

MEDIPOS MEDICAL SCHEME
(Registration number: 1548)

FINANCIAL STATEMENTS
for the year ended 31 December 2022

MEDiPOS MEDICAL SCHEME
Registration number: 1548

FINANCIAL STATEMENTS
for the year ended 31 December 2022

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

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STATEMENT OF RESPONSIBILITY BY THE PROVISIONAL CURATOR

The Provisional Curator is responsible for the preparation and fair presentation of the financial statements of MEDiPOS Medical Scheme, comprising the statement of financial position at 31 December 2022, and the statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Medical Schemes Act 131 of 1998, as amended (the Act).

The Provisional Curator considers that in preparing the financial statements he has used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Provisional Curator is satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Scheme at year end. The Provisional Curator also prepared the other information included in the financial statements and is responsible for both the accuracy and consistency of the financial statements.

The Provisional Curator has the responsibility to ensure that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Scheme, to enable the Provisional Curator to ensure that the financial statements comply with the relevant legislation.

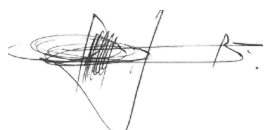
The Scheme operates in a well-established and controlled environment, which is well-documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing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

The going concern basis has been adopted in preparing the financial statements. The Provisional Curator has no reason to believe that the Scheme will not be a going concern in the foreseeable future, based on forecasts and available cash resources.

The auditor is responsible for reporting on whether the financial statements of the Scheme are fairly presented in accordance with the applicable financial reporting framework. Their report is presented on pages 18 to 23.

Approval of the financial statements

The financial statement set out on pages 2 to 59 have been approved by the Provisional Curator on 05 May 2023.



Justice Kudumela
Provisional Curator

05 May 2023

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STATEMENT OF CORPORATE GOVERNANCE BY THE PROVISIONAL CURATOR

MEDIPOS Medical Scheme is committed to the principles and practices of fairness, transparency, integrity and accountability in all dealings with its stakeholders. The Scheme follows principles of corporate governance appropriate to medical schemes.

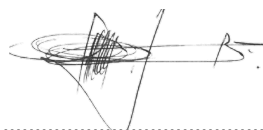
The Provisional Curator meets regularly with third parties and monitors the performance of the administrator. He addresses a range of key issues and ensures that discussions of items of policy, strategy and performance are critical, informed and constructive.

The Provisional Curator may seek independent professional advice at the expense of the Scheme as and when required.

INTERNAL CONTROLS

The administrator of the Scheme maintains internal controls and systems designed to provide reasonable, but not absolute assurance as to the integrity and reliability of the financial statements and to safeguard, verify and adequately maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

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



Justice Kudumela
Provisional Curator

05 May 2023

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REPORT OF THE PROVISIONAL CURATOR

The Provisional Curator hereby presents his report for the year ended 31 December 2022.

1. MANAGEMENT**1.1 PROVISIONAL CURATORSHIP FROM 14 FEBRUARY 2023****Governance matters**

MEDiPOS Medical Scheme was placed under Provisional Curatorship by the High Court of South Africa on 14 February 2023 at the instance of the Registrar of Medical Schemes in terms of the provisions of section 56(1) of the Medical Schemes Act, No 131 of 1998. Mr Justice Kudumela was appointed as Provisional Curator and authorised to take immediate control of and, in place of the Board of Trustees, manage the business and operations of the Scheme. The order was granted on the ex parte basis or urgency basis, outside the presence of the opposing party.

The main identified issues raised and relied upon by the Registrar in seeking Provisional Curatorship were namely:

- the failure of lack thereof in collecting contributions from the South African Post Office resulted in Medipos members being adversely affected, including the suspension of membership, even though contributions were deducted from members monthly salaries
- the Scheme's declining solvency levels
- the dwindling membership numbers

There was no allegation of financial mismanagement at MEDiPOS Medical Scheme

A mandate was issued by the court granting the Provisional Curator control of the business and operations of the Scheme. This includes the authority to investigate allegations of governance irregularities. These powers given to the Provisional Curator, to control and manage the Scheme, would ordinarily be vested and exercised by the Board of Trustees and Principal Officer of the Scheme.

In terms of governance, all decisions, in lieu of the Board of Trustees, have been made by the Provisional Curator since his appointment. The Provisional Curator continued to take responsibility for the finalisation of the financial statements.

Operational matters

The Principal Officer was relieved of her position with effect from 14 February 2023, however she is still employed by the Scheme and attend to certain affairs of the Scheme under the guidance of the Provisional Curator.

1.2 PROVISIONAL CURATOR

Mr Justice Kudumela
Auxano Business Consulting (Pty) Ltd
165 West Street
Cnr Fedman and West Streets
Sandton
2130

1.3 BOARD OF TRUSTEES

A Board of Trustees was in office up to 14 February 2023 and during the year under review.

Employer / Boards appointed

N Ngubane (Chairperson)
H Ngcobo (from 31 October 2022)
S Sontange (until 03 October 2022)
K Rapoo (until 31 October 2022)
D John (Vice Chairperson)

Member elected

M Mpata (until 29 June 2022)
R Serage (until 29 June 2022)
D Galloway (until 29 June 2022)
B Thabane (re-elected 29 June 2022)
V Nair (re-elected 29 June 2022)
J Swart (from 29 June 2022)
P Mkhosana (from 29 June 2022)
S Zwane (from 29 June 2022)

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REPORT OF THE PROVISIONAL CURATOR (continued)**1.4 PRINCIPAL OFFICER**

T Mlotshwa - up to 14 February 2023
 Provisional Curator from 14 February 2023
 South African Post Office SOC Ltd
 First Floor, Room 1032 A & C
 Cnr Sophie de Bryn & Jeff Masemola Streets
 Pretoria
 0074

P O Box 1000
 Pretoria
 0001

1.5 REGISTERED OFFICE ADDRESS AND POSTAL ADDRESS

South African Post Office SOC Ltd (hereinafter referred to as SAPO)
 497 Schubart Street
 Corner of Sophie De Bruin and Jeff Masemola Streets
 Pretoria
 0074

P O Box 2087
 Corporate Shop
 Pretoria
 0074

1.6 MEDICAL SCHEME ADMINISTRATOR

Medscheme Holdings (Proprietary) Limited
 37 Conrad Road
 Florida North
 Roodepoort
 1709

P O Box 1101
 Florida Glen
 1708

Accreditation no. 21

The Scheme appointed Medscheme Holdings (Proprietary) Limited effective 1 April 2020.

1.7 INVESTMENT MANAGERS

Coronation Fund Managers (Proprietary) Limited
 7th floor
 MontClare Place
 Cnr Campground and Main Road
 Claremont
 7735
 Financial service provider number: 548

P O Box 44684
 Claremont
 7735

Prescient Investment Management (Proprietary) Limited
 Prescient House
 The Terraces
 Steenberg Boulevard
 Steenberg Office Park
 7966
 Financial service provider number: 612

P O Box 31142
 Tokai
 7966

Nedgroup Investments (Proprietary) Limited
 Nedbank Clocktower
 Clocktower Precinct
 V&A Waterfront
 Cape Town
 8001
 Financial service provider number: 1652

P O Box 1510
 Cape Town
 8000

1.8 Investment Consultants

Old Mutual Wealth
 No1 Mutual Place
 107 Rivonia Road
 Sandton
 2196
 Financial service provider number: 588

P O Box 2444
 Saxonworld
 2132

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REPORT OF THE PROVISIONAL CURATOR (continued)**1.9 AUDITOR**

Middel & Partners Inc.
25 Sovereign Drive
Milestone Place, Block B
Route 21 Corporate Park
Irene
0157

P O Box 25498
Monument Park
Pretoria
0105

The Scheme appointed Middel & Partners Inc. effective 1 August 2022

Mazars
Mazars House, 54 Glenhove Road, Melrose Estate
Johannesburg
2196

P O Box 6697
Johannesburg
2000

Mazars resigned effective 31 July 2022.

1.10 ACTUARIAL CONSULTANTS

Insight Actuaries and Consultants (Pty) Ltd
2nd Floor Gateway West
22 Magwa Crescent
Waterval City
Midrand
2066

The Scheme appointed Insight Actuaries and Consultants (Pty) Ltd effective 1 July 2022.

3ONE Consulting Actuaries
Fairway Office Park
52 Grosvenor Road
Bryanston
2191

The contract with 3ONE Consulting Actuaries expired on 30 June 2022.

1.11 MANAGED CARE SERVICES PROVIDER

Medscheme Holdings (Proprietary) Limited
37 Conrad Road
Florida North
Roodepoort
1709

P O Box 1101
Florida Glen
1708

Accreditation no. MCO53

The Scheme appointed Medscheme Holdings (Proprietary) Limited effective 1 April 2020.

1.12 ONCOLOGY NETWORK

Independent Clinical Oncology Network (Proprietary) Limited
14 Mispel Road
Bellville
7530

P O Box 15811
Panorama
7500

1.13 FRAUD, WASTE AND ABUSE

Medscheme Holdings (Proprietary) Limited
37 Conrad Road
Florida North
Roodepoort
1709

P O Box 1101
Florida Glen
1708

Accreditation no. MCO53

The Scheme appointed Medscheme Forensic on 01 April 2020

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REPORT OF THE PROVISIONAL CURATOR (continued)**2. DESCRIPTION OF THE MEDICAL SCHEME**

The Scheme is a not for profit closed medical scheme, registered in terms of the Medical Schemes Act 131 of 1998, as amended (the Act). Membership is restricted to employees and pensioners of the South African Post Office SOC Ltd (SAPO), South African Postbank SOC Ltd (Postbank) and Document Exchange (Pty) Ltd (Docex).

2.1 BENEFITS

The Scheme offers three benefit options to employees and retirees of the participating employer in the Scheme. These are:

- MEDiPOS Option A - The Plan offers a day to day benefit based on individual limits per family member. It also offers unlimited major medical benefits and a network hospital must be used otherwise a R7 598 co-payment applies.
- MEDiPOS Option B - The Plan offers day to day benefits based on individual limits per family member and a personal medical savings account. It also offers unlimited major medical benefits and a network hospital must be used otherwise a R7 598 co-payment applies.
- MEDiPOS Option C - The Plan offers limited day to day benefits. It also offer unlimited major medical benefits. A network hospital must be used otherwise a R7 598 co-payment applies.

3. INVESTMENT STRATEGY OF THE MEDICAL SCHEME

The Scheme's investment strategy is to maximise the return on its investments on a long term basis at minimum risk. The investment strategy takes into consideration restrictions both imposed by legislation and by the Provisional Curator through the Investment Policy Statement. The strategy is reviewed annually, taking into consideration compliance with the Act, the risk return profile of various investment instruments, prevailing market conditions and surplus funds available.

The Provisional Curator reviews the Scheme's investment strategy, financial position, monitor investment performance against respective benchmarks and compliance, and consider prevailing market conditions.

The Provisional Curator is responsible to oversee investment activities of the Scheme, and part of his strategy is to ensure that the investment objectives of the Scheme are fulfilled including but not limited to the following:

- the Scheme provides adequate liquidity to pay claims and expenses as they fall due;
- maximise the return on the Schemes investments subject to an acceptable level of risk;
- investments are made in compliance with the regulations of the Act;
- investments are diversified across various asset classes and instruments, and investment managers
- a risk assessment is performed with feedback to the Board of Trustees with recommendations on the risks identified; and
- investing activities are only conducted with approved financial institutions in line with the Investment Policy Statement of the Scheme.
- the performance of the investments are measured against CPI+3% (net of investment fees) over a rolling three-year period.

The Scheme invested in a diversified range of assets including cash, money market, bonds, listed property and equities during 2022. The investments are held directly in the name of the Scheme and in a pooled fund within collective investment scheme. This approach is reviewed annually, taking into consideration compliance with the Act, the risk and returns of the various investment instruments and surplus funds available. Realised gains and losses as well as unrealised gains and losses, are reflected in the Statement of Comprehensive Income in profit or losses.

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REPORT OF THE PROVISIONAL CURATOR (continued)**4. MANAGEMENT OF INSURANCE RISK**

The primary insurance activity carried out by the Scheme assumes the risk of loss from members and their dependants that are directly subject to the risk. These risks relate to the health of Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme 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. These methods for mitigating insurance risk are reviewed annually and amended for changes in the Medical Schemes Act 131 of 1998, as amended and/or changes in the Scheme's ability to accept insurance risk.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Scheme has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories of risk to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and demographics of members covered.

In addition, further uncertainty is introduced via the Scheme's exposure to the risk of adverse member movements. Different plans are priced according to an assumed membership profile per Option. Adverse membership movement will invalidate this assumption. The Scheme has partly mitigated this risk by allowing for some adverse membership movement in the pricing of the lower Options.

The Scheme frequently assess the necessity to enter into risk transfer arrangements, with the assistance of the Scheme's actuarial consultants.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. The principal risk is that the frequency and severity of claims is greater than expected.

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

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES**5.1 RESULTS OF THE SCHEME**

The results of the Scheme's operations for the year under review as at 31 December 2022 are set out in the financial statements, and the Provisional Curator believe no further clarification is required with the exception of the following:

Due to the financial difficulties faced by the South African Post Office (SAPO) not all members' medical aid deductions and subsidies have been paid across to the Scheme. The Scheme's accounting policy is to account for contribution income when their collection in terms of the insurance contract is reasonably certain.

For the year ended 31 December 2022, contribution income amounting to R153 667 278 was not recognised due to receipt thereof not being certain. A total amount of R124 053 519 which was received for previously unrecognised contribution income was reasonably accounted for as revenue in the current financial year. This resulted in the Scheme generating a net surplus of R48 651 244. SAPO is indebted to the Scheme for contribution income amounting to R675 401 938. Although SAPO debt is legally due it is not disclosed in the AFS due to the Schemes accounting policy.

The matter of SAPO non-payment of contributions was brought before the labour court and the following payment arrangements was ordered by the court:

- SAPO to make payment of R20 million per month for the period September to November 2021.
- SAPO to make payment of R43 million per month for the period December 2021 to March 2022.
- SAPO to make payment of R50 million per month for the period April 2022 to December 2022.

For the financial year under review SAPO had defaulted against the court order and various writ of attachment was actioned against SAPO amounting to R117 177 506. Subsequent to year end a further amount of R100 000 000 relating to contribution debt was received through the writ attachment process.

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REPORT OF THE PROVISIONAL CURATOR (continued)

5.2 REVIEW OF OPERATIONS

Operational Activities - 2022

	2022 Option A	2022 Option B	2022 Option C	2022 Total	2021 Total
Number of members at year-end	1 038	6 550	3 246	10 834	11 386
Average number of members for the year	1 088	6 666	3 273	11 027	11 717
Number of beneficiaries at year-end	1 241	12 827	6 453	20 521	21 929
Average number of beneficiaries for the year	1 316	13 339	6 597	21 252	22 501
Dependant ratio	0.2	1.0	1.0	0.9	0.9
Average age of beneficiaries	77	37	33	38	38
Pensioner ratio	84.6%	8.1%	2.8%	11.0%	10.9%
Average contributions per member per month	R 7 712	R 4 073	R 2 347	R 3 920	R 1 868
Average contributions per beneficiary per month	R 6 376	R 2 036	R 1 164	R 2 034	R 973
Relevant healthcare expenditure per member per month	R 6 827	R 3 693	R 1 778	R 3 434	R 3 559
Relevant healthcare expenditure per beneficiary per month	R 5 644	R 1 845	R 882	R 1 782	R 1 853
Non-healthcare expenditure per member per month	R 264	R 260	R 265	R 262	R 239
Non-healthcare expenditure per beneficiary per month	R 218	R 130	R 131	R 136	R 124
Average managed care: Managed services per member per month	R 52	R 52	R 52	R 52	R 47
Average members' funds per member at year end	N/A	N/A	N/A	R 25 979	R 20 447
Relevant healthcare expenditure as a percentage of net contributions	88.5%	90.7%	75.8%	87.6%	190.5%
Managed care: Management services as a percentage of contributions	0.7%	1.3%	2.2%	1.3%	2.5%
Non-health expenses as a percentage of contributions	3.4%	6.4%	11.3%	6.7%	12.8%
Amount paid to administrator	R 2 815 865	R 16 976 661	R 8 474 345	R 28 266 871	R 28 384 185
- Administration fees (Medscheme Holdings (Proprietary) Limited	R 2 219 734	R 13 323 031	R 6 680 016	R 22 222 781	R 21 726 478
- Managed care fees (Medscheme Holdings (Proprietary) Limited	R 596 131	R 3 653 630	R 1 794 329	R 6 044 090	R 6 657 706
Return on investments	N/A	N/A	N/A	4.7%	5.7%

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REPORT OF THE PROVISIONAL CURATOR (continued)

5.2 REVIEW OF OPERATIONS (continued)

Operational Activities - 2021

	2021 Option A	2021 Option B	2021 Option C	2021 Total	2020 Total
Number of members at year-end	1 196	6 928	3 262	11 386	12 640
Average number of members for the year	1 280	7 120	3 317	11 717	13 204
Number of beneficiaries at year-end	1 455	13 907	6 567	21 929	24 213
Average number of beneficiaries for the year	1 578	14 324	6 599	22 501	25 476
Dependant ratio	0.2	1.0	1.0	0.9	0.9
Average age of beneficiaries	77	37	32	38	38
Pensioner ratio	82.8%	7.4%	2.2%	10.9%	10.8%
Average contributions per member per month	R 4 410	R 1 919	R 778	R 1 868	R 2 052
Average contributions per beneficiary per month	R 3 577	R 954	R 391	R 973	R 1 063
Relevant healthcare expenditure per member per month	R 7 140	R 3 799	R 1 663	R 3 559	R 2 997
Relevant healthcare expenditure per beneficiary per month	R 5 791	R 1 888	R 836	R 1 853	R 1 554
Non-healthcare expenditure per member per month	R 238	R 239	R 238	R 239	R 221
Non-healthcare expenditure per beneficiary per month	R 193	R 119	R 120	R 124	R 115
Average managed care: Managed services per member per month	R 47	R 47	R 47	R 47	R 52
Average members' funds per member at year end	N/A	N/A	N/A	R 20 447	R 36 120
Relevant healthcare expenditure as a percentage of net contributions	161.9%	197.9%	213.7%	190.5%	146.1%
Managed care: Management services as a percentage of contributions	1.1%	2.5%	6.1%	2.5%	2.5%
Non-health expenses as a percentage of contributions	5.4%	12.5%	30.6%	12.8%	10.8%
Amount paid to administrator	R 3 062 842	R 17 384 269	R 7 937 073	R 28 384 185	R 34 692 121
- Administration fees (Momentum Health Solutions (Pty) Ltd)	R -	R -	R -	R -	R 9 772 707
- Managed care fees (Metropolitan Health Risk Management (Pty) Ltd)	R -	R -	R -	R -	R 2 813 777
- Administration fees (Medscheme Holdings (Proprietary) Limited)	R 2 335 711	R 13 338 750	R 6 052 017	R 21 726 478	R 17 974 260
- Managed care fees (Medscheme Holdings (Proprietary) Limited)	R 727 131	R 4 045 519	R 1 885 056	R 6 657 706	R 4 131 377
Return on investments	N/A	N/A	N/A	5.7%	6.2%

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REPORT OF THE PROVISIONAL CURATOR (continued)

5. REVIEW OF OPERATIONS (continued)

5.3 ACCUMULATED FUNDS RATIO

	2022 R	2021 R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per statement of financial position	281 458 715	232 807 471
Less:	(14 347 370)	(20 047 553)
Unrealised gains on financial assets at fair value through profit or loss	<u>(14 347 370)</u>	<u>(20 047 553)</u>
Accumulated funds per Regulation 29 of the Act	<u>267 111 345</u>	<u>212 759 918</u>
Gross contribution income	561 244 085	589 675 575
Accumulated funds ratio: (Reserve ratio)	<u>47.59%</u>	<u>36.08%</u>

The above calculation has been performed in terms of the formulae recommended by the Council for Medical Schemes. In terms of Regulation 29(2) of the Act, the Scheme must maintain accumulated funds expressed as a percentage of gross annual contributions for the accounting period under review which may not be less than 25%. The Scheme has a solvency ratio higher than the regulatory requirement of 25%.

5.3.1 GROSS CONTRIBUTION INCOME

Gross contribution income (note 9)	531 630 326	263 442 658
Add: contribution income reasonably certain to be received (note 5.1)	153 667 278	539 480 938
Less: unrecognised contributions received	<u>(124 053 519)</u>	<u>(213 248 021)</u>
Gross contribution income used in solvency calculation	<u>561 244 085</u>	<u>589 675 575</u>

5.3.2 CUMULATIVE UNREALISED GAINS

Opening balance	20 047 553	14 534 987
Unrealised gains on financial assets at fair value through profit or loss	<u>(5 700 183)</u>	<u>5 512 566</u>
Closing unrealised gains	<u>14 347 370</u>	<u>20 047 553</u>

5.4 OUTSTANDING CLAIMS PROVISION

Movements in the outstanding claims provision are set out in note 7 to the financial statements. The accuracy of the provision was tested against subsequent settlements.

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

The Scheme holds no direct investments in and has granted no loans to the participating employers of the Scheme or any other related parties. Refer to note 20 to the financial statements for related party disclosures. The investments in administrators forms part of a pooled vehicle and the Scheme has been granted an exemption in this respect. Refer to note 29.1 to the financial statements for non-compliance disclosure.

7. FIDELITY COVER

The Scheme has a fidelity policy underwritten by Camargue Underwriting Managers (Pty) Limited. The sum insured is R100 million (2021: R100 million) and extends to the Trustees, Principal Officer and members of sub-committees of the Board of Trustees.

8. ACTUARIAL SERVICES

3ONE Consulting Actuaries (Pty) Ltd was consulted in the determination of the 2022 contributions and benefit levels. Insight Actuaries and Consultants (Pty) Ltd were responsible for the calculation of the outstanding claims provision.

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REPORT OF THE PROVISIONAL CURATOR (continued)**9 COMMITTEES OF THE BOARD OF TRUSTEES**

Due to the appointment of the Provisional Curator, a Board of Trustees was in office up to 14 February 2023 and during the year under review. The Board of Trustees conducted the Scheme's business with integrity by applying appropriate corporate governance policies and practices.

The Scheme had an independent Board of Trustees, which had established its own governance practices and Committees that comply with the applicable governance and regulatory requirements. These committees fulfil key roles in ensuring good corporate governance.

The following Committees was mandated by the Board of Trustees by means of written terms of reference as to their membership, authority and duties. These Committees met on a regular basis and when the need arised during the 2022 financial year.

9.1 AUDIT AND RISK COMMITTEE (This committee still functions under the Provisional Curator)

The Committee met on the following four occasions during the course of the year:

Thursday, 10 February 2022
 Tuesday, 05 April 2022
 Thursday, 11 August 2022
 Thursday, 01 December 2022

The Principal Officer, the Administrator, internal auditors and the Scheme's external auditor attend Committee meetings and have unrestricted access to the Chairman of the Audit and Risk Committee.

In accordance with the provisions of the Act, the primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems and financial reporting practices. Further objectives include ensuring that all material risks to which the Scheme is exposed, as identified by the Board of Trustees, are adequately managed. The external auditors and the Administrator's internal audit function report formally to the Committee on critical findings arising from the audit.

The Chairman of the Audit and Risk Committee resigned effective 23 March 2023.

The members of the Committee are:

C Phillips	Chairperson and independent member
N Tyandela	Vice Chairperson and independent member
L Radebe (term ended as at March 2022)	Independent member
D Galloway (Independent member - from August 2022)	Independent member
S Zwane (From October 2022)	Trustee
D John	Trustee
J Binedell (term ended as at 31 November 2022)	Independent member

The Audit and Risk Committee has reported that:

- It has carried out its duties in terms of the Medical Schemes Act 131 of 1998, as amended and the Board of Trustee written Audit Committee Charter;
- The external Auditor have confirmed their independence;
- The assurance provided by the Administrator has satisfied the Audit and Risk Committee that associated risks have been considered and addressed;
- The assurances provided by the Administrator and the internal auditors have satisfied the Committee that internal controls are adequate and effective; and
- It has reviewed the Scheme's financial statements, reviewed the accounting policies, obtained assurances from the external auditors and recommended the adoption of the Financial Statements by the Board of Trustees for presentation to members.

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REPORT OF THE PROVISIONAL CURATOR (continued)**9.2 FINANCE COMMITTEE (This committee was relived of its duties effective 14 February 2023)**

The primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the review, formulation and implementation of the investment strategy of the Scheme.

The committee met on the following four occasions during the course of the year:

Monday, 07 March 2022

Monday, 25 April 2022

Thursday, 02 June 2022

Wednesday, 02 November 2022

The members of the committee are:

D Galloway (until 29 June 2022)	Chairperson and Trustee
N Ngubane	Trustee
J Swart (From August 2022)	Trustee
D John (from 29 June 2022)	Chairperson and Trustee
K Rapoo (until 03 October 2022)	Trustee

9.3 CLINICAL COMMITTEE (This committee was relived of its duties effective 14 February 2023)

The primary responsibility of the committee is to assist the Board of Trustees in its responsibility for oversight of the Scheme's various managed care programmes and to ensure that all clinical risks to which the Scheme is exposed are identified and adequately managed. The Committee also advises on new benefit and contribution structures.

The committee met on the following nine occasions during the course of the year:

Thursday, 17 February 2022	(Clinical meeting)
Friday, 25 February 2022	(Strategy meeting)
Thursday, 26 May 2022	(Clinical meeting)
Wednesday, 08 June 2022	(Benefit review meeting)
Thursday, 11 August 2022	(Clinical meeting)
Tuesday, 16 August 2022	(Benefit review meeting)
Wednesday, 07 September 2022	(Benefit review meeting)
Friday, 11 November 2022	(Clinical meeting)
Monday, 19 December 2022	(Clinical meeting)

The members of the committee are:

Dr M Mpata	Chairperson and Trustee (Until 29 June 2022)
B Thabane	Trustee and Chairperson (from October 2022)
H Ngcobo (from October 2022)	Trustee
K Rapoo (until October 2022)	Trustee (Chairperson from 29 June 2022)
V Nair	Trustee
S Sontange (until October 2022)	Trustee (Vice Chairperson from 29 June 2022)
T Mlotshwa	Principal Officer

MEDIPOS MEDICAL SCHEME

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REPORT OF THE PROVISIONAL CURATOR (continued)**9.4 MARKETING COMMITTEE (This committee was relieved of its duties effective 14 February 2023)**

The primary responsibility of the Committee is to assist the Board of Trustees to develop a marketing strategy for the Scheme in order to market the Scheme to the employees of SAPO.

The Committee met on the following four occasions during the course of the year:

Monday, 28 February 2022
Monday, 11 April 2022
Tuesday, 30 August 2022
Wednesday, 02 November 2022

The members of the Committee are:

R Serage (until 29 June 2022)	Trustee and Chairperson
B Thabane (Until October 2022)	Trustee
M Mpata (until 29 June 2022)	Trustee
S Sontange (until October 2022)	Trustee
V Nair (Chairperson from June 2022)	Trustee and Chairperson
M Fikizolo (Independent Vice chairperson from November 2022)	South African Post Office (SAPO)
P Mkhosana (from 29 June 2022)	Trustee

9.5 OPERATIONS COMMITTEE (This committee was relieved of its duties effective 14 February 2023)

The primary responsibility of the Committee is to assist the Board of Trustees on operational matters of the Scheme.

The Committee met on the following four occasions during the course of the year:

Monday, 28 February 2022
Monday, 11 April 2022
Tuesday, 30 August 2022
Wednesday, 02 November 2022

The members of the Committee are:

S Zwane (from October 2022)	Trustee / (Chairperson from October 2022)
B Thabane	Trustee / (Chairperson until October 2022)
K Rapoo	Trustee
J Swart	Trustee (from October 2022)
D Troskie	South African Post Office (SAPO) (until 30 September 2022)
M Swart	South African Post Office (SAPO) (until 30 September 2022)
J Mokone	South African Post Office (SAPO) (until 30 September 2022)
G Moore	South African Post Office (SAPO) (until 30 September 2022)
T Mlotshwa	Principal Officer
H Fetter (from August 2022)	Fund Manager
N Masitenyane (until August 2022)	Fund Manager

9.6 REMUNERATION COMMITTEE (This committee was relieved of its duties effective 14 February 2023)

This Committee is made up of independent, non-remunerated members where the Scheme only covers expenses.

The main purpose of the Committee is to assist the Board to discharge its duties with regard to the following:

- Ensuring that the scheme has appropriate remuneration policies and monitoring their implementation; and
- Ensuring that reporting disclosures related to remuneration meet all relevant statutory disclosures.

The guiding principle underpinning the operation of the Committee is that members of the Committee shall have no direct or indirect financial interest (other than as members of the scheme) in the decisions that they make and shall withdraw from the meetings when their own remuneration is being considered in order to ensure that there is no direct or indirect conflict of interest.

The Committee met on the following one occasion during the course of the year:

Wednesday, 18 May 2022
Tuesday, 08 November 2022

The members of the Committee are:

M Beneke	Chairperson / Independent member
J Binedell	Independent member
L Radebe (Until March 2022)	Independent member
N Sidwaba	Independent member

MEDIPOS MEDICAL SCHEME
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REPORT OF THE PROVISIONAL CURATOR (continued)

10. MEETING ATTENDANCES

The following schedule sets out Board of Trustee meeting attendances and attendances by members of Board sub-committees.

Trustee/Sub-Committee member	Board of Trustees		Board of Trustees (Special Meetings*)		Audit and Risk Committee		Finance Committee		Clinical Committee (Benefit Review)		Operations Committee		Marketing Committee		Remuneration Committee		Procurement Task Team***		Total meetings 2022	Actual number of meetings attended 2022
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Trustees																				
N Ngubane (Chairperson)	8	8	20	20			4	4	9	9									41	41
D Galloway (until June 2022)	5	5	7	7	4	4	2	2											18	18
D John	8	8	22	22	4	4	4	4											38	38
M Mpata (until June 2022)	5	5	7	7					4	4			2	2					18	18
V Nair	8	8	22	22					9	9			4	4					43	43
K Rapoo	7	7	14	14	1	1	3	3	8	8	1	1	1	1					35	35
R Serage (until June 2022)	5	5	7	6							2	2	2	2					16	15
S Sontage	7	7	14	13					8	8			3	3			27	27	59	58
B Thabane	8	8	22	22					1	1	4	4	3	3					38	38
H Ngcobo	8	7	20	19					2	2	3	3							33	31
P Mkhosana (from July 2022)**	3	3	15	15					1	1			4	4					23	23
J Swart (from July 2022)**	3	3	15	15			2	2	2	2	1	1							23	23
S Zwane (from July 2022)**	3	3	15	15	1	1			1	1	2	2							22	22
Principal Officer																				
T Mlotshwa (Principal Officer)	8	8	22	22	4	4	4	4	9	9	4	4	4	4			27	27	82	82
Sub-committee members																				
C Phillips - Audit Committee Chairperson	4	4			4	4													8	8
N Tyandela - Vice-Chairperson	4	1			4	4													8	5
L. Radebe					2	2													2	2
J. Binedelle (ARC Term ended in November 2022)					3	3									2	2			5	5
M Fikizolo (SAPO)													4	4					4	4
J Mokone (SAPO)											4	4							4	4
G Moore (SAPO)											4	4							4	4
M Swart (SAPO)											4	4							4	4
D Troskie (SAPO)											4	4							4	4
M Beneke (Chairperson of Remuneration Committee)															2	2			2	2
N Sidwaba															2	2			2	2

A - Total possible number of meetings could have attended

* - Includes Annual Strategy workshop or Ad-hoc Special Meetings

B - Actual number of meetings attended

* - Includes Annual Strategy workshop or Ad-hoc Special Meetings

MEDiPOS MEDICAL SCHEME
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REPORT OF THE PROVISIONAL CURATOR (continued)

11. NON COMPLIANCE WITH THE MEDICAL SCHEMES ACT NO 131 OF 1998

The Council for Medical Schemes stipulated, via circular 11 of 2006, that all cases of non compliance with the Act should be disclosed in the financial statements. The following stipulations were not complied with during the year:

11.1 Contravention of Section 35(8)(c) of the Medical Schemes Act 131 of 1998, as amended

Nature and impact

The Scheme holds shares indirectly in Discovery Holdings Ltd and Sanlam Ltd. This in contravention of Section 35(8)(c) of the Act, as the Scheme is not allowed to hold shares of the holding company of its administrator and other administrators.

Causes of the non-compliance

The investment activities of the Scheme are outsourced to independent third party investment managers. The Scheme does not control the investing activities of the investment managers.

Corrective course of action.

The Scheme received an exemption from the Council for Medical Schemes (CMS) on 02 November 2022, valid up until 30 November 2025, from complying with Section 35(8)(c) insofar as it relates to investments placed with asset managers who invest on behalf of the Scheme and where such investment choices are not influenced by the Scheme.

11.2 Contravention of S26(7) of the Medical Schemes Act 131 of 1998, as amended

Nature and impact

In terms of Section 26(7) of the Act, all contributions shall be paid to a medical scheme not later than three days after payment thereof becoming due. Contribution income relating to November and December 2022 were still outstanding at year-end. This may pose a financial risk to the Scheme due to non payment as well as a loss of interest on these amounts to the Scheme. SAPO is indebted to the Scheme for contribution income amounting to R675 401 938 at year end. Subsequent to year end R100 million was received relating to November and December 2022 contribution debt.

Causes of the non-compliance

The Employer, the South African Post Office State-owned Company Limited (SAPO) is facing financial challenges. This has resulted in the Scheme not receiving most of the members medical aid deduction and subsidies on time. Certain pensioners also paid late due to unsuccessful debit order deductions. As a result, the Scheme is in contravention of section 26(7).

Corrective course of action

Following the continuous engagements the Scheme has with SAPO, SAPO acknowledged the debt to the Scheme and requested time to pay the Scheme. The matter of SAPO non payment of contributions was brought before the labour court and the following payment arrangements was ordered by the court:

- SAPO to make payment of R20 million per month for the period September to November 2021.
- SAPO to make payment of R43 million per month for the period December 2021 to March 2022.
- SAPO to make payment of R50 million per month for the period April 2022 to December 2022.

The Scheme applied for an exemption to the Council for Medical Schemes (CMS) and CMS granted the Scheme exemption from compliance with Section 26(7), Section 32 of the Act and Rule 13.3 of the Scheme rules up until 31 December 2022. Legal proceeding has been instituted against SAPO to recover the arrear contribution debt for 2020 and 2021 financial years.

For the financial year under review SAPO had defaulted against the court order and various writ of attachment was actioned against SAPO amounting to R117 177 506. Subsequent to year end a further amount of R100 000 000 relating to November and December contribution debt per the September 2021 Court Order was received through the writ attachment process.

MEDiPOS MEDICAL SCHEME

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REPORT OF THE PROVISIONAL CURATOR (continued)**12. SUBSEQUENT EVENTS****12.1 Provisional Curatorship from 14 February 2023**

MEDiPOS Medical Scheme was placed under provisional curatorship by the High Court of South Africa on 14 February 2023 at the instance of the Registrar of Medical Schemes in terms of the provisions of section 56(1) of the Medical Schemes Act, No 131 of 1998. Mr Justice Ephraim Kudumela was appointed as Provisional Curator and authorised to take immediate control of and, in place of the Board of Trustees, manage the business and operations of the Scheme. The order was granted on the ex parte basis or urgency basis, outside the presence of the opposing party.

12.2 New COVID-19 developments

COVID-19 is now an endemic disease and is being managed like other common and wide-spread respiratory diseases. COVID-19 related costs are now a relatively insignificant as a proportion of overall costs for the scheme. Furthermore COVID-19 now has an insignificant impact on member claiming patterns as members are much less hesitant to seek healthcare due to COVID-19 and there is no longer state of disaster restrictions in place.

On the 15th of February 2023 the Department of Health (DoH) announced some changes to the Immunisation cost recovery and reimbursement model. They announced that from the 1st of April 2023 COVID-19 vaccines will only be distributed to public sector health facilities and the private sector facilities will access the vaccines through designated public health facilities. The DoH also announced that COVID-19 vaccines should remain a Prescribed Minimum Benefit and that the administration cost will be fixed at R100 (inclusive of VAT) per dose from the 1st of April 2023.

12.3 Local and geo-political macro-economic conditions

South Africa, like many other countries, has been experiencing elevated levels for consumer price inflation (CPI). This is partially fueled by the on-going Russia-Ukraine war which has affected global energy and food prices. South Africa has also been facing an energy crisis in the form of increased load-shedding which contributes to higher inflation. Higher general CPI puts pressure on medical cost inflation because medical inflation is also a function of general CPI and exchange rates in addition to the usual factors such as member utilisation.

The South African Reserve Bank has also been increasing interest rates in an effort to combat the high inflation. The impact of higher interest rates and inflation is putting downward pressure on expected economic growth and by affecting the real investment returns that can be expected in the markets.

12.4 Budget speech and NHI

On 22 February 2023 the finance minister delivered the 2023 budget speech. The budget was silent on government's plan for the funding the proposed National Health Insurance (NHI).

12.5 SAPO payments

Subsequent to the reporting date payments amounting to R100 million relating to November and December 2022 contribution debt was received from SAPO through the writ attachment process.

13. Going Concern

The Scheme generated a net surplus for the year ended 31 December 2022 of R48 651 244 (2021: net loss of R223 743 657) as described in note 5.1 of the Trustees report.

The ability of the Scheme to continue as a going concern is dependent on a number of factors. The most significant of these being:

- the recoverability of the contribution debt owed by SAPO (refer to note 5.1 of the Curators report) and the potential ongoing non-payment of contributions;
- the success rate of converting all members to self paying individuals.
- the successful litigation process against SAPO in recovering outstanding debt.

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REPORT OF THE PROVISIONAL CURATOR (continued)

13. Going Concern (continued)

- The reserve position of the Scheme in absorbing the impact of non-payment of risk contributions by SAPO up to 31 December 2023

These conditions give rise to a material uncertainty which may cast serious doubt about the Scheme's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Scheme's current liabilities exceeds its current assets by R40 993 375. The Scheme has liquid assets of R325 126 078.

The cost impact of COVID-19 is not expected to have a material impact on the ability of the Scheme to continue to operate as a going concern, considering the current solvency level of 47.59%.

In the event that SAPO makes reduced contribution payments post December 2022, The Scheme will consider making an application to the Council for Medical Schemes (CMS) for contribution deferral. The Scheme will also consider suspension of benefits for relevant members.



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CHARTERED ACCOUNTANTS (SA) • REGISTERED AUDITORS

Independent Auditor's Report

To the Members of Medipos Medical Scheme

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of Medipos Medical Scheme (the Scheme), set out on pages 24 to 59, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in members' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of our report, these financial statements present fairly, in all material respects, the financial position of Medipos Medical Scheme as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

Basis for Qualified Opinion

There is a material uncertainty related to going concern. As at 31 December 2022, the Scheme's current liabilities exceeded the current assets by R 51 414 972 (2021: R 57 806 541). The South African Post Office is indebted to the Scheme for historical contribution income amounting to R 675 401 938. The matter of the South African Post Office's historical non-payment of contributions was brought before the labour court in September 2021 and payment arrangements was ordered by the court. This court order was in relation to the current monthly contributions owed to the fund and was valid up to 31 December 2022. Subsequently a new court order was issued on 8 April 2023 ordering the South African Post Office to pay contributions as per the fund rules. The South African Post Office was placed under provisional liquidation on 9 February 2023 which places significant doubt on its ability to make payments as per the court order towards the scheme. Management and creditors have until 1 June 2023 to argue their respective cases. Should the provisional liquidation be made final the principal employer of the Scheme would cease to continue as a going concern and this in turn would severely impact the ability of the Scheme to continue as a going concern. The actuaries indicated in their report, dated 17 April 2023, that if no contributions are received from the South African Post Office, the Scheme will reach the 25% solvency level by July 2023 and will deplete its reserves by November 2023. Consequently we were unable to determine whether Medipos Medical Scheme will continue as a going concern in the foreseeable future.

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We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities*

for the *Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for*

Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Going concern assessment

Please refer to the basis of qualification paragraph above for our assessment of the going concern assumption. The annual financial statements have been prepared on a going concern basis. At year end the Scheme has a solvency ratio of 45.7% which is above the minimum of 25%, however due to the uncertainty of the matters listed in the basis of qualification paragraph above, we have been unable to obtain sufficient audit evidence to conclude that the Scheme is a going concern at date of this audit opinion.

Outstanding claim provision

The provision for outstanding claims is a provision made for the estimated cost of healthcare benefits that have occurred before the end of the accounting period, but have not been reported to the Scheme by that date.

The provision is based on estimates provided by the Scheme appointed actuary. The process of recognising the provision for outstanding claims is an inherently complex area, requiring judgement and actuarial expertise.

This complexity arises from the need to calculate the actuarial best estimate and the estimated margin, using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future expectations.

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Validity and accuracy of claims

The significant expense for the Scheme relates to risk claims incurred. Risk claims incurred is a key driver in determining the sustainability of the Scheme.

The payment of valid and accurate risk claims is dependent on the integrity of the Scheme's administration system, as well as the automated claim assessment control.

Risk claims incurred was considered a key audit matter due to the significant risk related to the processing of valid claims during the year.

Other Information

The Scheme's Provisional Curator is responsible for the other information. The other information comprises the Statement of Responsibility by the Provisional Curator, Statement of Corporate Governance by the Provisional Curator and the Report of the Provisional Curator. 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 Provisional Curator for the Financial Statements

The Scheme's Provisional Curator is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa, and for such internal control as the Scheme's Provisional Curator 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 Provisional Curator is 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 Provisional Curator either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

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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 Provisional Curator 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.

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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 Provisional Curator 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 Provisional Curator, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter

should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

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

1. Non-compliance with section 35(8)(c) of the Medical Schemes Act 131 of 1998, as amended, of South Africa: The Scheme holds shares indirectly in Discovery Holdings Limited and Sanlam Limited. This is in contravention of section 35(8)(c) of the Medical Schemes Act 131 of 1998, as the Scheme is not allowed to hold shares of the holding company of its administrator and other administrators.

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2. Non-compliance with section 26(7) of the Medical Schemes Act 131 of 1998, as amended, of South African:

In terms of section 26(7) of the Medical Schemes Act 131 of 1998, all contributions shall be paid to a medical scheme not later than three days after payment thereof becomes due. Contribution income relating to November and December 2022 were still outstanding at year-end. This may pose a financial risk to the Scheme due to non-payment as well as a loss of interest on these amounts to the Scheme. South African Post Office is indebted to the Scheme for contribution income amounting to R 675 401 938 at year-end.

Middel & Partners

Middel & Partners

Per: Jacques Jean Marais

Chartered Accountant (SA)

Registered Auditor

5 May 2023

Pretoria

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MEDIPOS MEDICAL SCHEME
Registration number: 1548

STATEMENT OF FINANCIAL POSITION
at 31 December 2022

	Notes	2022 R	2021 R
ASSETS			
Non-current assets			
Property, Plant and Equipment	2	29 424	31 567
Financial assets at fair value through profit or loss	3	322 422 666	290 582 445
		15 413 765	13 415 930
Current assets			
Insurance and other receivables	4	12 710 353	11 541 816
Cash and cash equivalents	5	2 703 412	1 874 114
Total assets		337 865 855	304 029 942
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		281 458 715	232 807 471
		56 407 140	71 222 471
Current liabilities			
Insurance and financial liabilities	6	27 538 031	22 338 409
Outstanding claims provision	7	25 991 977	48 596 234
PMSA Liabilities	8	2 877 132	287 828
Total funds and liabilities		337 865 855	304 029 942

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STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Notes	2022 R	2021 R
Risk contribution income	9	518 696 651	262 688 331
Relevant healthcare expenditure			
Net claims incurred		(454 343 321)	(500 430 095)
Risk claims incurred	10	(450 538 038)	(496 231 590)
Managed healthcare services	11	(6 820 775)	(6 657 706)
Third party claim recoveries	12	3 015 492	2 459 201
Gross healthcare result		64 353 330	(237 741 764)
Administration expenses	13	(34 397 921)	(32 450 192)
Net impairment (losses) on healthcare receivables	15	(209 170)	(1 122 395)
Net healthcare result		29 746 239	(271 314 351)
Other income		20 314 743	49 515 565
Investment income	16	16 931 674	21 701 164
Realised gain / (loss) on disposal of financial assets at fair value through profit and loss	3	6 032 080	22 291 503
Unrealised (loss) / gain on financial assets at fair value through profit and loss	3	(5 700 183)	5 512 566
Sundry income	17	3 051 172	10 332
Other expenditure		(1 409 738)	(1 944 871)
Finance cost		(92 442)	(24 105)
Asset management fees		(1 317 296)	(1 920 766)
Total comprehensive income / (loss) for the year		48 651 244	(223 743 657)

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STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2022

	Total Members' funds R
Opening balance at 01 January 2021	456 551 128
Total comprehensive (loss) for the year	(223 743 657)
Closing balance for the year ended 31 December 2021	<u>232 807 471</u>
Total comprehensive income for the year	48 651 244
Closing balance for the year ended 31 December 2022	<u><u>281 458 715</u></u>

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STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	Notes	2022 R	2021 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from members and providers		531 006 188	293 534 409
Cash receipts from members - contribution		530 053 444	292 908 048
Cash receipts from members and providers - other		952 744	626 361
Cash paid to providers, employees and members		(518 542 274)	(526 712 605)
Cash paid to providers, employees and members - claims		(482 938 340)	(492 378 240)
Cash paid to providers, employees and members - non healthcare expenditure		(35 603 934)	(34 334 365)
Cash generated / (utilised) by operations		12 463 914	(233 178 196)
Finance cost		(92 442)	(24 105)
Cash flows from operations before working capital changes		<u>12 371 472</u>	<u>(233 202 301)</u>
CASH FLOWS GENERATED FROM / (USED IN) INVESTING ACTIVITIES			
		(11 542 174)	233 462 555
Additions to financial assets at fair value through profit or loss		(459 840 402)	(333 114 356)
Proceeds on disposal of financial assets at fair value through profit or loss		428 332 080	544 891 503
Investment interest received		13 254 853	15 024 825
Dividends received		3 676 821	6 676 339
Other interest received		3 051 172	-
Purchase of computer equipment		(16 698)	(15 756)
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>829 298</u>	<u>260 254</u>
Cash and cash equivalents at the beginning of the year		1 874 114	1 613 859
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	<u>2 703 412</u>	<u>1 874 114</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the annual financial statements are set out below and are in accordance with International Financial Reporting Standards (IFRS), Financial Reporting Pronouncements as Issued by the Financial Reporting Standards Council and in the manner required by the Medical Schemes Act, No. 131 of 1998, as amended and the regulations thereto. These policies were consistently applied to all years presented, except for changes required by the mandatory adoption of new, revised IFRS and changes in accounting policy per note 30.

1.1 Basis of preparation

The annual financial statements are prepared in accordance with IFRS, applying IFRS 4 and the accompanying application exemptions in the current year. The standards referred to are set by the International Accounting Standards Board (IASB). The annual financial statements are prepared on a going concern basis using the historical cost convention, except for financial assets, which are carried at fair value.

Use of estimates and new standards to be implemented

The preparation of the financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amount of assets, liabilities and contingent liabilities at the reporting date as well as affect the reported income and expenditure for the year. The actual outcome may differ from these estimates. For further information on critical estimates and judgements refer to note 22.

(A) The following standards, amendments to standards, improvements and interpretations are not yet effective for the Scheme in the current financial year:

IFRS 17 - Insurance Contracts

Amendments to IFRS 17

IFRS 17 was issued in May 2017 as a replacement to IFRS 4 'Insurance Contracts'. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach (PAA) is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The effective date of the standard is for years beginning on or after 01 January 2023.

The Scheme expects to adopt the standard for the first time in the 2023 Annual Financial Statements. The Scheme has assessed the requirements of the standard and agreed upon a project plan to implement the standard. The main outcomes of the assessment are summarised below.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1. PRINCIPAL ACCOUNTING POLICIES (continued)

IFRS 17 - Insurance Contracts (continued)

Implementation assessment:

The contracts issued by the Scheme to members are included in the scope of IFRS 17 as they insure against the cost of a health event, arising from either, out of hospital (day to day events), in hospital events or chronic illnesses, or any combination of these events.

The contracts issued by the Scheme are subject to similar risks and managed together and fall into the same portfolio, with the level of aggregation set at the overall Scheme level.

The Scheme's insurance contracts are included in a single portfolio and the coverage period is aligned with the reporting period (financial year). The insurance contracts will be recognised from 1 January or from inception of cover should a member join the Scheme after 1 January.

Where the Scheme, as a whole is priced for a deficit position at the Net Healthcare Result level, all contracts would be onerous and the loss would thus need to be recognised.

As pricing for the Scheme commences in July for the following year, the onerous contract test would be assessed at this time, with the following year's loss being recognised in the current financial year, based on the approved budget from CMS.

No discounting will be applied as no contract exceeds 12 months.

Implementation progress:

The contract boundary for the Scheme's insurance contracts do not exceed 12 months and is generally aligned with the Scheme's financial year. Debtors that paid in advance and where no insurance service has yet been provided would be reflected in liability for remaining coverage at the year-end reporting date.

The PAA can be used to measure the Scheme's insurance contracts as each of the healthcare insurance contracts has a coverage period of one year or less.

The only liability remaining at year end would be the liability for incurred claims, which comprises the fulfilment cash flows related to past service allocated to the Scheme at that date.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1.2 Property, plant and equipment

Property, plant and equipment comprises mainly of computer equipment. Property, plant and equipment is reflected at historical cost less accumulated depreciation and accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation on all assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Computer equipment and software	1-3 years
---------------------------------	-----------

1.3 Financial instruments

The Scheme has grouped the financial instruments in the following categories:

- Insurance and other receivables;
- Cash and cash equivalents;
- Insurance and financial liabilities; and
- Financial assets at fair value through profit or loss.

The classification depends on the purpose for which the financial instruments are acquired. The Provisional Curator determines the classification of financial instruments at initial recognition. All purchases and sales of financial instruments are recognised on the trade date, which is the date on which the Scheme commits to purchase the financial asset or assume financial liability. All financial assets are recognised initially at fair value plus directly attributable transaction costs.

Financial Assets

Recognition and Derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Scheme commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Scheme has transferred substantially all the risks and rewards of ownership.

Effective 1 January 2018 the Scheme has applied IFRS 9 and categorises its investments as "Fair value through profit or loss".

Classification

IFRS 9 contains three major categories relating to the classification of debt instruments.

- Measured at amortised cost;
- Measured at fair value through other comprehensive income (FVOCI); and
- Measured at fair value through profit or loss (FVTPL).

(a) Amortised Cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

1. the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows, and
2. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Fair value through other comprehensive income (FVOCI)

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

1. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
2. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Fair value through profit or loss (FVTPL)

Financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments, that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

1.3 Financial instruments (continued)

Initial and Subsequent Measurement

Financial assets held at amortised cost

Trade and other receivables are initially measured at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method.

Interest income is recognised less any expected credit impairment losses which are recognised as part of credit impairment charges.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the profit or loss. Gains or losses arising from changes in the fair value, dividend and interest returns are presented in profit or loss within the period in which they arise.

Cash and cash equivalents

Cash and cash equivalents comprise current accounts and deposits held on call with banks. Cash and cash equivalents are subsequently measured at amortised cost.

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. Cash and cash equivalents have a maturity of less than three months and insignificant risk of changes in fair value.

Impairment of financial assets

The Scheme recognises a loss allowance for expected credit losses on Trade and other receivables. The expected credit loss model requires the Scheme to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

In determining impairment of Insurance Receivables, the incurred loss model is appropriate to determine impairment of Insurance Receivables and this model will continue to be applied.

The Scheme classifies its investments as Fair value through profit or loss.

Derecognition of assets or financial liabilities

The Scheme derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Scheme is recognised as a separate asset or liability.

Where the Scheme neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Scheme determines whether it has retained control of the financial asset. In this case:

- (i) If the Scheme has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; and
- (ii) If the Scheme has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The Scheme derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

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**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022****1.3 Financial instruments (continued)****Financial liabilities**

The Scheme is not permitted to borrow, in terms of Section 35 (6)(c) of the Medical Schemes Act 131 of 1998, as amended. The Scheme therefore has no long-term financial liabilities. A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities include trade and other payables.

The Scheme has grouped the financial liabilities in the following categories:

- Financial liabilities; and
- Insurance payables

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest

Insurance payables

Insurance payables are initially measured at fair value (which approximates cost), and are subsequently measured at amortised cost, using the effective interest method.

Personal Medical Savings Account ("PMSA") liability

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

Unspent PMSA balances at year-end are carried forward to meet future expenses for which the members are responsible. In terms of the Act, balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act.

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

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

1.4 Provisions

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

Outstanding risk claims provision

Outstanding risk claims comprise provisions for the Scheme's estimate of the ultimate cost of settling all risk claims incurred but not yet reported at the reporting date. Risk claims outstanding are determined as accurately as possible based on a number of factors, which include previous experience in risk claims pattern, risk claims settlement patterns, changes in the nature and number of members according to gender and age, trends in risk claims frequency, changes in the risk claims processing cycle, and variations in the nature and average cost incurred per claim. The Scheme does not discount its provision for outstanding risk claims since the effect of the time value of money is not considered material.

1.5 Insurance contracts

Contracts under which the Scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary, are classified as insurance contracts. The contracts issued compensate the Scheme's members for healthcare expenses incurred.

1.6 Risk contribution income

Contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. Risk contributions represent gross contributions per the registered rules. The earned portion of risk contributions received is recognised as revenue. Risk contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis.

1.7 Relevant healthcare expenditure

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

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1.8 Claims incurred

Risk claims incurred comprise the total estimated cost of all claims arising from the 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 risk claims incurred comprise:

- claims submitted and accrued for services rendered during the year, net of recoveries from members for co-payments and medical savings accounts; for that year, net of recoveries from members for co-payments and medical savings accounts;
- claims incurred but not yet reported; and
- claims settled in terms of risk transfer arrangement.

Claims incurred relating to risk transfer arrangements are accounted for at the estimated cost that the Scheme would have incurred had it not entered into the agreement to deliver the specified benefits to its members.

1.9 Managed healthcare services

These expenses comprise amounts paid or payable to a third party for managing the utilisation, costs and quality of healthcare services to the members of the Scheme. Managed care management service fees are expenses as incurred.

1.10 Reimbursements from the Road Accident Fund (RAF)

The Scheme grants assistance to its members in defraying expenditure incurred in connection with rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act No. 56 of 1996. If the member is reimbursed by the RAF, they are contractually obliged to cede that payment to the Scheme to the extent that they have already been compensated.

1.11 Investment income

Investment income comprises dividends, interest on cash and cash equivalents, interest on fixed interest securities and realised gains or losses on disposal of investments.

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

Dividend income from investments is recognised when the right to receive payment is established.

Distributions from collective investment schemes are recognised when entitlement to receive payment is established.

1.12 Unclaimed benefits

Unclaimed benefits are written back to income after a period of three years.

1.13 Allocation of income and expenditure to benefit options

The following items are directly allocated to benefit options:

- Risk contribution income;
- Net claims incurred;
- Managed care: management services; and
- Administration expenses.

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

- Other administration expenditure;
- Investment income;
- Impairment and recoveries on receivables;
- Other income; and
- Other expenditure.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

	2022	2021
	R	R
2. PROPERTY, PLANT AND EQUIPMENT		
Computers		
Cost		
At beginning of year	44 055	28 299
Additions	16 698	15 756
Carrying amount at end of period	<u>60 753</u>	<u>44 055</u>
Accumulated depreciation		
At beginning of year	12 488	-
Depreciation charges	18 841	12 488
At end of period	<u>31 329</u>	<u>12 488</u>
Carring amount at end of period	<u>29 424</u>	<u>31 567</u>
3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	R	R
Fair value at the beginning of the year	290 582 445	474 555 523
Additions	438 500 000	291 000 000
Disposals	(422 300 000)	(522 600 000)
Capitalised interest and dividends	15 308 322	19 822 853
Realised (loss) / gains on disposal of investments through profit and loss	6 032 080	22 291 503
Unrealised gains on revaluation of financial assets at fair value through profit and loss	(5 700 183)	5 512 566
Fair value at the end of the year	<u>322 422 664</u>	<u>290 582 445</u>
Non-current	<u>322 422 666</u>	<u>290 582 445</u>
The investments included above represent investments managed by:		
Prescient	93 550 321	115 251 003
Coronation	130 642 711	125 079 126
Nedgroup Core Income Fund	98 229 634	50 252 316
	<u>322 422 666</u>	<u>290 582 445</u>
Investments are summarised as follows:		
- Bonds and debentures	144 724 223	133 401 580
- Money market	118 555 533	62 505 577
- Equities	59 142 910	94 675 288
	<u>322 422 666</u>	<u>290 582 445</u>

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

4. INSURANCE AND OTHER RECEIVABLES	2022	2021
	R	R
Insurance receivables	3 999 898	3 794 317
Contributions receivable	2 440 632	2 769 237
Recoveries from members and suppliers	1 559 266	1 025 080
Less: Accumulated impairment on insurance receivables	(1 886 239)	(1 677 069)
Balance at the beginning of the year	(1 677 069)	(554 674)
Movement in impairment	(209 170)	(1 122 395)
Balance at the end of the year	2 113 659	2 117 248
Non Insurance receivables	10 596 694	9 424 568
Prepayments	175 187	175 187
Sundry debtors	-	7 740
PMSA Advances (note 8)	9 804 327	9 050 759
Interest receivable - current and call accounts	617 180	190 882
	12 710 353	11 541 816

Analysis of movement in respect of insurance receivables

Balance at the beginning of the year	2 117 248	33 404 967
Increase in insurance receivables	520 279 939	211 492 347
Cash received	(520 074 358)	(241 657 671)
Increase in impairment	(209 170)	(1 122 395)
Balance at the end of the year	2 113 659	2 117 248

The interest receivable at 31 December 2022 of R617 180 (2021: R190 882) only includes the interest receivable on the Nedgroup Core Income Fund as well as the Scheme's current account. The interest receivable from the Scheme's investment portfolios with Coronation and Prescient is included in the investment values and profit and loss.

The PMSA advances at 31 December 2022 of R9 804 327 (2021: R9 050 759) is the net amount of savings claims paid less savings contributions received.

The carrying amounts of accounts receivable approximate the fair values due to the short-term nature of these assets. The effect of expected credit losses are immaterial to the Scheme.

5. CASH AND CASH EQUIVALENTS	2022	2021
	R	R
Current account	2 703 412	1 874 114

The weighted average effective interest rate on the current account was 0.0% (2021: 0.0%).

The carrying value of cash and cash equivalents approximates the fair values due to the short-term nature of the assets.

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**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)**

6. INSURANCE AND FINANCIAL LIABILITIES	2022	2021
	R	R
Insurance liabilities		
Member and service providers claims receivable	32 430	44 015
Risk contributions receivable	4 015 959	1 918 963
Reported claims not yet paid	21 650 359	18 361 005
Total liabilities arising from insurance contracts	<u>25 698 748</u>	<u>20 323 983</u>
Financial liabilities		
Accrual for audit fees	455 397	531 071
Sundry creditors	1 383 886	1 483 355
Total financial liabilities	<u>1 839 283</u>	<u>2 014 426</u>
Total insurance and financial liabilities	<u>27 538 031</u>	<u>22 338 409</u>
Analysis of movement in respect of insurance liabilities		
Balance at the beginning of the year	20 323 983	12 388 832
Increase in insurance payables	491 931 877	533 922 125
Cash paid	(486 557 112)	(525 986 974)
Balance at the end of the year	<u>25 698 748</u>	<u>20 323 983</u>

The carrying amounts of insurance and financial liabilities approximate their fair values due to the short-term maturities of these liabilities.

7. OUTSTANDING CLAIMS PROVISION**Not covered by risk transfer arrangements**

Provision for outstanding claims	<u>25 991 977</u>	<u>48 596 234</u>
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Analysis of movements in outstanding claims

Balance at beginning of year	48 596 234	40 355 530
Payments in respect of prior year	(48 417 361)	(40 355 521)
Over / under provision in the prior year	178 873	9
Over / under provision in respect of prior year written back	(178 873)	(9)
Adjustment for current year	25 991 977	48 596 234
Balance at end of year	<u>25 991 977</u>	<u>48 596 234</u>

Process used to prepare estimates

Insight Actuaries and Consultants (Pty) Ltd performed the outstanding claims provision calculation exercise in accordance with the principles and guidelines included within the Actuarial Society of South Africa's "Advisory Practice Note APN304: Liability Valuations of South African Medical Schemes".

The IBNR figures provided include both Incurred But Not Reported claims as well as Reported but Not Paid claims. Insight Actuaries and Consultants (Pty) Ltd incorporated claims payment information with service dates during 2021 and 2022. The claims payment information during 2023 enhances the reliability of results by allowing for incorporation of historic claims payment run-off trends.

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**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)****7. OUTSTANDING CLAIMS PROVISION (continued)****Process used to prepare estimates (continued)**

Insight Actuaries and Consultants (Pty) Ltd applied the Chain Ladder Method (CLM) in the calculation of the Scheme's IBNR provision.

The CLM uses run-off triangles to calculate the expected outstanding claims amount. The primary assumption is that patterns in claims activities and the rate of claims payment in the past will continue to be seen in the future.

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

Insight Actuaries and Consultants (Pty) Ltd selected the IBNR results produced by the CLM given that it is expected to be more accurate where sufficient subsequent payment experience is available. In addition, the Bornheutter Ferguson Method (BFM) is assumed to be less reliable given that the recent suspension in benefits has as affected member and provider behaviour, and hence overall claims experience.

Insight Actuaries and Consultants (Pty) Ltd did not only produce a point-estimate of IBNR, but also produced a distribution of results based on a stochastic statistical process named bootstrapping. This allows for an enhanced understanding of the probable range of IBNR results in addition to the calculation of a reasonable estimate. The risk adjustment margin uses the 75th percentile of the simulated IBNR estimates, in order to provide a degree of conservatism and reduce the probability of an IBNR under provision.

Assumptions

Insight Actuaries and Consultants (Pty) Ltd have used actual claims serviced and paid until the end of March 2023 for the purposes of calculating the provision for outstanding claims. The chain ladder method has been used to estimate claims for those (future) payment months which were not available to us at the date of preparing the calculation. This method is appropriate when claims administration processes are stable, irrespective of whether this is the case for beneficiaries' claiming propensities. The use of the chain ladder method makes the implicit assumption that historical development patterns will apply in the future.

Sensitivity of outstanding claims provision

The percentages used as assumptions are listed in the table below. The table also outlines the sensitivity of these percentages, and the impact on the Scheme's liabilities if an incorrect assumption is used. The sensitivities provided are based on increasing the outstanding claims percentages detailed below.

The assumed percentages of claims outstanding at the end of the period are as follows:

	2022	2021
	%	%
Claims outstanding for services rendered in:		
- December	57.1%	59.8%
- November	18.3%	20.9%
- October	7.7%	13.2%
- September	2.8%	8.1%
- August and prior	0.5%	2.8%

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

7. OUTSTANDING CLAIMS PROVISION (continued)

Sensitivity analysis	2022	2021
The impact on the outstanding claims provision is set out below:	R	R
Effect of a 1% change in assumptions	2 018 628	3 983 000
Effect of a 2% change in assumptions	4 037 623	8 052 000
Effect of a 3% change in assumptions	6 056 618	12 208 000

This analysis is prepared for a change in a specified variable with other assumptions remaining constant. The change in liability also represents the absolute change in surplus/ (deficit) for the period. It should be noted that increases in liabilities would result in decreases in surplus and vice versa.

The Scheme believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

8. PMSA Liabilities

Credit balance at beginning of the year	287 828	-
Less: prior year advances	(9 050 759)	-
Add: savings plan account contribution received	12 933 675	754 327
Interest paid	92 442	24 105
PMSA Claims paid / charged on behalf of members	(11 190 381)	(9 541 363)
Advances (note 4)	9 804 327	9 050 759
Balance on PMSA liabilities at end of the year	<u>2 877 132</u>	<u>287 828</u>

9. RISK CONTRIBUTION INCOME

	R	R
Gross contributions	531 630 326	263 442 658
Less: savings contributions received	(12 933 675)	(754 327)
Risk contributions per registered rules	<u>518 696 651</u>	<u>262 688 331</u>

10. RISKS CLAIMS INCURRED

Claims incurred excluding claims incurred in respect of risk transfer arrangement

Current year claims per registered rules	424 724 934	447 635 365
Movement in outstanding claims provision	25 813 104	48 596 225
Under provision in the prior year (note 6)	(178 873)	(9)
Adjustment for the current year (note 6)	25 991 977	48 596 234
Risk claims incurred	<u>450 538 038</u>	<u>496 231 590</u>

11. MANAGED HEALTHCARE SERVICES

Hospital risk management	2 096 670	2 043 194
Medicine risk management	1 480 443	1 441 693
HIV & AIDS management	776 684	768 919
Disease risk management	1 976 575	1 926 030
Dental management services	490 403	477 870
	<u>6 820 775</u>	<u>6 657 706</u>

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	2022	2021
	R	R
12. THIRD PARTY CLAIM RECOVERIES		
Road Accident Fund (RAF) recoveries	1 332 649	1 121 752
Fraud Waste and Abuse (FWA) recoveries	1 682 843	1 337 449
	<u>3 015 492</u>	<u>2 459 201</u>
13. ADMINISTRATION EXPENSES		
Administrator's fees	22 222 781	21 493 186
Actuarial fees	768 501	590 054
Audit fees - audit services	436 225	531 072
Audit committee fees	164 445	115 085
AGM and conference and meeting expenses	404 339	504 931
Bank charges	180 658	194 943
Board of Healthcare Funders' levies	172 612	183 786
Council for Medical Schemes' levies	505 132	561 670
Conferences And Seminars	67 987	5 200
Consulting fees	466 950	31 563
Data costs	60 002	32 920
Debt recovery charges	8 043	36 203
Depreciation	18 841	12 488
Equipment rental	53 011	58 628
Fidelity insurance	175 187	166 845
Forensic services	285 315	670 114
Legal fees	1 046 187	523 601
Marketing expenses	452 134	451 025
Printing and postage	1 139 948	2 018 713
Principal Officer's remuneration	1 971 088	1 702 023
Principal Officer's office travelling, accommodation and conference expenses	50 500	16 558
Payroll expenditure	1 199 875	804 403
Travel and entertainment	100 067	9 689
Trustees' fees (note 14.1)	2 092 359	1 696 775
Trustees' expenses (note 14.1)	355 734	38 717
	<u>34 397 921</u>	<u>32 450 192</u>

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14.1 TRUSTEES' FEES AND EXPENSES

	Trustees' fees	Data reimbursement	Conferences	Travelling and accommodation	Total Trustees' expenses
31 December 2022	R	R	R	R	R
D Galloway	79 956	2 178	-	-	2 178
M Mpata	60 400	1 287	17 349	-	18 636
K Rapoo	149 986	4 059	17 349	1 625	23 033
R Searge	104 334	2 772	-	-	2 772
J Swart	101 490	3 762	-	16 113	19 875
B Thabane	187 698	5 346	-	11 166	16 512
N Ngubane	310 910	8 811	17 349	48 858	75 018
D John	196 422	6 138	-	720	6 858
S Sontage	345 174	7 920	17 349	24 729	49 998
V Nair	218 514	6 638	17 349	46 713	70 700
H Ngcobo	146 281	4 851	-	7 441	12 292
S Zwane	100 167	3 168	-	1 008	4 176
P Mkhosana	91 027	2 673	-	51 013	53 686
	2 092 359	59 603	86 745	209 386	355 734

	Trustees' fees	Data reimbursement	Conferences	Travelling and accommodation	Total Trustees' expenses
31 December 2021	R	R	R	R	R
D Galloway	144 215	3 455	-	-	3 455
M Mpata	161 470	3 455	-	-	3 455
K Rapoo	179 935	4 148	-	-	4 148
R Searge	166 555	4 148	-	-	4 148
A Nongogo	5 469	99	-	-	99
B Thabane	134 250	3 158	-	-	3 158
N Ngubane	255 671	5 831	-	-	5 831
D John	148 085	3 554	-	-	3 554
S Sontage	256 905	4 742	-	-	4 742
V Nair	156 875	3 653	-	-	3 653
H Ngcobo	54 975	1 881	-	-	1 881
J Naude	32 370	594	-	-	594
	1 696 775	38 717	-	-	38 717

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**NOTES TO THE FINANCIAL STATEMENTS
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	2022 R	2021 R
15. NET IMPAIRMENT (LOSSES) ON HEALTHCARE RECEIVABLES		
Insurance receivables		
Members' and service providers' portions that are not recoverable	(209 170)	(1 122 395)
Movement in impairment allowance	(209 170)	(1 122 395)
Written off	-	-
	<u>(209 170)</u>	<u>(1 122 395)</u>
The movement in the impairment allowance for each class of financial asset for the year was as follows:		
Balance at the beginning of the year	1 677 069	554 674
Movement in the provision for impairment loss recognised in the statement of comprehensive income	209 170	1 122 395
Provision increased during the year	209 170	1 122 395
Impairment loss written off directly in the statement of comprehensive income	-	-
Balance at the end of the year	<u>1 886 239</u>	<u>1 677 069</u>
16. INVESTMENT INCOME		
Interest income	13 254 853	15 024 825
- Cash and cash equivalents	-	-
- Interest income from financial assets fair value through profit or loss	13 254 853	15 024 825
- Dividend income from financial assets at fair value through profit or loss	3 676 821	6 676 339
	<u>16 931 674</u>	<u>21 701 164</u>
17. SUNDRY INCOME		
Interest received on writ attachments / Prescribed balances written back	3 051 172	10 332
	<u>3 051 172</u>	<u>10 332</u>
18. PROFESSIONAL INDEMNITY AND FIDELITY GUARANTEE INSURANCE		

In terms of section 33(3) of the Medical Schemes Act 131 of 1998, as amended, the Scheme is covered in terms of a fidelity policy underwritten by Camargue Underwriting Managers (Pty) Limited (policy number: MEDC463896744) which, at 31 December 2022, provided cover of R100 million (2021: R100 million).

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

19. ANALYSIS OF CARRYING AMOUNTS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES PER CATEGORY

	2022	2021
	R	R
Carrying amounts of financial assets and financial liabilities		
Financial assets at fair value through profit and loss	322 422 666	290 582 445
Cash and cash equivalents	2 703 412	1 874 114
Total financial assets	<u><u>325 126 078</u></u>	<u><u>292 456 559</u></u>
Financial liabilities measured at amortised cost	1 839 283	2 014 426
Other payables	<u>1 839 283</u>	<u>2 014 426</u>
Financial liability - Outstanding claims provision	-	-
Total financial liabilities	<u><u>1 839 283</u></u>	<u><u>2 014 426</u></u>
Financial assets at fair value through profit and loss		
- Bond and debentures	144 724 223	133 401 580
- Money market	118 555 533	62 505 577
- Equities	59 142 910	94 675 288
	<u><u>322 422 666</u></u>	<u><u>290 582 445</u></u>
Financial liabilities measured at amortised cost		
- other payables (Note 6)	<u>1 839 283</u>	<u>2 014 426</u>
	<u><u>1 839 283</u></u>	<u><u>2 014 426</u></u>

As evidenced in the tables above, the carrying values of all financial assets and financial liabilities approximate their fair values.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

20. (DEFICIT) / SURPLUS FROM OPERATIONS PER BENEFIT OPTION

2022	Option A R	Option B R	Option C R	Total R
Risk contribution income	100 691 434	325 834 939	92 170 278	518 696 651
Relevant healthcare expenditure	(89 135 918)	(295 375 302)	(69 832 101)	(454 343 321)
Net claims incurred	(89 135 918)	(295 375 302)	(69 832 101)	(454 343 321)
Risk claims incurred	10 (88 761 765)	(293 075 356)	(68 700 918)	(450 538 038)
Managed care: management services	(672 765)	(4 123 153)	(2 024 857)	(6 820 775)
Third party claim recoveries	298 612	1 823 206	893 674	3 015 492
Gross healthcare result	11 555 516	30 459 637	22 338 177	64 353 330
Administration expenses	(3 426 462)	(20 645 914)	(10 325 545)	(34 397 921)
Net impairment loss on insurance receivables	(18 549)	(122 048)	(68 573)	(209 170)
Net healthcare result	8 110 505	9 691 675	11 944 059	29 746 239
Other income	1 983 918	12 282 579	6 048 246	20 314 743
Investment income	1 665 080	10 232 182	5 034 412	16 931 674
Realised gain on disposal of financial assets at fair value through profit and loss	612 378	3 658 138	1 761 565	6 032 080
Unrealised gain on disposal of financial assets at fair value through profit and loss	(585 871)	(3 452 413)	(1 661 899)	(5 700 183)
Sundry income	292 331	1 844 672	914 169	3 051 172
Other expenditure	(130 005)	(888 717)	(391 015)	(1 409 738)
Finance cost	-	(92 442)	-	(92 442)
Asset management fees	(130 005)	(796 275)	(391 015)	(1 317 296)
Total comprehensive income for the year	9 964 418	21 085 536	17 601 290	48 651 244
Number of members at year end	1 038	6 550	3 246	10 834

2021	Option A R	Option B R	Option C R	Total R
Risk contribution income	67 733 692	163 969 572	30 985 067	262 688 331
Relevant healthcare expenditure	(109 662 791)	(324 556 838)	(66 210 466)	(500 430 095)
Net claims incurred	(109 662 791)	(324 556 838)	(66 210 466)	(500 430 095)
Risk claims incurred	10 (109 205 040)	(322 010 286)	(65 016 264)	(496 231 590)
Managed care: management services	(727 131)	(4 045 519)	(1 885 056)	(6 657 706)
Third party claim recoveries	269 380	1 498 968	690 854	2 459 201
Gross healthcare result	(41 929 099)	(160 587 266)	(35 225 399)	(237 741 764)
Administration expenses	(3 529 413)	(19 754 556)	(9 166 223)	(32 450 191)
Net impairment loss on insurance receivables	(120 955)	(691 643)	(309 798)	(1 122 395)
Net healthcare result	(45 579 467)	(181 033 464)	(44 701 419)	(271 314 350)
Other income	5 420 219	30 133 877	13 961 469	49 515 565
Investment income	2 377 484	13 182 952	6 140 729	21 701 164
Realised gain on disposal of financial assets at fair value through profit and loss	2 420 702	13 552 204	6 318 596	22 291 503
Unrealised gain on disposal of financial assets at fair value through profit and loss	620 887	3 392 382	1 499 297	5 512 566
Sundry income	1 146	6 340	2 847	10 332
Other expenditure	(210 412)	(1 191 515)	(542 944)	(1 944 871)
Finance cost	-	(24 105)	-	(24 105)
Asset management fees	(210 412)	(1 167 410)	(542 944)	(1 920 766)
Total comprehensive income for the year	(40 369 660)	(152 091 101)	(31 282 895)	(223 743 657)
Number of members at year end	1 196	6 928	3 262	11 386

Basis of allocations

Except for contribution income and claims all other income and expenses are allocated according to membership at year end.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (continued)

21. RELATED PARTY DISCLOSURES**Parties with significant influence over the Scheme**

South African Post Office SOC Ltd was able to participate in operating and financial decisions as they were able to appoint 50% of the Trustees up until 31 October 2022.

Medscheme Holdings (Proprietary) Limited has significant influence over the Scheme, as it provides financial and operational information on which policy decisions are based, but does not control the Scheme. Medscheme Holdings (Proprietary) Limited provides administration services.

Managed care organisation, Medscheme Holdings (Proprietary) Limited, provides managed care services and has significant influence over the Scheme, but does not control the Scheme.

3One Actuaries (up until 30 June 2022) and Insight Actuaries and Consultants (Pty) Ltd (from 1 July 2022) has significant influence over the Scheme, as they provide operational information on which policy decisions are based, but does not control the Scheme. Insight Actuaries and Consultants (Pty) Ltd provides consulting and actuarial services.

Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel included the Board of Trustees, the Principal Officer and members of committees for the period under review.

Close family members include family members of the Board of Trustees, Principal Officer and members of the Committees.

Transactions and balances with related parties

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

	2022	2021
	R	R
Statement of Comprehensive Income		
Risk contributions received (key management personnel)	485 346	667 089
Risk claims incurred (key management personnel)	1 092 381	861 461
Administrator's fees		
- Medscheme Holdings (Proprietary) Limited	22 222 781	21 493 186
Managed care fees		
- Medscheme Holdings (Proprietary) Limited	6 044 091	5 888 787
- Aids for Aids	776 684	768 919
Actuarial fee (Insight Actuaries and Consultants (Pty) Ltd)	415 911	-
Actuarial fee (3ONE Actuaries and Consultants (Pty) Ltd)	352 590	590 054
Contribution subsidies (South African Post Office State-owned Company Limited)	309 329 549	161 527 323
Principal Officer's remuneration	1 971 088	1 702 023
Staff remuneration	1 199 875	804 403
Principal Officer's office travelling, accommodation and conference expenses	50 500	16 558
Trustees' fees and expenses	2 448 093	1 735 492
Audit committee fees	164 445	115 085

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for the year ended 31 December 2022 (continued)

21. RELATED PARTY DISCLOSURES (continued)

	2022	2021
	R	R
Statement of financial position		
Medscheme Holdings (Proprietary) Limited		
- Administrator's fees, forensic fees and cost recoveries payable	285 315	834 787

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

Risk contributions received (key management personnel)

This constitutes the contributions paid by the related parties as members of the Scheme, in their individual capacities. All contributions were at the same terms as applicable to other members.

Risk claims incurred (key management personnel)

This constitutes amounts claimed by the related parties, in their individual capacities as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to other members.

Administration fees and managed care fees

The administration agreement is in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees. The outstanding balance bears no interest and is due within 30 days.

Trustee fees and expenses

The Board approved that as from 1 June 2014 the Scheme pay the Trustees remuneration and reimbursive expenses at cost.

22. GUARANTEES AND COMMITMENTS

The Scheme has not issued any guarantees and has no commitments.

23. CONTINGENT ASSET

At 31 December 2022 the Scheme had pending motor vehicle accident recoveries submitted to the Road Accident Fund (RAF) for assessment. These recoveries will only be accounted for when an amount is virtually certain to be received from the RAF. The value of pending claims at year-end amounted to R8 051 708 (2021: R5 914 578).

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (continued)

24. FINANCIAL RISK MANAGEMENT

The Scheme is exposed to a range of financial risks through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that the Scheme's investment performance is not sufficient to maintain the solvency ratio, or that the Scheme should increase member contributions due to insufficient investment performance. The most significant components of this financial risk are interest rate risk, equity price risk and credit risk.

These risks arise from open positions in interest rate and equity risk products, both of which are exposed to general and specific market movements.

The following summary represents the major asset classifications held by the Scheme which are exposed to the financial risks discussed below:

Asset allocation summary	2022	2021
	R	R
Financial assets at fair value through profit and loss (note 3)	322 422 664	290 582 445
Cash and cash equivalents (note 5)	2 703 412	1 874 114
Insurance and other receivables (note 4)	12 710 353	11 541 816
	<u>337 836 429</u>	<u>303 998 375</u>

Financial risk management strategy and policy

The Board of Trustees (up until 14 February 2023) appointed an Investment Committee (up until 14 February 2023) to focus on the Scheme's investment strategy, risk management and asset allocation. Effective 14 February 2023, risk management and investment decisions are made by the Provisional Provisional Curator.

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

For the year under review and up until 14 February 2023, the Investment Committee identifies, evaluates and economically hedges (where appropriate) financial risks associated with the Scheme's investment portfolio. The Investment Committee recommends policy and considers mandates and procedures for overall risk management, covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity. The Board of Trustees in consultation with the Audit and Risk Committee and the Investment Committee approved all written policies. Effective 14 February 2023 the Provisional Provisional Curator is responsible for the Schemes financial risk management strategy and policy.

The Scheme appointed professional asset management companies with proven track records to manage the Scheme's investment portfolios.

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24. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

The Scheme is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate placings.

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

As at 31 December 2022	<i>0 - 3 years</i>	<i>3 - 7 years</i>	<i>7 - 12 years</i>	<i>12+ years</i>	<i>Total</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Financial assets at fair value through profit and loss	271 272 298	19 464 987	30 152 611	1 532 770	322 422 666
Cash and cash equivalents	2 703 412	-	-	-	2 703 412
	273 975 710	19 464 987	30 152 611	1 532 770	325 126 078

As at 31 December 2021	<i>0 - 3 years</i>	<i>3 - 7 years</i>	<i>7 - 12 years</i>	<i>12+ years</i>	<i>Total</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Financial assets at fair value through profit and loss	212 241 741	63 414 902	10 190 680	4 735 121	290 582 445
Cash and cash equivalents	1 874 114	-	-	-	1 874 114
	214 115 855	63 414 902	10 190 680	4 735 121	292 456 559

Sensitivity analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

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24. FINANCIAL RISK MANAGEMENT (continued)***Interest rate risk (continued)***

The impact has been evaluated by looking at the change to surplus or deficit and the accumulated funds based on an increase/decrease of 1% in the market interest rates applicable at 31 December 2022, for each class of financial instrument with all other variables remaining constant as follows:

Sensitivity analysis table at 31 December 2022			
	Actual 2022	Interest rate decreases by 1 %	Interest rate increases by 1 %
	R	R	R
Investments	322 422 666	(1 152 727)	1 152 727
Cash and cash equivalents	2 703 412	-	-
Accumulated funds at year end	281 458 715	280 305 988	282 611 442

Sensitivity analysis table at 31 December 2021			
	Actual 2021	Interest rate decreases by 1 %	Interest rate increases by 1 %
	R	R	R
Investments	290 582 445	(620 152)	620 152
Cash and cash equivalents	1 874 114	(18 053)	18 053
Accumulated funds at year end	232 807 471	232 169 266	233 445 676

The above sensitivity analysis is based on the following assumptions:

- changes in the market interest rates affect the interest income or expense of variable interest financial instruments;
- the financial assets and liabilities at 31 December 2022 remain until maturity or settlement without any action by the Scheme to alter the interest rate exposure.

Management monitors the reported interest rate movements on a monthly basis.

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24. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, marketable securities and the availability of funding through holding liquid cash positions with various financial institutions to ensure that the Scheme has the ability to fund its day-to-day operations.

At year end 37.3% (2021: 22.0%) of the Scheme's investable assets were invested in cash and cash equivalent investments to ensure that the Scheme can meet its short-term commitments. The table below illustrates the liquidity position of the Scheme:

The Scheme has massive reliance on the South African Post Office (SAPO), to continue making payments and to settle the debt owing to the Scheme.

At 31 December 2022				
<i>Category</i>	<i>Less than 1 month</i>	<i>Between 1 and 3 months</i>	<i>Between 3 months and 1 year</i>	<i>Total</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Insurance liabilities	25 698 748	-	-	25 698 748
Financial liabilities	1 839 283	-	-	1 839 283
Outstanding claims provision	16 024 886	5 780 794	4 186 297	25 991 977
	43 562 917	5 780 794	4 186 297	53 530 008
	219 488 579	-	-	219 488 579
Cash and cash equivalents	2 703 412	-	-	2 703 412
Money market investments	118 555 533	-	-	118 555 533
Nedgroup Core Income Fund	98 229 634	-	-	98 229 634
Excess liquidity				165 958 571

At 31 December 2021				
<i>Category</i>	<i>Less than 1 month</i>	<i>Between 1 and 3 months</i>	<i>Between 3 months and 1 year</i>	<i>Total</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Insurance liabilities	20 323 983	-	-	20 323 983
Financial liabilities	2 014 426	-	-	2 014 426
Outstanding claims provision	21 606 059	11 389 038	15 601 137	48 596 234
	43 944 468	11 389 038	15 601 137	70 934 643
	114 632 007	-	-	114 632 007
Cash and cash equivalents	1 874 114	-	-	1 874 114
Money market investments	62 505 577	-	-	62 505 577
Nedgroup Core Income Fund	50 252 316	-	-	50 252 316
Excess liquidity				43 697 364

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NOTES TO THE FINANCIAL STATEMENTS
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24. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

The Scheme has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Scheme is exposed to credit risk are:

- amounts due from the South African Post Office (SAPO) and other associated employer groups, members and service providers,
- interest due from financial institutions,

The table below illustrates the quality of the Scheme's receivables in order to assess credit risk:

As at 31 December 2022				
Class	<i>Not past due</i>	<i>Past due, not impaired</i>	<i>Past due and impaired</i>	<i>Total</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Insurance receivables	2 049 224	64 435	1 886 239	3 999 898

As at 31 December 2021				
Class	<i>Not past due</i>	<i>Past due, not impaired</i>	<i>Past due and impaired</i>	<i>Total</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Insurance receivables	1 250 311	866 937	1 677 069	3 794 317

The credit risk on cash and cash equivalents is limited because the counterparties are reputable financial institutions with high credit ratings.

Fitch National Long Term Rating

Financial institution	2022 R	2021 R	Credit Rating	
			2022	2021
Standard Bank	2 703 412	1 874 114	BB+	BB+

The Scheme has one significant concentration of credit risk, the South African Post Office (SAPO), who has not been able to pay across medical aid deductions and subsidies over to the Scheme.

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset, where a legally enforceable right exists.

Bonds

Financial institution	2022 R	2021 R	Credit Rating	
			2022	2021
Coronation Fund Managers	56 291 312	44 069 878	not rated	not rated
Prescient Investment Management	57 604 206	75 759 700	not rated	not rated
Nedgroup Core Income Fund	30 828 705	13 572 002	not rated	not rated

The Bonds are part of a pooled and collective scheme investment vehicle and are administered by Coronation Fund Managers (Proprietary) Limited, Prescient Investment Management (Proprietary) Limited and Nedgroup Investments (Proprietary Limited) which are not rated.

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NOTES TO THE FINANCIAL STATEMENTS
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24. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The tables below provides an age analysis of the receivables that are past due, but not yet impaired.

As at 31 December 2022				
Class	<i>0-30 days</i>	<i>30-60 days</i>	<i>60-90 days</i>	<i>Total</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Insurance receivables	52 800	(26 065)	37 700	64 435

As at 31 December 2021				
Class	<i>0-30 days</i>	<i>30-60 days</i>	<i>60-90 days</i>	<i>Total</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Insurance receivables	759 941	54 137	52 859	866 937

There are no indications at the reporting date that these debtors will not meet their payment obligations.

Management information reported to the Scheme includes details of provisions for impairment on receivables, and subsequent write-offs. The table below provides an analysis of the receivables that were impaired:

Class	2022	2021
	R	R
Insurance receivables	1 886 239	1 677 069

The amounts presented in the statement of financial position are net of impairment of receivables, estimated by the Scheme's management based on prior experience and the current economic environment.

Market Risk

Market risk is the inherent risk associated with the underlying counterparty or asset class. These inherent risks will influence the levels of income and/or capital appreciation achieved over time and therefore affect the Scheme income and reserve levels. The investment management process employed seeks to manage the market risk with a view of optimising the risk/reward profile of the Scheme, whilst remaining compliant with Annexure B of the Medical Schemes Act 131 of 1998, as amended.

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24. FINANCIAL RISK MANAGEMENT (continued)

Equity price risk

The Scheme is exposed to equity price risk as it invested funds in South African Equities. The Scheme's equity portfolios are long-term investments, and the funds invested in these portfolios are not needed in the short or medium-term. This mitigates the risk for short-term fluctuations in the equity market. The Scheme appointed reputable asset managers with good track records in terms of performance.

Sensitivity analysis

The sensitivity analysis for equity price risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in the equity market at the reporting date.

A decrease of 4% in the JSE all share index would result in a decrease in reserves of R2 283 974 (2021: R2 930 493). This full amount would be recognised in the Scheme's statement of comprehensive income, but will not affect the Scheme's solvency ratio.

This sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated, for example the effect of interest rates on the equity market.

Management monitors the equity portfolio movements on a monthly basis, and the investment committee has regular meetings to review the Scheme's strategy and asset allocation. The Scheme uses the services of independent investment advisors to assist them in this function.

Fair value estimation

The fair value of financial assets through profit and loss is based on quoted published prices at the reporting date.

The tables below illustrates the fair values of financial assets by hierarchy level.

As at 31 December 2022	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>R</i>	<i>R</i>	<i>R</i>
Financial assets at fair value through profit and loss			
Bonds and debentures	-	144 724 223	-
Money market (cash)	-	118 555 533	-
Equities	59 142 910	-	-
Total	59 142 910	263 279 756	-

As at 31 December 2021	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>R</i>	<i>R</i>	<i>R</i>
Financial assets at fair value through profit and loss			
Bonds and debentures	-	133 401 580	-
Money market (cash)	-	62 505 577	-
Equities	94 675 288	-	-
Total	94 675 288	195 907 157	-

The hierarchy levels are defined as follows:

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation techniques for financial assets:

Observable unit prices were used in determining the value of unitised investments.

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for the year ended 31 December 2022 (continued)

24. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Scheme for similar financial instruments.

Investment in unconsolidated structures

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

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

Fund	2022	2021
	Fair value	Fair value
	R	R
Coronation Medical Cash Plus Fund	130 642 711	125 079 126
Prescient Positive Return Medical Aid Fund	93 550 321	115 251 003
Nedgroup Investments Core Income Fund	98 229 634	50 252 316
	322 422 666	290 582 445

Capital risk management

The Scheme is subject to the capital requirement imposed by Regulation 29(2) to the Medical Schemes Act 131 of 1998, as amended (the Act) which requires a minimum solvency ratio of 25% of accumulated funds expressed as a percentage of gross annual contributions. The Scheme manages its capital to ensure that it will be able to continue as a going concern. Based on the nature of the Medical Schemes industry, the assets are considered to be the capital of the Scheme. The administrator ensures that on a quarterly basis the Scheme complies with Annexure B of Regulation 30 of the Act. The current investment strategies are mandated with Coronation Fund Managers (Proprietary) Limited, Prescient Investment Management (Proprietary) Limited and Nedgroup Investments (Proprietary) Limited. Compliance to the mandates are monitored by the Board of Trustees with the assistance of the Investment committee.

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

The Scheme's main objective is to manage its capital in such a way that the annual contribution increase to members is minimised.

The accumulated funds ratio was 47.59% at 31 December 2022 and 36.08% at 31 December 2021. The accumulated funds ratio above compares favourably to the minimum prescribed accumulated funds ratio of 25% (refer to note 5.3).

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (continued)

25. INSURANCE RISK MANAGEMENT**NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS****Principle features of the benefit options are as follows:**

- Option A: The Plan offers a day to day benefit based on individual limits per family member. It also offers unlimited major medical benefits and a network hospital must be used otherwise a R7 598 co-payment applies.
- Option B: The Plan offers day to day benefits based on individual limits per family member and a personal medical savings account. It also offers unlimited major medical benefits and a network hospital must be used otherwise a R7 598 co-payment applies.
- Option C: The Plan offers limited day to day benefits. It also offer unlimited major medical benefits. A network hospital must be used otherwise a R7 598 co-payment applies.

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Scheme assumes the risk of loss from members and their dependants that are directly subject to the risk. These risks relate to the health of the Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Scheme 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. These methods for mitigating insurance risk are reviewed annually and amended for changes in the Act and/or changes in the Scheme's ability to accept insurance risk.

The Board of Trustees assess the necessity to enter into risk transfer arrangements, with the assistance of the Scheme's actuarial consultants.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. The Scheme analyses the distribution of claims per category of claims, number of beneficiaries per age group and the geographic distribution of members.

The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are by their nature random and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (continued)

25. INSURANCE RISK MANAGEMENT (continued)**Frequency and severity of claims**

For insurance contracts issued, climatic and seasonal changes, as well as the spread of pandemics, give rise to more frequent and severe claims.

Source of uncertainty in the estimation of future claims payments

The Scheme frequently re-rates Scheme benefits to ensure that the necessary underwriting surplus is maintained relative to the risk exposure. It is relatively easy to assess the future claim payments since most claims are lodged soon after year-end before the four month expiration of claims period comes into effect.

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 strategy is set out in the annual review, which specifies the benefits to be provided.

The Scheme has the right to change the terms and conditions of the contract at any time with sufficient notice, with approval of the Registrar. Management information, including contribution income and claims ratios is reviewed monthly.

Concentration of insurance risk

The following table summarises the concentration of insurance risk, with reference to number of the beneficiaries by age group.

2022

Age grouping (in years)	Number of beneficiaries
< 26	7 070
26 - 35	1 257
36 - 50	5 599
51 - 59	3 398
> 60	3 197
Total	20 521

2021

Age grouping (in years)	Number of beneficiaries
< 26	7 675
26 - 35	1 277
36 - 50	5 750
51 - 59	3 966
> 60	3 261
Total	21 929

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

25. INSURANCE RISK MANAGEMENT (continued)

The following table summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred, by age group and in relation to the type of risk covered / benefits provided.

2022

Age grouping (in years)	<i>Medical specialists</i>	<i>Dentistry</i>	<i>General practitioners</i>	<i>Hospital</i>	<i>Medicines</i>	<i>Optometry</i>	<i>Other providers</i>	<i>Total</i>
		R	R	R	R	R	R	R
<26	3 469 644	4 258 275	5 285 398	15 322 013	4 073 872	3 001 565	6 524 772	41 935 540
26 - 35	2 140 026	1 368 677	1 881 551	7 082 007	2 423 930	856 406	3 948 719	19 701 316
36 - 50	8 918 972	5 773 416	8 281 413	32 098 344	14 645 457	4 547 659	23 810 805	98 076 066
51 - 64	10 576 447	5 232 653	6 955 077	37 482 709	20 455 186	4 377 773	29 036 706	114 116 552
65-99	16 142 351	2 107 175	4 612 668	66 684 101	20 949 058	1 649 071	38 751 035	150 895 460
100 years and older	-	-	-	-	-	-	-	-
	41 247 441	18 740 196	27 016 107	158 669 174	62 547 504	14 432 474	102 072 038	424 724 934
IBNR prior year under provision written back								(178 873)
IBNR								25 991 977
								450 538 038

2021

Age grouping (in years)	<i>Medical specialists</i>	<i>Dentistry</i>	<i>General practitioners</i>	<i>Hospital</i>	<i>Medicines</i>	<i>Optometry</i>	<i>Other providers</i>	<i>Total</i>
		R	R	R	R	R	R	R
<26	3 462 885	4 222 685	4 514 475	14 266 370	3 484 271	1 946 843	5 098 037	36 995 567
26 - 35	2 695 127	1 579 558	2 716 190	9 063 662	2 416 745	783 200	4 446 770	23 701 252
36 - 50	11 875 135	5 799 414	9 378 863	39 628 534	14 026 631	3 332 540	21 742 285	105 783 401
51 - 64	15 302 486	4 733 883	7 406 616	50 392 970	19 422 779	3 120 384	25 813 116	126 192 233
65-99	22 715 638	2 370 708	4 945 024	69 152 517	23 417 359	1 615 764	30 745 903	154 962 913
100 years and older	-	-	-	-	-	-	-	-
	56 051 271	18 706 247	28 961 168	182 504 053	62 767 785	10 798 731	87 846 110	447 635 365
IBNR prior year under provision written back								(9)
IBNR								48 596 234
								496 231 590

The strategy is reviewed annually, and specifies the benefits to be provided as well as the contributions payable.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

26. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION

In the process of applying the Scheme's accounting policies, management has made the following judgements that has the most significant effect on the amounts recognised in the financial statements.

26.1 REVENUE RECOGNITION

The Scheme's accounting policy is to account for contribution income when their collection in terms of the insurance contract is reasonably certain. Contribution income is unrecognised if payment has not been received within 3 days of falling due. When payments are received for unrecognised revenue this is recognised as income in the month the payment is received.

26.2 OUTSTANDING CLAIMS PROVISION

A key assumption concerning the future that has a significant risk of causing a material adjustment to the carrying amounts of liabilities is used to determine the outstanding claims provision.

When arriving at this provision it is assumed that the reporting and settlement trend of claims incurred but not reported will be similar to that of the previous financial period. The provision is calculated based on percentages derived from the previous financial period and is adjusted, if necessary, as the claims are reported and settled.

Although the assumption is considered critical, post reporting date settlements against the provision have been monitored to ensure reasonability of the original provision.

26.3 GOING CONCERN

The following assumptions and judgements were used in the going concern assessment of the Scheme:

Contributions

In terms of the rules, suspension of member benefits at the end of the exemption period on 31 December 2022 will resume for all members that have outstanding contributions. It is assumed when benefits are suspended that claims expenditure will reduce, assuming the claims expenditure reduces in the same proportion as the reduction in contributions collected relative to that invoiced. The Scheme has embarked on a drive to convert all members to self paying effective 1 April 2023.

Solvency

Based on the 2023 pricing budget prepared by the actuaries and submitted to the CMS, the Scheme is expected to reach 38% solvency at the end of 2023.

Usage of reserves

The healthy reserve position of the Scheme has assisted in absorbing the impact of the risk contributions not being paid by SAPO. The Scheme continues to pursue contribution repayment and is discussing repayment arrangements with SAPO.

Based on these assumptions in the scenario analysis performed by the Scheme and its actuary the Provisional Curator is confident the going concern basis of preparation should be applied.

27. SUBSEQUENT EVENTS

27.1 Provisional Curatorship from 14 February 2023

MEDIPOS Medical Scheme was placed under provisional curatorship by the High Court of South Africa on 14 February 2023 at the instance of the Registrar of Medical Schemes in terms of the provisions of section 56(1) of the Medical Schemes Act, No 131 of 1998. Mr Justice Ephraim Kudumela was appointed as Provisional Curator and authorised to take immediate control of and, in place of the Board of Trustees, manage the business and operations of the Scheme. The order was granted on the ex parte basis or urgency basis, outside the presence of the opposing party.

27.2 New COVID-19 developments

COVID-19 is now an endemic disease and is being managed like other common and wide-spread respiratory diseases. COVID-19 related costs are now a relatively insignificant as a proportion of overall costs for the scheme. Furthermore COVID-19 now has an insignificant impact on member claiming patterns as members are much less hesitant to seek healthcare due to COVID-19 and there is no longer state of disaster restrictions in place.

On the 15th of February 2023 the Department of Health (DoH) announced some changes to the Immunisation cost recovery and reimbursement model. They announced that from the 1st of April 2023 COVID-19 vaccines will only be distributed to public sector health facilities and the private sector facilities will access the vaccines through designated public health facilities. The DoH also announced that COVID-19 vaccines should remain a Prescribed Minimum Benefit and that the administration cost will be fixed at R100 (inclusive of VAT) per dose from the 1st of April 2023.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)

27. SUBSEQUENT EVENTS (continued)

27.3 Local and geo-political macro-economic conditions

South Africa, like many other countries, has been experiencing elevated levels for consumer price inflation (CPI). This is partially fueled by the on-going Russia-Ukraine war which has affected global energy and food prices. South Africa has also been facing an energy crisis in the form of increased load-shedding which contributes to higher inflation. Higher general CPI puts pressure on medical cost inflation because medical inflation is also a function of general CPI and exchange rates in addition to the usual factors such as member utilisation.

The South African Reserve Bank has also been increasing interest rates in an effort to combat the high inflation. The impact of higher interest rates and inflation is putting downward pressure on expected economic growth and by affecting the real investment returns that can be expected in the markets.

27.4 Budget speech and NHI

On 22 February 2023 the finance minister delivered the 2023 budget speech. The budget was silent on government's plan for the funding the proposed National Health Insurance (NHI).

27.5 SAPO payments

Subsequent to the reporting date payments amounting to R100 million relating to November and December 2022 contribution debt was received from SAPO through the writ attachment process.

28. GOING CONCERN

The Scheme generated a net surplus for the year ended 31 December 2022 of R48 651 244 (2021: net loss of R223 743 657) as described in note 5.1 of the Trustees report.

The ability of the Scheme to continue as a going concern is dependent on a number of factors. The most significant of these being:

- the recoverability of the contribution debt owed by SAPO (refer to note 5.1 of the Curators report) and the potential ongoing non-payment of contributions;
- the success rate of converting all members to self paying individuals.
- the successful litigation process against SAPO in recovering outstanding debt.
- The reserve position of the Scheme in absorbing the impact of non-payment of risk contributions by SAPO up to 31 December 2023

These conditions give rise to a material uncertainty which may cast serious doubt about the Scheme's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Scheme's current liabilities exceeds its current assets by R40 993 375. The Scheme has liquid assets of R325 126 078.

The cost impact of COVID-19 is not expected to have a material impact on the ability of the Scheme to continue to operate as a going concern, considering the current solvency level of 47.59%.

In the event that SAPO makes reduced contribution payments post December 2022, The Scheme will consider making an application to the Council for Medical Schemes (CMS) for contribution deferral. The Scheme will also consider suspension of benefits for relevant members.

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**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (continued)****29. NON COMPLIANCE WITH THE MEDICAL SCHEMES ACT NO 131 OF 1998**

The Council for Medical Schemes stipulated, via Circular 11 of 2006, that all cases of non compliance with the Act should be disclosed in the financial statements. The following stipulations were not complied with during the year:

29.1 Contravention of Section 35(8)(c) of the Medical Schemes Act 131 of 1998, as amended*Nature and impact*

The Scheme holds shares indirectly in Discovery Holdings Ltd and Sanlam Ltd. This in contravention of Section 35(8)(c) of the Act, as the Scheme is not allowed to hold shares of the holding company of its administrator and other administrators.

Causes of the non-compliance

The Scheme invests in a pooled product and does not have control over the underlying assets.

Corrective course of action.

The Scheme received an exemption from the Council for Medical Schemes (CMS) on 02 November 2022, valid up until 30 November 2025, from complying with Section 35(8)(c) insofar as it relates to investments placed with asset managers who invest on behalf of the Scheme and where such investment choices are not influenced by the Scheme.

29.2 Contravention of S26(7) of the Medical Schemes Act 131 of 1998, as amended*Nature and impact*

In terms of Section 26(7) of the Act, all contributions shall be paid to a medical scheme not later than three days after payment thereof becoming due. Contribution income relating to November and December 2022 were still outstanding at year-end. This may pose a financial risk to the Scheme due to non payment as well as a loss of interest on these amounts to the Scheme. SAPO is indebted to the Scheme for contribution income amounting to R675 401 938 at year end. Subsequent to year end R100 million was received relating to November and December 2022 contribution debt.

Causes of the non-compliance

The Employer, the South African Post Office State-owned Company Limited (SAPO) is facing financial challenges. This has resulted in the Scheme not receiving most of the members medical aid deduction and subsidies on time. Certain pensioners also paid late due to unsuccessful debit order deductions. As a result, the Scheme is in contravention of section 26(7).

Corrective course of action

Following the continuous engagements the Scheme has with SAPO, SAPO acknowledged the debt to the Scheme and requested time to pay the Scheme. The matter of SAPO non payment of contributions was brought before the labour court and the following payment arrangements was ordered by the court:

- SAPO to make payment of R20 million per month for the period September to November 2021.
- SAPO to make payment of R43 million per month for the period December 2021 to March 2022.
- SAPO to make payment of R50 million per month for the period April 2022 to December 2022.

The Scheme applied for an exemption to the Council for Medical Schemes (CMS) and CMS granted the Scheme exemption from compliance with Section 26(7), Section 32 of the Act and Rule 13.3 of the Scheme rules up until 31 December 2022. Legal proceeding has been instituted against SAPO to recover the arrear contribution debt for 2020 and 2021 financial years.