)	(162,720)	(159,960)	(435,508)	(24,012)	(1,075,973)
Asset management services expense	(14,903)	(7,990)	(12,679)	(12,464)	(33,936)	(1,870)	(83,842)
Other Finance Costs	(82)	(45)	(71)	(70)	(185)	(10)	(463)
Other operating expense	(176,270)	(94,483)	(149,970)	(147,426)	(401,387)	(22,132)	(991,668)
<b>Total comprehensive income/(deficit) for the year</b>	<b>(4,140,729)</b>	<b>(1,405,239)</b>	<b>(993,429)</b>	<b>561,536</b>	<b>4,564,697</b>	<b>568,148</b>	<b>(845,016)</b>
Number of members	150,163	80,491	127,758	125,591	341,935	18,853	844,791
Number of beneficiaries	367,398	139,913	208,927	222,127	482,431	9,084	1,429,880
Average age	28.23	29.21	28.20	31.19	34.56	64.59	31.51
Pensioner ratio	4.74 %	4.85 %	3.74 %	6.77 %	9.62 %	59.38 %	7.35 %

The Scheme intentionally budgeted for a deficit for all options other than the Emerald Value, Emerald and Onyx options. These deficits were funded from the reserves and has been approved by the Regulator.

Insurance revenue and service expenses are allocated to benefit options on a direct basis where this is determinable. Where Insurance revenue and service expenses are not directly attributable to a specific benefit option, allocation is performed 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 discount option (EDO): Tanzanite one (previously named Sapphire), Beryl, Ruby, Emerald Value (EDO), 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.

## Notes to the Financial Statements

### For the year ended 31 December 2024

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.

## 22. CASH UTILISED IN OPERATIONS

	2024 R '000	2023 R '000
Deficit transferred to Insurance contract liability to members	(3,593,811)	(845,016)
<b>Adjustments for non-cash items:</b>		
Depreciation, amortisation, impairments and reversals of impairments	19,539	22,723
Investment transaction fees	1,763	2,686
Profit on disposal of assets	(20)	199
<b>Investment income:</b>		
Interest received on cash and cash equivalents	(113,249)	(96,951)
Interest received on financial assets at fair value through profit or loss	(1,459,745)	(1,684,957)
Dividends	(137,497)	(292,303)
Realised gains on financial assets at fair value through profit or loss	(871,921)	(87,888)
Unrealised gains on financial assets at fair value through profit or loss	(464,180)	(295,360)
<b>Other</b>		
Interest expense	589	463
<b>Changes in working capital:</b>		
Other receivables	(7,240)	(1,262)
Other payables	24,282	(68,763)
Insurance contract liabilities	240,433	797,279
	<b>(6,361,057)</b>	<b>(2,549,150)</b>

23. CURRENT AND NON-CURRENT PORTION OF ASSETS  
AND LIABILITIES

	2024 R '000	2023 R '000
<b>Non current assets</b>		
Property and equipment	246,907	251,555
Intangible assets	13,874	836
Right-of-use assets	11,204	3,880
Financial assets at fair value through profit or loss	9,872,781	10,385,153
<b>Current assets</b>		
Financial assets at fair value through profit or loss	9,107,636	13,283,944
Other receivables	1,062,731	365,172
Cash and cash equivalents	4,832,851	4,179,061
	<b>25,147,984</b>	<b>28,469,601</b>
<b>Non current liabilities</b>		
Insurance contract liability to members	18,227,685	19,524,860
Lease liabilities	5,239	1,480
<b>Current liabilities</b>		
Insurance contract liability to members	1,413,251	3,709,886
Lease liabilities	6,064	2,322
Other payables	198,209	173,926
Insurance contract liabilities	5,297,536	5,057,127
	<b>25,147,984</b>	<b>28,469,601</b>

24. 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 and the impairment allowance for other receivables, as explained further in this note.

Methodology applied to determine expected contribution receipts

Management's critical judgement is paramount in determining the collectability of contributions. The Markov model is applied to determine contributions expected to be collected whilst the Autoregressive Integrated Moving Average model forecasts the impact macroeconomics indicators on collectability. As part of forward-looking assessment, prime lending rate and inflation are identified as macroeconomic factors that impact collectability as management assumes that their increase will result in decreased buying power for members, thereby prioritising basic needs over repayment of their Scheme debt.

Inputs for the Markov Model include contribution debt data for current and historical periods, while macroeconomic indicators data is sourced from reputable regulatory institutions.

Mutual entity Assessment

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

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

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

Although the rules do not generally specify how the assets should be distributed on liquidation, IFRS 17 states that "contracts can be written, oral or implied by an entity's customary business practices. Contractual terms include all terms in a contract, explicit or implied, but an entity shall disregard terms that have no commercial substance (i.e. no discernible effect on the economics of the contract). Implied terms in a contract include those imposed by law or regulation.

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

The substance of the legal framework issued regarding insurance contracts and observed practice is that once a contribution is paid to GEMS, the contribution is used to provide benefits to members. The benefits are provided by GEMS through insurance coverage, reduced contributions, or payment to members on liquidation (based on votes taken by members). It is therefore expected that the remaining assets of GEMS will be used to pay current and future members. Based on the above, GEMS meets the definition of a mutual entity.

GEMS has therefore developed an accounting policy in terms of the IFRS 17 guidance for mutual entities, and the Scheme recognises any cumulative profit or losses as part of the insurance liability attributable to members.

Consequently, the Statement of Profit or Loss and Other Comprehensive Income reflects no total comprehensive income for the year. The movement in the insurance liability attributable to members are included in the insurance service expenses line.

Due to the Scheme being a mutual entity, the assessment of onerous contracts are affected as outlined in the accounting policies.

Application of Premium Allocation Approach (PAA)

For contracts issued to which the Scheme applies the premium allocation approach, it is assumed that no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise. The Scheme assess whether contracts that are not onerous at initial recognition, have no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

A key principle in determining the cash flows to be included in the insurance contracts issued is the contract boundary. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Scheme can compel a member to pay the contributions or in which the Scheme has a substantive obligation to provide a member with services. The service under contracts issued by GEMS is the indemnification against the cost arising from a health event covered in terms of the rules of the Scheme.

A substantive obligation to provide services ends when:

- the Scheme has the practical ability to reassess the risks of the member and, as a result, can set a price or level of benefits that fully reflects those risks; or
- both of the following criteria are satisfied:
  - i. GEMS has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result can set a price or level of benefits that fully reflects the risks of that portfolio; and
  - ii. the pricing of the contributions for coverage up to the date when the risks are reassessed does not consider the risks that relate to periods after the reassessment date.

The limitations imposed by the Act restrict the Scheme's practical ability to assess the risks of a particular member and set a price or level of benefits that fully reflects the risks of an individual member. The Scheme is prohibited from setting a price or level of benefits that fully reflects those risks. As a result of these legislative requirements, when assessing the risk and pricing for the health events covered, risk is assessed and a price set, after considering the risks covered at the total Scheme level.

The Act and the Scheme rules, aligns the benefit year for insurance contracts issued with the Scheme's financial year. Multi-year scenarios are prepared to provide a view on the possible future impact and position of the Scheme, however the risks from these future periods are not taken into account in setting the pricing level for a specific benefit year.

Contribution level and benefit changes require CMS approval before they can be implemented. These are generally done and only considered annually. CMS requires changes to contributions and benefits to be submitted in September and October for the following year with approval being provided around December for the next financial year.

The regulatory environment results in the Scheme only having the practical ability to reassess the risks and set a price that fully reflects the risks at a scheme level and that the changes can only be made annually, effective from the beginning of the financial/benefit year (i.e. January). As CMS generally only considers and approves changes annually, these changes are generally effective for the full 12-month benefit year.

GEMS existing members elect, on an annual basis by December of the current year their benefit option for the following benefit year, which will be effective from 1 January of the following year. This results in the coverage period being one year or less, as a new contract will be entered into and effective from 1 January of each year. The impact of this is that the contract boundary for contracts issued does not exceed 12 months and is generally aligned with a medical scheme's financial year.

PAA is a simplification of the estimated cash flow model (known as the fulfilment cash model), which the Scheme may only use if, and only if, at the inception of the group of insurance contracts:

- a) The Scheme can demonstrate that the measurement of the liability for the remaining coverage of the PAA is no different from the estimated cash flow model, or
- b) The coverage period of each contract in the group is one year or less.

The coverage period of each medical scheme contract is one year or less. The result of this is that the Scheme will simplify the measurement of the portfolio of insurance contracts by using the PAA.

The classification of the Scheme as a mutual entity does not impact the extent of insurance contract services to be provided by GEMS in terms of the member contracts and therefore the PAA is still applicable.

Onerous contract assessment

In the consideration of whether facts and circumstances indicate that a group of insurance contracts is onerous, management considers whether the expected deficit of the following year exceeds the insurance contract liability to members.

In the rare scenario where the following year's deficit exceeds the insurance contract liability to members – the contracts written would be onerous and an onerous contract liability raised. Where the amounts attributable to members exceed the following year's deficit, the contracts would not be determined as onerous, and no provision raised as a liability is already recognised.

In the current year, no onerous contract liability is raised as the expected deficit for 2025 does not exceed the insurance contract liability to members.

Measurement of insurance contract liability to members.

Insurance contract liability to members is measured at the current value. Measurement of this liability at current value results in an accounting mismatch as the Scheme's Statement of Financial Position consists of assets and liabilities that are measured at fair value, cost model and amortised cost.

To prevent an accounting mismatch, the Scheme is required to measure all assets and liabilities at fair value. Management performed thorough assessment on all assets and liabilities to determine whether the carrying amounts are materially different to their respective fair values individually and in aggregate. The differences between these items' carrying and fair values, individually or in aggregate are concluded to be immaterial.

Management applied to IAS 8.8 to be exempted from performing fair value measurement of all assets and liabilities carried at other models as the difference between carrying amounts and respective fair values is concluded to have immaterial impact on the financial statements.

Notes to the Financial Statements  
For the year ended 31 December 2024

The mismatch between the measurement basis of the assets and liabilities is deemed immaterial for financial reporting purposes, therefore management concluded that the insurance contract liability to members shall be measured at its current value as it approximates its fair value.

Level of aggregation

The Scheme has applied judgement to determine unit of account for measurement of insurance contracts. Management has assessed the portfolio at the Scheme level due to the insurance contracts pricing methodologies and risk management strategy that manages the risk on a Scheme level.

The following support the approach and decision of the Scheme:

- The members can move into other options without restrictions and incur no cancellation fees.
- The loss-making individuals are being subsidised by members who pay more and claim less.
- All contracts are subject to similar risks and managed together.
- Benefit options are not managed in isolation, and decisions such as pricing impact other options concerning benefits, growth and contribution increments.
- The Scheme assess if the group of contracts as a whole is onerous or profitable.

Investment components

The Scheme applied significant judgement to determine investment components embedded into insurance contracts, whether this component should be separated and accounted for as a financial instrument. According to IFRS 17, the PMSA qualifies as an investment component. This is because it obligates the medical scheme to reimburse a member under all circumstances, even if no insured event has taken place.

The Scheme assessed whether PMSA meets the definition of a distinct investment component to be accounted for separately as a financial instrument. To make the assessment the Scheme considered whether the investment and insurance component are highly interrelated and below are the factors evidencing that PMSA and insurance component are highly interrelated:

- A member cannot purchase the PMSA separately from the risk component. If benefit option is selected, there is no option to exclude PMSA component.
- A member is unable to benefit from the PMSA separately as it depends on risk component being present.
- The benefit option with PMSA, the value of the risk benefits cannot be measured without considering the value of the PMSA.

Consequently, the PMSA is a non-distinct investment component and will not be accounted for separately from other insurance contract liabilities as a financial instrument. PMSA balances shall be included in either insurance assets or liabilities in the statement of financial position.

Risk adjustment – liability for incurred claims (LIC)

The risk adjustment reflects the compensation required by the Scheme to cover the uncertainty in the amount and timing of cash flows brought on by non-financial risks as the Scheme fulfils insurance contracts. Risk diversification across individual options has not been permitted because doing so would imply that each option operates independently and would result in a significant reduction in the risk margin. Therefore, the risk adjustment is the undiversified risk margin. The Scheme estimates an adjustment for non-financial risk separately from all other estimates.

Notes to the Financial Statements  
For the year ended 31 December 2024

The risk adjustment for non-financial risk is computed at an option level and aggregated to the scheme level. A confidence level is applied to the run-off triangles used to calculate the LIC in the confidence level method in order to determine the risk adjustment. The Scheme applies a confidence level of 75% to reflect the risk tolerance of the provision.

Significant estimates for insurance contract liabilities

The Scheme used the below inputs and methods when applying IFRS 17 measurement requirements which includes significant estimates. Futuristic scenarios are used in determining present values of fulfilment cash flows.

Estimated fulfilment cash flows for incurred claims

The Scheme includes all the fulfilment cash flows within the boundary of the group of contracts when measuring the insurance contracts. The estimate of these cash flows is based on probability weighted expected fulfilment cash flows. The estimate is based on which cash flows are expected and the probability that they will occur at measurement date.

The Scheme makes use of various information elements to estimate these cash flows including:

- Information about past events.
- Current conditions
- Forecasts of future conditions

The Scheme calculates its projection of future cash flows by considering a variety of scenarios that encompass the entire spectrum of potential outcomes. Each scenario outlines specific details such as cash flow amounts, timing, and associated probabilities. The final estimate of future cash flows is determined by taking the weighted average across these scenarios, factoring in their respective probabilities. Essentially, it's a way to capture the most likely outcome based on a comprehensive range of possibilities. The uncertainty in the insurance contracts lies in the number, severity and timing of claims.

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

Methods used to measure the insurance contracts

The Scheme estimates insurance contract liabilities in relation to claims incurred for healthcare contracts. Judgement is involved in assessing the most appropriate technique to estimate insurance contract liabilities for the claims incurred.

The estimated insurance contract liabilities are derived by considering the results of the actuarial health monitor model, actual vs expected method, chain ladder and Bornhuetter-Ferguson actuarial methodologies. This is based on the current actuarial methodologies adopted, which are subject to a periodic review.

The actuarial health monitor model is a stochastic risk management model that was designed and developed to assist medical schemes to model and monitor, on an ongoing basis, the multitude of risks (financial and others) facing schemes. The actuarial model is utilised to predict the expected claims incurred in the Scheme on a monthly basis based on the Scheme's actual demographic profile, benefit structure, claims seasonality etc. The model makes use of the frequency and severity distributions for a wide range of claim



types derived from the actuarial model universe. These distributions are periodically updated as more data becomes available.

The Actual vs Expected method is a model used to produce estimates of ultimate claims experience. The difference between the expected claims and the actual reported and paid claims represents the LIC. In addition, various statistical methods are used to determine the uncertainty associated with this estimate.

Traditional chain ladder techniques involve an analysis of historical claims development patterns derived from 12 months prior to the calculation date. It is therefore assumed claims are fully run off after 12 months. Using the chain ladder method makes the implicit assumption that historical development patterns will apply in the future. The basic chain ladder method is used with no allowance for inflation. This is deemed appropriate given the time period considered.

The Bornhuetter Ferguson method can be considered a hybrid method that incorporates the outstanding proportion of claims predicted by the chain ladder method with the total claims for a month to be paid as estimated using the actuarial model to arrive at an estimate for total outstanding claims to be paid. The BF method incorporates the past history of claims processing with the estimate provided by the actuarial model's projection.

The following was taken into account when estimating the LIC:

- The homogeneity of the data
- Changes in pattern of claims
- Changes in the composition of members and their beneficiaries
- Changes in benefit limits.
- Changes in the prescribed minimum benefits

The Scheme monitors each month's initial outstanding risk claims provision over a four month period as subsequent claims are received.

The Board of Trustees believe that the liability for incurred 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.

25. 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 2024 the effective cover was R1 billion (2023: R1 billion).

On the Financial Services Provider Indemnity, the Scheme is covered for R1 million per FSP agent.

The Scheme has renewed its cyber liability cover during the 2024 financial year. This covers any electronically stored digital or digitalised information or media, network interruption cost and cyber terrorism. The primary cover is R50 million (2023: R50 million). The Scheme has an additional excess of loss cover for R100 million (2023: R100 million).

The Scheme's insurance contracts are reviewed for adequacy and reinstated annually.

26. 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. The Scheme further engages with the Department of Public Service and Administration (DPSA) who is responsible for implementing and maintaining the medical subsidy policy.

Therefore, the DPSA has significant influence over the Scheme, but does not control it..

Parties that provide key management personnel services to the scheme

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 provides the key management personnel services of 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. Medscheme Holdings (Pty) Ltd provide managed care information on which benefit design decisions are based and therefore it provides the key management personnel services of the Scheme but does not control it.

Insight Actuaries (Pty) Ltd provides actuarial and consulting services to the Scheme and therefore it provides the key management personnel services of the Scheme but does 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 and are neither part of key management personnel of 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 Financial Statements  
For the year ended 31 December 2024

	2024 R '000	2023 R '000
<b>Key management personnel</b>		
<b>Compensation (includes remuneration and other costs)</b>		
Short term benefits	38,502	40,379
Post employment benefit	2,310	2,535
Bonus	10,364	6,576
	<b>51,176</b>	<b>49,490</b>
Principal Officer	7,968	6,474
Chief Financial Officer	5,678	4,953
Chief Admin and Transaction Services (Appointed date 1 May 2024)	2,398	1,913
Chief Marketing Officer	2,320	2,816
Chief Governance and Compliance Officer	3,590	2,481
Chief Healthcare Officer (End date 31 August 2024)	3,707	4,423
Chief Information, Communication & Technology Officer	3,612	3,138
Chief Corporate Services Officer (End Date 31 October 2024)	5,073	4,801
Chief Audit Executive	3,489	3,449
Chief Research Officer	3,654	3,457
Chief Operations Officer (Appointment date 1 September 2024)	2,939	4,458
Company Secretary and Legal Counsel	3,585	3,425
Executive Manager Principal Officer's Office	3,163	3,702
<b>Gross contributions received (*)</b>		
Board of Trustees	655	593
Principal Officer	93	159
Executive Committee	1,455	955
<b>Claims incurred (*)</b>		
Board of Trustees	586	524
Principal Officer	35	50
Executive Committee	788	1,106

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

Transaction Nature of transactions and terms and conditions thereof

Transaction	Nature of transactions and terms and conditions thereof
Insurance revenue	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.
Healthcare provider fees paid / payable	Fees paid to a healthcare provider (medical practitioner). Fees are paid on the same basis as applicable to third parties.

Notes to the Financial Statements  
For the year ended 31 December 2024

Parties with significant influence over the Scheme, but not control

	2024 R '000	2023 R '000
<b>Statement of Comprehensive Income</b>		
Administration fees*	1,649,007	1,509,243
Accredited managed healthcare fees**	1,291,137	1,173,086
Actuarial fees paid to Insight Actuaries	63,618	68,918
Healthcare provider fees paid to BOT Members***	117	116

\* Administration fees consist of fees paid to Medscheme Holdings (Pty) Ltd and Metropolitan Health Corporate (Pty) Ltd  
 \*\* Accredited managed healthcare fees represent fees paid to Medscheme Holdings (Pty) Ltd for accredited managed care services rendered to the Scheme.  
 \*\*\* Healthcare provider fees paid to BOT members refer to claims paid to Ms Lebohlang Khumalo for healthcare services rendered in her capacity as a healthcare

	2024 R '000	2023 R '000
<b>Other payables</b>		
Administration fees due	149,730	140,139
Accredited managed healthcare fees due	109,938	100,845
	<b>259,668</b>	<b>240,984</b>

There were no PMSA balances, contributions payable, contributions receivable relating to members of key management and members of the BOT.

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 2024	Provider 2023
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)

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.

## Notes to the Financial Statements

### For the year ended 31 December 2024

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 2024	Provider 2023
Pharmaceutical network management	Universal Care (Pty) Ltd	Universal Care (Pty) Ltd
Dental managed care	Denis (Pty) Ltd	Denis (Pty) Ltd
HIV disease management services	Medscheme Holdings (Pty) Ltd	Medscheme Holdings (Pty) Ltd
Managed health care services	Medscheme Holdings (Pty) Ltd	Medscheme Holdings (Pty) Ltd
Maternity programme services	Medscheme Holdings (Pty) Ltd	Medscheme Holdings (Pty) Ltd
Pharmaceutical benefit management services	Medikredit (Pty) Ltd	Medikredit (Pty) Ltd

## 27. 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, case management and service provider profiling.

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.

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.

## Notes to the Financial Statements

### For the year ended 31 December 2024

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.
- Other includes dentists, dental specialists and supplementary health services.

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.

#### 2024

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
<25	117,195	77,226	14,587	21,770	3,197	35,995	269,970
26 - 35	2,717,575	1,889,053	519,734	605,298	77,734	997,403	6,806,797
36 - 50	7,213,162	5,407,927	2,253,328	1,703,487	332,150	3,437,077	20,347,131
51 - 65	7,870,052	6,101,580	2,957,035	1,313,691	352,909	3,424,053	22,019,320
>65	4,047,715	3,035,509	1,450,148	345,538	96,763	1,430,229	10,405,902
	<b>21,965,699</b>	<b>16,511,295</b>	<b>7,194,832</b>	<b>3,989,784</b>	<b>862,753</b>	<b>9,324,757</b>	<b>59,849,120</b>

#### 2023

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
<25	84,129	60,317	13,378	17,277	3,027	27,375	205,503
26 - 35	2,380,936	1,627,348	478,584	514,798	71,939	799,013	5,872,618
36 - 50	6,169,901	4,632,157	2,110,262	1,473,274	303,654	2,777,987	17,467,235
51 - 65	6,432,463	5,069,174	2,645,854	1,125,532	308,453	2,720,454	18,301,930
>65	3,324,934	2,535,669	1,253,032	287,803	81,504	1,100,330	8,583,272
	<b>18,392,363</b>	<b>13,924,665</b>	<b>6,501,110</b>	<b>3,418,684</b>	<b>768,577</b>	<b>7,425,159</b>	<b>50,430,558</b>

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

Notes to the Financial Statements  
For the year ended 31 December 2024

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.

Sensitivity Disclosure

	2024			2023		
	LIC as at 31 December R '000	Impact on LIC R '000	Impact on net surplus R '000	LIC as at 31 December R '000	Impact on LIC R '000	Impact on net surplus R '000
Insurance contract liabilities	5,301,407	-	-	5,057,127	-	-
-10% estimated future cashflows for incurred claims	-	(279,233)	279,233	-	(237,859)	237,859
+10% change in estimated future cashflows for incurred claims	-	279,233	(279,233)	-	237,859	(237,859)
Risk adjustment with a 75% confidence level - as reported	44,269	1,282	(1,282)	42,987	7,591	(7,591)
Risk adjustment with a 70% confidence level	33,024	(11,246)	11,246	32,185	(10,802)	10,802
Risk adjustment with a 80% confidence level	57,512	13,242	(13,242)	55,731	12,744	(12,744)

Notes to the Financial Statements  
For the year ended 31 December 2024

The above table illustrates the financial impact of adjusting the liability for incurred claims estimates by +/- 10% and the financial implications of adjusting the confidence level by +/-5%. A decrease in the confidence level by 5% leads to a substantial 25.4% (2023: 25.1%) reduction in the risk adjustment. Conversely, increasing the confidence level by 5% results in a corresponding 29.9% (2023: 29.6%) increase in the risk adjustment.

The analysis is based on a change in an assumption while holding all the assumptions constant.

28. FINANCIAL AND CAPITAL 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 the risk appetite and risk tolerance set by the Board of Trustees.

Risk management and investment decisions are carried out by 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 material change in these policies from previous financial years.

Market risk

Market risk is the risk that changes market variables that 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, whilst optimising the return on investment.

The table summarises the Scheme's financial instrument exposure to market risk as at December 31, 2024.

# Notes to the Financial Statements

## For the year ended 31 December 2024

	Currency risk R '000	Price risk R '000	Interest rate risk R '000
<b>As at December 31, 2024</b>			
Cash and cash equivalents	34,311	-	4,832,851
Equities	-	4,656,640	-
Local bonds	-	-	6,758,333
Local money markets	-	-	3,895,615
Foreign bonds	323,316	-	323,316
Collective investment schemes (CIS)	-	3,346,512	-
<b>As at December 31, 2023</b>			
Cash and cash equivalents	1,314	-	4,179,061
Equities	-	5,766,264	-
Local bonds	-	-	6,319,765
Local money markets	-	-	6,192,803
Foreign bonds	231,413	-	231,413
Collective investment schemes (CIS)	-	5,158,853	-

### Interest rate risk

The Scheme is exposed to interest rate risk as it has exposure to fixed income assets including call accounts, money market instruments as well as longer dated nominal and inflation linked bonds. This risk is managed through appropriate diversification, 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.

The table summarises the Scheme's total exposure to interest rate risks as at 31 December 2024. Included in the table are the Scheme's investments at carrying amounts, categorised by maturity dates.

	Up to 3 months R '000	3 - 12 months R '000	More than 12 months R '000	Total R '000
<b>As at December 31, 2024</b>				
Cash and cash equivalents	4,832,851	-	-	4,832,851
Local money markets	1,471,894	1,304,887	1,118,834	3,895,615
Local bonds	56,871	241,905	6,459,556	6,758,332
Foreign bonds	-	-	323,316	323,316
	<b>6,361,616</b>	<b>1,546,792</b>	<b>7,901,706</b>	<b>15,810,114</b>
<b>As at December 31, 2023</b>				
Cash and cash equivalents	4,179,061	-	-	4,179,061
Local money markets	847,556	2,679,989	2,665,258	6,192,803
Local bonds	108,167	397,336	5,814,262	6,319,765
Foreign bonds	-	-	231,413	231,413
	<b>5,134,784</b>	<b>3,077,325</b>	<b>8,710,933</b>	<b>16,923,042</b>

# Notes to the Financial Statements

## For the year ended 31 December 2024

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

	2024	2023
Current accounts	6.63 %	6.46 %
Call accounts	8.15 %	7.95 %
Local money market	5.62 %	8.58 %
Local Bonds	6.40 %	7.38 %
Foreign Bonds	2.24 %	8.24 %
Foreign cash and cash equivalents	2.68 %	5.55 %

### Interest rate risk sensitivity analysis

The information below illustrates the impact that a change in interest rates would have on the value of the Scheme's fixed and variable income investments.

#### Interest Rate Risk Sensitivity (Fixed rate)

A 0.5% increase in interest rates will result in a R63 million loss (2023: R54 million loss) and an increase of 1% the interest bearing portfolios will incur a loss of R126 million (2023: R107 million). A 0.5% decline in interest rates will result in an R63 million gain (2023: R54 million gain) and a 1% decrease in interest rates will result in an R126 million gain (2023: R107 million gain) for the interest bearing portfolios. The analysis was done with the assumption that interest rates increased or decreased by 0.5% or 1% with all other variables held constant.

#### Interest Rate Risk Sensitivity (Variable rate)

A 0.5% increase in interest rates will result in a R0.51 million loss (2023: R1.5 million loss ) and an increase of 1% the interest bearing portfolios will incur a loss of R1 million (2023:R3 million loss). A 0.5% decline in interest rates will result in an R0.51 million gain and a 1% decrease in interest rates will result in an R1 million gain (2023:R3 million gain) for the interest bearing portfolios. The analysis was done with the assumption that interest rates increased or decreased by 0.5% or 1% with all other variables held constant.

### 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 1.78% (2023: 0.97%) of its financial assets at fair value through profit or loss in offshore bond and cash portfolios. At 31 December 2024 this equated to R358 million (2023: R233 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.

## Notes to the Financial Statements

### For the year ended 31 December 2024

#### 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 R36 million ( 2023: R23 million) and a 15% depreciation in the Rand would result in a gain of R54 million ( 2023: R35 million).

A 10% appreciation in the Rand would result in a loss of R36 million ( 2023: R23 million) and a 15% appreciation in the Rand would result in a loss of R54 million ( 2023: R35 million).

The sensitivity is based on the assumption that the Rand has strengthened or weakened against the US Dollar by 10% or 15% and is considered as the reasonable possible change, with all other variables held constant.

The following US Dollar exchange rate was applied.

	2024 R '000	2023 R '000
Average rate	18.37	18.51
Year-end closing rate	18.87	18.29

#### 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 R4.7 billion (2023: R5.7 billion). The Scheme has investments in collective investment schemes which exposes the Scheme to market price risk. The value of collective investment schemes is R3.3 billion (2023: R5.1 billion).

The Scheme manages the equity 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

Based on past experience and a reasonable possible change in equity and collective investment scheme (CIS) prices, 10% change in equity and CIS prices is considered appropriate in measuring the Scheme's equity and CIS price risk sensitivity. A 10% increase in the price of equities and CIS within the equity portfolios would result in a gain of R821 million ( 2023: R1.1 billion). A 10% decrease in the price would result in a loss of R821 million (2023: R1.1 billion). The sensitivity is based on the assumption that equity and collective investment scheme prices had increased or decreased by 10%, with all other variables held constant.

## Notes to the Financial Statements

### For the year ended 31 December 2024

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The availability of liquid cash holding 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.

At December 31, 2024 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 contract liabilities	4,334,342	686,177	277,017	-	5,297,536
Other payables	198,209	-	-	-	198,209
Lease Liabilities	488	985	4,605	6,646	12,724
Insurance contract liability to members*	120,636	676,411	616,204	18,227,685	19,640,936
<b>Total liabilities</b>	<b>4,653,675</b>	<b>1,363,573</b>	<b>897,826</b>	<b>18,234,331</b>	<b>25,149,405</b>
Cash and Cash Equivalents	4,832,851	-	-	-	4,832,851
Financial Assets at fair value through profit or loss	5,570,991	1,147,674	2,388,971	9,872,781	18,980,417
Other receivables	1,054,102	-	-	-	1,054,102
<b>Available cash and investments</b>	<b>11,457,944</b>	<b>1,147,674</b>	<b>2,388,971</b>	<b>9,872,781</b>	<b>24,867,370</b>
<b>Excess liquidity</b>	<b>6,804,269</b>	<b>(215,899)</b>	<b>1,491,145</b>	<b>(8,361,550)</b>	<b>(282,035)</b>

At December 31, 2023 Category - Restated	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 contract liabilities	4,403,708	633,080	20,339	-	5,057,127
Other payables	173,926	-	-	-	173,926
Lease liabilities	308	535	1,479	1,480	3,802
Insurance contract liability to members**	473,011	799,429	2,437,446	19,524,860	23,234,746
<b>Total liabilities</b>	<b>5,050,953</b>	<b>1,433,044</b>	<b>2,459,264</b>	<b>19,526,340</b>	<b>28,469,601</b>
Cash and Cash Equivalents	4,179,061	-	-	-	4,179,061
Financial Assets at fair value through profit or loss	9,282,123	633,286	3,368,535	10,385,153	23,669,097
Other receivables	365,172	-	-	-	365,172
<b>Available cash and investments</b>	<b>13,826,356</b>	<b>633,286</b>	<b>3,368,535</b>	<b>10,385,153</b>	<b>28,213,330</b>
<b>Excess liquidity</b>	<b>8,775,403</b>	<b>(799,758)</b>	<b>909,271</b>	<b>(9,141,187)</b>	<b>(256,271)</b>



Notes to the Financial Statements  
For the year ended 31 December 2024

The effect of discounting has no impact on other items except on lease liabilities. The 2023 figure has been revised to only reflect actual cash flows.

\* The current portion of the insurance contract liability for members represents the Schemes' full budgeted loss for the next financial period using the budgeted results submitted to Council of Medical Schemes and aligned to circular 6 of 2025.

\*\* Circular 6 of 2025 detailed that the insurance contract liability attributable to members should be disclosed as non-current, and a portion of this liability should be disclosed under current liabilities, where the Scheme expects a budget deficit for the following year. The Scheme restated the prior year's amount of liability attributable to members disclosed in the column 'between 3 months and 1 year' to align with Circular 6 of 2025.

Credit risk

Credit risk is the risk of financial loss to the Scheme, if a counterparty 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
- Other receivables
- Insurance contract assets

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.

	2024 R '000	2023 R '000
Cash and cash equivalents		
First National Bank	2,419,787	1,076,848
South African Reserve Bank	2,007,441	2,817,594
Nedbank call deposit	405,623	284,619
	4,832,851	4,179,061

Notes to the Financial Statements  
For the year ended 31 December 2024

	2024 R '000	2023 R '000
Long term ratings of Banks invested with:	2024	2023
ABSA Bank	AA+	AA
First National Bank/Rand Merchant Bank	AA+	AA
Investec Bank	AA+	AA
Nedbank	AA+	AA
Standard Bank	AA+	AA+
South African Reserve Bank	AAA	AAA
The maximum exposure to credit risk for financial assets at year end were as follows:		
Financial assets at fair value through profit or loss *	14,323,777	17,902,834
Cash and cash equivalents	4,832,851	4,179,061
Other receivables	1,062,731	365,172
	20,219,359	22,447,067

\* The 2023 amount has been revised to exclude equity instruments.

The Scheme manages credit risk operationally by:

- Actively pursuing all contributions not received after 3 days of becoming due, as required by Section 26(7) of the Medical Scheme Act. Collection of outstanding member and contribution debt is done in accordance with the Scheme's approved Debt Management Policy.
- Monthly reconciliations between the Administrator and the Employer groups are performed to determine possible termination or suspension and take action immediately to avoid risk of non- collectability.
- Pursuing the fraud healthcare provider debt through legal processes and in accordance with the approved debt management policy, additionally the Scheme has Acknowledgement of debt (AOD) agreements in place with healthcare providers to collect the outstanding debt.

Other receivables

A credit loss is deemed immaterial for other receivables given their nature and there is no significant increase in credit risk at the end of the reporting period. Other receivables comprise of sundry accounts receivable, R673m (2023: R 5,6m), and interest accrued receivable, R390,2m (2023: R 359,5m) all of which are current and not past due. The credit risk of other receivables is low and therefore the 12 month expected credit loss is applied. The 12 month expected credit loss is nil as other receivables are regularly collected on current bucket. Any loss associated to these receivables is deemed immaterial and negligible. As a result, no provision is raised, and no further analysis is deemed necessary.

The below carrying amount of insurance receivables within insurance contract liabilities (i.e., contribution, member claims and provider debt) best represents the maximum exposure to credit risk.

## Notes to the Financial Statements

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	Current R'000	31-60 days R'000	61-90 days R'000	91 - 120 days R'000	120 plus days R'000	Total R'000
<b>As at December 31, 2024</b>						
Insurance contract receivables*	267,515	14,839	12,382	6,115	38,572	339,423
<b>As at December 31, 2023</b>						
Insurance contract receivables	214,073	14,053	8,129	4,216	38,888	279,360

The amounts reported on the insurance contract liability are net of expected loss, the expected losses are estimated based on the Markov model, which are further adjusted with forward looking information.

\* Insurance contract receivables carrying amounts disclosed above includes contribution, member claims and provider debt. Refer to Note 15.

### 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, 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.

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.

## Notes to the Financial Statements

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### Fair value of financial assets by hierarchy level

	Carrying amount R'000	Total R'000	Level 1 R'000	Level 2 R'000
<b>At December 31, 2024</b>				
Financial assets at fair value through profit or loss	18,980,417	18,980,417	17,583,243	1,397,174
Equities	4,656,640	4,656,640	4,656,640	-
Local bonds	6,758,333	6,758,333	6,728,145	30,188
Local money markets	3,895,615	3,895,615	2,796,006	1,099,609
Foreign bonds	323,316	323,316	323,316	-
Collective investment schemes	3,346,513	3,346,513	3,079,136	267,377
	<b>18,980,417</b>	<b>18,980,417</b>	<b>17,583,243</b>	<b>1,397,174</b>

	Carrying amount R'000	Total R '000	Level 1 R'000	Level 2 R'000	Level 3 R'000
<b>At December 31, 2023</b>					
Financial assets at fair value through profit or loss	23,669,097	23,669,097	19,646,332	3,983,153	39,612
Equities	5,766,264	5,766,264	5,766,264	-	-
Local bonds	6,319,765	6,319,765	6,281,067	(914)	39,612
Local money markets	6,192,803	6,192,803	2,430,875	3,761,928	-
Foreign bonds	231,412	231,412	231,412	-	-
Collective investment schemes	5,158,853	5,158,853	4,936,714	222,139	-
	<b>23,669,097</b>	<b>23,669,097</b>	<b>19,646,332</b>	<b>3,983,153</b>	<b>39,612</b>

The fair value (through profit or loss) of financial assets held by the Scheme categorised as Level 1 was determined with reference to published price quotations (unadjusted) in an active market.

The fair value (through profit or loss) of financial assets held by the Scheme categorised as Level 2 was determined through discounted cash flows based on applicable interest rates.

The fair value (through profit or loss) of financial assets held by the Scheme categorised as Level 3 was determined using inputs that are not based on observable data.

Notes to the Financial Statements  
For the year ended 31 December 2024

	Financial assets at fair value through profit or loss Total R'000
<b>Reconciliation of Level 3 fair values - 2024</b>	
Opening balance	39,612
Change in fair value unrealised	(5,272)
Transfer to level 2	(34,340)
Closing balance at 31 December 2024	-
<b>Total losses for the period for assets held 31 December 2024</b>	<b>(5,272)</b>
<b>Reconciliation of Level 3 fair values - 2023</b>	
Opening balance	-
Transfer from level 2	46,432
Change in fair value unrealised	(6,820)
Closing balance at 31 December 2023	39,612
<b>Total losses for the period for assets held 31 December 2023</b>	<b>(6,820)</b>

In 2024, this debt instrument was transferred from level 3 to level 2 of the fair value hierarchy due to availability of observable data inputs.

In 2024 the fair value was determined using a cost approach, where the cost was based on the observable price of a recent issuance of this debt instrument on the Johannesburg Stock Exchange (JSE). The JSE price is considered an active market input. This change in the availability of market data provided a more reliable basis for measuring fair value, thus justifying the transfer to Level 2.

Capital Management

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 2021	46.33 %	24.20 %
31 December 2022	48.36 %	25.00 %
31 December 2023	42.41 %	25.00 %
31 December 2024	31.14 %	25.00 %

Notes to the Financial Statements  
For the year ended 31 December 2024

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.

29. GUARANTEES AND COMMITMENTS

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

	2024 R '000	2023 R '000
Council for Medical Scheme	2,500	2,500
South African Post Office	5,000	5,000
	<b>7,500</b>	<b>7,500</b>

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.

The Council for Medical Schemes has issued GEMS an exemption for SA post office guarantee from the provision of Section 35(6) of the MSA for a period of three years effective from 09 March 2022.

30. 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.

## Notes to the Financial Statements

### For the year ended 31 December 2024

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

Name and description	2024 Fair Value of Scheme Funds invested R'000	Fair Value of Investee R'000	% of net assets attributable to the Scheme	Fund
Collective investment schemes	382,749	39,832,257	0.96 %	Stanlib Institutional MA
	314,958	321,073	98.10 %	SCB ATF Stanlib Aggressive
	4,619	22,348,700	0.02 %	Ninety-One Corporate Money, Z , Inc , ZAR
	80,764	2,548,527	3.17 %	Prescient Corporate Money market B3
	66,298	9,697,655	0.68 %	Prescient Yield Quantplus Fund B3
	843,337	1,462,867	57.65 %	Prescient Specialist Income Fund B3
	1,386,410	5,803,916	23.89 %	Prescient Income Plus Fund B3
	267,377	4,253,184	6.29 %	Precient Clean Energy and Infrastructure Debt Fund Trust

Name and description	2023 Fair Value of Scheme Funds invested R'000	Fair Value of Investee R'000	% of net assets attributable to the Scheme	Fund
Collective investment schemes	3,489	21,060,772	0.02 %	Ninety One Corporate Money Market, Z, Inc, Zar
	853,936	1,284,537	66.25 %	M&G Global Fixed Income Fund
	177,037	5,619,150	3.15 %	M&G Corporate Bond Fund
	1,854,074	14,304,100	12.96 %	M&G High Interest fund
	4,544	1,555,279	0.29 %	Prescient Corporate Money Market B3
	205,667	8,032,667	2.56 %	Prescient Yeild Quantplus Fund B3
	670,705	1,152,605	58.19 %	Prescient Specialist Income Fund B3
	1,126,685	4,153,917	27.12 %	Prescient Income Plus Fund B3
	222,139	3,773,502	5.89 %	Prescient Clean Energy and Infrastructure Debt
	40,307	26,226,333	0.15 %	Nedgroup Investments Money Market Fund Class C1
	269	52,231,987	- %	Nedgroup Investments Core Income Fund - Class C1

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

## Notes to the Financial Statements

### For the year ended 31 December 2024

## 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 2024 financial year.

### Late paying Employer groups Nature

In terms of Rule 13.5 of the Scheme Rules and Section 26 (7) of the Medical Schemes Act (MSA), 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 payments may result in loss of interest earnings 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 Schemes (CMS) is informed quarterly of any late payers.

### Benefit Options

### Nature

In terms of Section 33 (2) of the MSA, medical scheme options shall be self-sufficient in terms of membership and financial performance.

### Cause

The Scheme's Tanzanite One, Beryl, Emerald Value, Emerald and Onyx options 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 deficits on these options were as a result of higher healthcare costs which deviated from budget.

### Corrective Action

The Scheme's reserves are sufficient to absorb these deficits over the short to medium term. Continuous long-term forecasting, scenario planning, and sensitivity analysis are employed to ensure the Scheme's solvency margin remain above the statutory level. Regular updates on the Scheme's performance during the 2024 financial year were provided to the Registrar through quarterly performance reports and meetings with the CMS.

Notes to the Financial Statements  
For the year ended 31 December 2024

Guarantees

Nature

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

Cause

The guarantee in favour of the CMS has been issued in terms of Section 24(5) of the 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.

Corrective Action

Council for Medical Schemes has issued the Scheme an exemption from the provision of Section 35(6) of the MSA for a period of three years effective from 09 March 2022.

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 a number of equities which involve some of its appointed administrators.

Cause

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

Corrective action

CMS has granted the Scheme an exemption for a period of three years effective from 15 December 2022.

Credit Facility

Nature

Section 35(6) (C) of the Medical Scheme Act states that a medical scheme shall not directly or indirectly borrow money.

Notes to the Financial Statements  
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Cause

The Scheme has credit facilities with RMB/FNB for corporate and auto cards to the value of R3,3 million. The corporate cards are issued to Scheme executives as well as regional managers for work related expenses and the travel agency to manage the Scheme's travel bookings. The auto cards are used for the fuel and maintenance of the Scheme's fleet. The balances on the cards are settled within 30 days.

Corrective Action

The Scheme has been granted and exemption from the provisions of section 35 (6) of the MSA for a period of three years effective from 09 March 2022.

Claims settled after 30 days

Nature

In terms of Section 59 (2) of the 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 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 processes.

PMB Claims for Ruby members paid from Personal Medical Savings Account

Chapter 10 (6) of the Regulations of the Medical Schemes Act, states that, "The funds in a member's medical savings account shall not be used to pay for the costs of a prescribed minimum benefit."

Section 8 of Annexure F of the GEMS Scheme Rules states that, "During the term of a Member's membership on the Ruby Benefit Option, the Scheme shall not be entitled to use the funds in the Member's PMSA to pay for the cost of a Prescribed Minimum Benefit or to offset any outstanding contributions, penalties or other debt due and payable to the Scheme".

Section 4 of the Business Logic – Access to Personal Medical Savings Account (PMSA) states, "All shortfalls which stem from the below criteria will not be eligible for extraordinary access to savings.

Nature

For the period under review, claims were identified where the Personal Medical Savings Account (PMSA) was used to settle Prescribed Minimum Benefit (PMB) claims for Ruby Members. These claims were not processed in accordance with the access to PMSA business logic document and the Scheme Rules.

Cause

The shortfall stemmed from the service providers charging above from the GEMS agreed rates (Contracted or negotiated providers) or where the insured risk benefit allocated for the service was exceeded for the in hospital or disease management PMB authorisation event.

Corrective Action

The Scheme will put in place mechanisms to monitor PMB claims processed for Ruby members. This will include exception reports detailing claims paid out of savings, which will then be reviewed in accordance with the PMB Manual.

32. EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events after reporting period.

33. GOING CONCERN

The financial statements of the Scheme have been prepared in accordance with the going concern principle. This principle assumes that the funds will be available to finance future operations and that the assets will be realised, and liabilities and commitments will be settled in the ordinary course of business.

The Board of Trustees has satisfied itself that the Scheme has adequate resources to continue with its operations in the foreseeable future and the Scheme's financial statements have accordingly been prepared on the going concern basis. The Board of Trustees has satisfied itself that the Scheme is financially stable with adequate cash reserves to meet its foreseeable obligations and commitments. Furthermore, the Board of Trustees is not aware of any new material changes that may adversely impact the Scheme.



