TRANSMED MEDICAL FUND
Registration number: 1582

AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2023

TRANSMED MEDICAL FUND
Registration number: 1582
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2023

TRANSMED MEDICAL FUND
Registration number: 1582
ANNUAL FINANCIAL STATEMENTS
STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES
for the year ended 31 December 2023

The Trustees are responsible for the preparation, integrity and fair presentation of the annual financial statements of Transmed Medical Fund (the Fund) comprising the statement of financial position, statement of comprehensive income, statement of changes in funds and reserves and cash flows and the notes to the annual financial statements. The annual financial statements presented on pages 19 to 55 have been prepared in accordance with IFRS® Accounting Standards and the requirements of the Medical Schemes Act of South Africa. In addition, the Trustees are responsible for preparing the report of the Board of Trustees.

The Trustees consider that in preparing the annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

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

No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review. The Trustees are responsible for such internal controls as the Trustees deem necessary to enable the preparation of the annual financial statements that ensure that they are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The going concern basis has been adopted in preparing the annual financial statements. The Trustees believe that the Fund will be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the Fund.

The Fund's external auditor is responsible for auditing the annual financial statements in terms of International Standards on Auditing and the auditor's report is presented on pages 15 to 18.

The annual financial statements, as identified in the first paragraph, were approved by the Board of Trustees on 22 May 2024 and are signed on its behalf:

....	.............................……………	.............................……..
B Jonker	F Mackenzie	PL Wassermann
CHAIRPERSON	VICE-CHAIRPERSON	PRINCIPAL OFFICER

22 May 2024

TRANSMED MEDICAL FUND
Registration number: 1582
ANNUAL FINANCIAL STATEMENTS
STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES
for the year ended 31 December 2023

The Fund is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Trustees are proposed and elected by the members of the Fund and the employers.

BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of all its contracted service providers against their contractual obligations and service level agreements. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

The Trustees perform a self-evaluation to measure the performance of the Board and also evaluate the performance of the sub-committees against their terms of reference.

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

INTERNAL CONTROL

The Board of Trustees is accountable for the process of risk management and internal controls. Risks are reviewed and identified regularly and appropriate strategies are implemented.

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

A formal internal audit function exists within the administrator, with regular reporting to the Audit Committee. The administrators of the Fund have documented and tested disaster recovery procedures and the Board is satisfied that the procedures are in place and tested.

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

....	..........................………….	.........................……..
B Jonker	F Mackenzie	PL Wassermann
CHAIRPERSON	VICE-CHAIRPERSON	PRINCIPAL OFFICER

22 May 2024

TRANSMED MEDICAL FUND
Registration number: 1582
ANNUAL FINANCIAL STATEMENTS
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2023

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

1. DESCRIPTION OF THE MEDICAL FUND

1.1 Terms of registration

The Fund is a not for profit restricted medical fund registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended.

1.2 Benefit options within the Transmed Medical Fund

The Fund offers the following benefit options to employees and pensioners of Transnet SOC Ltd and its subsidiaries:
- Guardian;
- Link;
- Select; and
- Prime.

2. MANAGEMENT

2.1 Board of Trustees in office during the year under review and at the date of this report:

EMPLOYER AND LABOUR NOMINATED

Mr HF Fourie	
Mr F Mackenzie	Vice-Chairperson
Ms J Phokane	
Mr V Ramlugaan	
Mr L Siwani	
Ms C Sophete	

MEMBER ELECTED TRUSTEES

Mr C Beard	
Ms S Booysen	
Mr JJ Groenewald	Elected 1 July 2023
Mr B Jonker	Chairperson
Mr F Mabaso	
Mr LJ Ngaka	Elected 1 July 2023

2.2 Principal Officer

Mr PL Wassermann	
1st Floor Eagle Canyon Office Park	Private Bag 32043
Cnr Dolfyn and Christiaan de Wet Street	Braamfontein
Randparkridge	2017
Randburg	
2169	

2.3 Registered Office address and postal address

1st Floor Eagle Canyon Office Park	Private Bag 32043
Cnr Dolfyn and Christiaan de Wet Street	Braamfontein
Randparkridge	2017
Randburg	
2169	

2.4 Fund Administrator

Momentum Health Solutions (Pty) Ltd	
Parc du Cap	Parc du Cap
Mispel Road	Mispel Road
Bellville	Bellville
7530	7530

CMS accreditation no: 13

2.5 Managed care providers

Momentum Health Solutions (Pty) Ltd	
Parc du Cap	Parc du Cap
Mispel Road	Mispel Road
Bellville	Bellville
7530	7530

CMS accreditation no: 59

Universal Healthcare (Pty) Ltd	
Universal House	PO Box 1411
15 Tambach Road	Rivonia
Sunninghill Park	2128
Sandton	
2128	

CMS accreditation no: MCO 17

2.6 Investment manager

Ninety One SA Proprietary Limited
36 Hans Strijdom Avenue
Foreshore
Cape Town
8001
FSP Number 587

2.7 Actuaries

NMG Consultants and Actuaries (Pty) Ltd	
Belvedere Office Park	PO Box 3950
Block B	Tygervalley
Pasita Street	7536
Tygervalley	
7536	

2.8 Auditor

Deloitte & Touche	
5 Magwa Crescent	Private Bag X6
Waterfall City	Gallo Manor
Midrand	2052
2066	

3. INVESTMENT STRATEGY OF THE FUND

The Fund's investment objectives are to maximise the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees.

The Board of Trustees ensure that:

- The Fund remains solvent;
- Investments are placed at minimum risk and at the best possible rate of return;
- Investments made are in compliance with the Regulations of the Act; and
- A risk assessment is performed with feedback to the Board of Trustees with recommendations on the risks identified.

During 2023, the Fund invested in money market instruments, which included bonds and cash instruments. This was done mainly to ensure that the Fund had sufficient liquidity available.

The Fund's policy is reviewed annually, taking into consideration compliance with the Act, risk, returns of the various investment instruments and the surplus of funds available.

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES

4.1 Results from operations

Working Members and Pensioner (WMP) risk pool

The Trustees have implemented the actions stipulated in the business plan in order to increase the reserve ratio of the WMP risk pool in order to reach the required 25%.

The WMP risk pool consists of three options: Link Option, Select Option and the Prime Option. Both the Link and Select options exceeded budget expectations at year end.

The risk profile of the risk pool deteriorated further during the year, partially as a result of the implementation of a revised subsidy structure by the employer, which has an ongoing impact on the risk pool. The revised subsidy structure allows members to belong to other open medical schemes, as approved by the employer. The strategic plan of the Fund is to attract new members to the risk pool in order to improve the risk profile.

The reserve ratio for the WMP risk pool increased from 11.31% at 31 December 2022 to 19.43% at 31 December 2023.

The Trustees believe that the risk pool will remain solvent and build reserves during the 2024 benefit year.

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (continued)

4.1 Results from operations (continued)

South African Transport Services (SATS) risk pool

Transnet SOC Ltd will continue to fund this risk pool.

The SATS risk pool's reserve ratio decreased from 35.66% at 31 December 2022 to 34.20% at 31 December 2023. This decrease is mainly due to the reduced Transnet SOC subsidy, intended to bring the risk pool closer to the 25% solvency requirement. The risk pool performed better than anticipated during 2023.

Transnet SOC Ltd remains committed to fund the SATS risk pool to the reserve level required by the Act.

The Fund

The results of the Fund are set out in the annual financial statements. The reserve ratio increased from 17.70% at the end of December 2022 to 23.79% at the end of December 2023. Due to the fact that the Fund's reserve ratio is below the required level of 25%, the Fund is currently under financial monitoring by the Council for Medical Schemes. The Fund has regular interactions with the Council for Medical Schemes, and constantly keeps the Council for Medical Schemes informed of developments in the Fund.

4.2 Solvency ratio

	2023	2022
	R	R
Insurance contract liability to future members	126,926,295	95,714,762
Less:		
Unrealised gains on financial assets at fair value through Profit or Loss	(56,977)	(15,356)
Accumulated funds per Regulation 29	126,869,318	95,699,406
Annual insurance revenue	533,218,229	540,760,594
Accumulated funds ratio	23.79%	17.70%

4.3 Going concern

The Board of Trustees considers the Fund to be a going concern. The Board took the following into consideration in the evaluation of the Fund's going concern status:

- Available cash and investments at the end of the year amounted to R 161 404 990.
- Transnet SOC Ltd will be providing funding to ensure that the SATS risk pool maintains a reserve level of 25%.
- A business plan has been developed by the Trustees, with the assistance of the Fund's actuary, in order to get the Fund to a reserve level of 25%.
- It is expected that the Fund's reserve ratio will increase from 23.79% at 31 December 2023 to 23.89% at 31 December 2024.
- An actuarial model was developed to assist the Trustees to consider the going concern status of the Fund. Even with the most negative assumptions on membership movements and membership risk profiles, the model indicated that the Fund will be a going concern.

TRANSMED MEDICAL FUND
Registration number: 1582
ANNUAL FINANCIAL STATEMENTS
REPORT OF THE BOARD OF TRUSTEES (continued)
for the year ended 31 December 2023

4. REVIEW OF THE FINANCIAL YEAR’S ACTIVITIES (continued)

4.4 Operational statistics

	2023				
	Link	Select	Prime	Guardian	Total
Number of members at the end of the accounting period	1,443	8,067	197	3,859	13,566
Average number of members for the accounting period	1,505	8,476	233	4,137	14,352
Number of beneficiaries at the end of the accounting period	2,507	12,646	237	4,420	19,810
Average number of beneficiaries for the accounting period	2,635	13,430	282	4,739	24,118
Beneficiaries per member at 31 December	1.7	1.6	1.2	1.1	1.5
Average age of beneficiaries for the accounting period	49	51	75	80	58
Pensioner ratio (beneficiaries > 65 years)	36.5%	40.3%	85.2%	97.2%	53.0%
Average insurance revenue per member per month	R 1,979.03	R 3,057.37	R 10,377.37	R 3,172.27	R 3,096.18
Average insurance revenue per beneficiary per month	R 1,130.48	R 1,929.75	R 8,566.08	R 2,769.18	R 1,842.42
Average insurance service expenses per member per month	R 1,588.42	R 2,731.72	R 13,132.03	R 3,068.40	R 2,877.64
Average insurance service expenses per beneficiary per month	R 907.36	R 1,724.20	R 10,839.94	R 2,678.51	R 1,712.37
Average managed care services per member per month	R 98.46	R 72.19	R 270.91	R 125.53	R 93.55
Average managed care services per beneficiary per month	R 56.24	R 45.57	R 223.63	R 109.58	R 55.67
Average attributable, administration and other expenses per member per month	R 180.81	R 175.70	R 745.87	R 587.48	R 304.19
Average attributable, administration and other expenses per beneficiary per month	R 103.29	R 110.90	R 615.69	R 512.83	R 181.01
Managed care services as a percentage of insurance revenue	5%	2%	3%	4%	3%
Insurance service expenses as a percentage of insurance revenue	80%	89%	127%	97%	93%
Average attributable, administration and other expenses as a percentage of insurance revenue	9%	6%	7%	19%	10%
Average accumulated funds per member at 31 December *	WMP = R 7,525			R 13,964	R 9,356
Return on investments					9.10%

* Accumulated funds are measured for the two risk pools, WMP and SATS, and for the Fund as a whole, but not per benefit option.

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (continued)

4.4 Operational statistics

	2022				
	Link	Select	Prime	Guardian	Total
Number of members at the end of the accounting period	1,530	9,050	294	4,470	15,344
Average number of members for the accounting period	1,566	9,488	326	4,762	16,142
Number of beneficiaries at the end of the accounting period	2,719	14,595	355	5,124	22,793
Average number of beneficiaries for the accounting period	2,814	15,442	394	5,469	24,118
Beneficiaries per member at 31 December	1.8	1.6	1.2	1.1	1.5
Average age of beneficiaries for the accounting period	49	51	73	81	58
Pensioner ratio (beneficiaries > 65 years)	34.5%	38.2%	78.0%	97.1%	51.6%
Average insurance revenue per member per month	R 1,896.68	R 2,832.30	R 8,944.78	R 2,583.85	R 2,791.70
Average insurance revenue per beneficiary per month	R 1,055.42	R 1,740.26	R 7,407.28	R 2,250.13	R 1,868.48
Average insurance service expenses per member per month	R 1,593.89	R 2,738.42	R 8,492.93	R 2,979.72	R 2,814.83
Average insurance service expenses per beneficiary per month	R 886.92	R 1,682.58	R 7,033.10	R 2,594.87	R 1,883.96
Average managed care services per member per month	R 102.11	R 69.56	R 208.77	R 117.61	R 89.71
Average managed care services per beneficiary per month	R 56.82	R 42.74	R 172.88	R 102.42	R 60.04
Average attributable, administration and other expenses per member per month	R 174.52	R 157.03	R 503.17	R 512.58	R 270.62
Average attributable, administration and other expenses per beneficiary per month	R 97.11	R 96.48	R 416.68	R 446.38	R 181.12
Managed care services as a percentage of insurance revenue	5%	2%	2%	5%	3%
Insurance service expenses as a percentage of insurance revenue	84%	97%	95%	115%	101%
Average attributable, administration and other expenses as a percentage of insurance revenue	9%	6%	6%	20%	10%
Average accumulated funds per member at 31 December *	WMP = R 4,581			R 11,679	R 6,238
Return on investments					6.06%

* Accumulated funds are measured for the two risk pools, WMP and SATS, and for the Fund as a whole, but not per benefit option.

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (continued)

4.5 Reserve accounts

Movements in the reserves are set out in the statement of changes in funds and reserves.

4.6 Liability for incurred claims (LIC)

The basis of calculation of the LIC is discussed in note 7 of the annual financial statements and is consistent with the prior year. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Fund.

5. ACTUARIAL SERVICES

The Fund's actuaries have been consulted in the determination of the contribution and benefit levels and provide regular reports to the Fund. Reporting also include the LIC and risk adjustment (RA) calculation.

6. GUARANTEES RECEIVED BY THE FUND FROM A THIRD PARTY

No guarantees have been received by the Fund for the year ended 31 December 2023.

7. EVENTS AFTER REPORTING DATE

There have been no events that have occurred between the end of the accounting period and the date of the approval of these annual financial statements that the Trustees consider should be brought to the attention of the members of the Fund.

8. INVESTMENTS IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE MEDICAL FUND AND TO OTHER RELATED PARTIES

- The Fund holds no investments in participating employers of the Fund's members;
- Refer to the related party disclosure in note 18 of the annual financial statements; and
- Trustee remuneration is disclosed in note 15.1 of the annual financial statements.

9. MANAGEMENT OF INSURANCE RISK

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

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involves pricing guidelines, pre-authorisation and case management and service provider profiling.

The Fund uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. The theory of probability is applied to pricing and provision for portfolio of insurance contracts. The principal risk is that the frequency and severity of risk claims are 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 with established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the annual financial statements and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Fund's cash flows.

10. AUDIT COMMITTEE

The Audit Committee was established in accordance with the provisions of the Act. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of five members of which two are members of the Board of Trustees. The majority of the members, including the Chairperson, are not officers of the Fund or its third party administrator. The Committee met on two occasions during the course of the year.

The Principal Officer of the Fund, Momentum Health Solutions management, the external auditors and the internal auditors attend all Audit Committee meetings and have unrestricted access to the Chairperson of the 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 Fund's accounting policies, risk management, internal control systems and financial reporting practices. The external and internal auditors formally report to the Committee on critical findings arising from audit activities.

The Committee presently comprises:

Mr K Buthelezi (Chairperson)
Mr G Hauptfleisch
Mr V Ramlugaan
Ms C Sophete
Ms S Thomas

11. TRUSTEE MEETING ATTENDANCE

The following schedule sets out Board of Trustees meeting attendances. Trustee remuneration is disclosed in note 15.1 to the financial statements.

Trustee/Sub-Committee member	Board Meetings		Audit Committee		Benefits Committee		Ex-Gratia Committee		Management Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
B Jonker	5	5					9	9	6	6	1	1
F Mackenzie	5	5			4	4	1	1	6	6	1	1
C Beard	5	5					9	9	6	6		
S Booysen	5	5					9	9	6	6		
HF Fourie	5	4			4	4	8	8				
JJ Groenewald*	5	2										
F Mabaso	5	5			4	4						
LJ Ngake*	5	2										
L Phokane	5	5			4	4			6	6		
V Ramlugaan	5	5	3	3	4	3						
L Siwani	5	5					9	9	6	6		
C Sophete	5	5	3	3	4	4						

A - Is the number of meetings held during the year
B - Is the number of meetings attended
* Trustee elected 1 July 2023

12. BOARD OF TRUSTEE COMMITTEE MEETINGS

12.1 Management Committee

The Management Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties.

The Management Committee incorporates the functions and responsibilities in the following areas:

- Financial and investment management;
- Suppliers' management;
- Marketing management; and
- Managed care management.

12.2 Benefits Committee

The mandate of the Benefits Committee is:

- To make recommendations to the Board on the benefits that are offered to members; and
- To ensure long-term viability of the benefit options.

12.3 Remuneration Committee

The mandate of the Remuneration Committee is to:

- Do annual performance appraisals for the employee of the Fund; and
- Decide on annual increases in the remuneration for the employee of the Fund.

12.4 Ex-gratia Committee

The Ex-gratia Committee approved applications to the value of R131 078 (2022: R207 079), for ex-gratia assistance to members. Applications for assistance from members are evaluated against criteria as approved by the Board from time to time.

13. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998

13.1 Self-supporting options

Nature and impact
In terms of Section 33(2) benefit options shall be self-supporting in terms of membership and financial performance. The Prime option recorded a loss for the year ended 31 December 2023.

Causes for the failure
The Prime Option had an adverse high cost case experience in comparison to the prior year.

Corrective action
The Prime Plan is not sustainable in the longer term on account of the following:

- the small and declining membership;
- the poor and rapidly deteriorating risk profile as a result of anti-selection;
- the poor value proposition that it offers;
- the substantial operating losses being experienced on the plan.

In consultation with the CMS, it was agreed that consideration should be given to closing the plan once the plan membership falls below 500 lives and closure of the plan would not threaten the financial sustainability of the WMP risk pool. The Prime Plan membership fell below 500 in November 2021. However impact analyses carried out at part of the 2024 benefit review process for closing the Prime Plan indicated that closing of the Prime Plan as at this time would result in the members of the WMP risk pool being substantially worse off. Taking this into account, the Trustees decided to (1) continue with the Prime Plan for 2024 even though on a loss-making basis, and (2) to continue to monitor the plan closely with a view to closure when it makes financial sense to do so.

13. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998 (continued)

13.2 Reserve ratio

Nature and impact
In terms of Regulation 29, a medical scheme should have reserves of at least 25% of its gross annual contributions. At 31 December 2023, the Fund had a reserve ratio of 23.79%, which is lower than the required level.

Causes for the failure
The working member and pensioner risk profile deteriorated during the year. Further to this, Transnet SOC reduced its subsidy for the Guardian Option, intended to bring the risk pool closer to the 25% solvency requirement.

Corrective action
A business plan was developed by the Trustees, with the assistance of the Fund's actuary in order to restore the Fund's reserve levels back to 25%. The Council for Medical Schemes approved the business plan.

13.3 Payment of claims within 30 days

Nature and impact
In terms of Section 59(2) a member or provider claim should be settled within 30 days of submission. Instances were noted during sample testing where settlements took more than 30 days.

Causes of failure
Delays can occur when accounts are referred for clinical audit or other investigations. These are however the exceptions, and claims are generally paid within the prescribed time.

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

13.4 Outstanding contributions

Nature and impact
In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the Fund. Per the Fund rules, contributions are required to be received at least three days after their due date. Instances were noted where contributions were received late.

Causes for the failure
The reason for this is due to the inherent nature of the business.

Corrective action
On-going communication to employer groups has occurred and will continue.

TRANSMED MEDICAL FUND
Registration number: 1582
ANNUAL FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Notes	2023 R	*Restated 2022 R	*Restated 1 January 2022 R
ASSETS				
Non-current assets		73,794,491	63,787,491	63,279,277
Equipment	2	32,644	36,945	72,120
Financial assets at fair value through Profit or Loss	3	73,761,847	63,750,546	63,207,157
Current assets		88,063,877	54,155,425	84,010,961
Financial assets at fair value through Profit or Loss	3	83,329,740	51,056,679	80,033,819
Cash and cash equivalents	4	4,313,403	2,812,808	3,671,505
Trade and other receivables	6	420,734	285,938	305,637
Total assets		161,858,368	117,942,916	147,290,238
LIABILITIES				
Non-current liabilities				
Insurance contract liability to future members	5.1	126,926,295	95,714,762	110,758,521
Current liabilities		34,932,073	22,228,154	36,531,717
Insurance contract liability to current members	5.2	32,622,671	20,430,765	34,908,685
Trade and other payables	8	2,309,402	1,797,389	1,623,032
Total liabilities		161,858,368	117,942,916	147,290,238

* The 2022 comparatives have been restated as a result of changes in significant accounting policies due to the adoption of the IFRS 17 accounting standard. Refer to Note 1 on standards that are effective on or after 1 January 2023 for detailed changes in significant accounting policies and the transition note 30.

TRANSMED MEDICAL FUND
Registration number: 1582
ANNUAL FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	2023 R	Restated 2022 R
Insurance revenue	9	533,218,229	540,760,594
Insurance service expenses		(526,792,760)	(530,196,454)
Claims incurred	10	(451,632,557)	(497,825,322)
Third party claims recoveries		21,445	235,210
Accredited managed healthcare services (no transfer of risk)	11	(16,110,622)	(17,376,463)
Attributables expenses incurred	12	(33,031,678)	(34,221,635)
Changes that relate to past service - adjustments to the LIC	7	5,172,185	3,947,998
Losses on onerous contracts and reversal of these losses		-	-
Amount attributable to future members		(31,211,533)	15,043,758
Insurance service result		6,425,469	10,564,140
Other income		13,089,961	7,786,020
Investment income	13	13,003,714	7,543,740
Sundry income	14	44,626	242,280
Unrealised gains on investments at fair value through Profit or Loss		41,621	-
Other expenditure		(19,515,430)	(18,350,160)
Administration fees and other operating expenses	15	(19,318,852)	(17,946,212)
Asset management fees		(150,127)	(127,952)
Net impairment loss on healthcare receivables	16	(36,051)	(251,717)
Sundry expenses	17	(10,400)	-
Unrealised loss on investments at fair value through Profit or Loss		-	(24,279)
Profit/(loss) for the year		-	-
Total comprehensive income for the year		-	-

TRANSMED MEDICAL FUND
Registration number: 1582
ANNUAL FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN FUNDS AND RESERVES
For the year ended 31 December 2023

	Accumulate Funds R
Balance as at 1 January 2022 (as previously reported)	112,369,529
IFRS 17 transition restatement	(112,369,529)
Balance as at 1 January 2022 (restated)	-

TRANSMED MEDICAL FUND
Registration number: 1582
ANNUAL FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	2023 R	2022 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from members and providers		72,079	152,976
Cash receipts from members - contributions		542,340,890	532,197,413
Cash paid to providers, employees and members - claims		(459,697,010)	(516,729,918)
Cash paid to providers, employees and members - non-healthcare expenditure		(51,950,178)	(52,431,142)
NET CASH FLOW FROM OPERATING ACTIVITIES		30,765,781	(36,810,671)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to equipment	2	(26,158)	(1,239)
Additions to financial assets at fair value through Profit or Loss	3	(295,895,000)	(266,365,000)
Proceeds on disposal of financial assets at fair value through Profit or Loss	3	266,055,000	301,975,000
Management fees and transaction costs	3	36,943	35,385
Interest received		564,030	307,826
NET CASH FLOW FROM INVESTING ACTIVITIES		(29,265,185)	35,951,973
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,500,596	(858,698)
Cash and cash equivalents at beginning of year		2,812,808	3,671,505
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	4,313,403	2,812,808

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 IFRS® Accounting Standards. These policies have been consistently applied to all years presented, except for changes required by the mandatory adoption of new, revised IFRS® Accounting Standards and changes in accounting policy.

1.1 Basis of preparation

Compliance with IFRS
The annual financial statements are prepared in accordance with IFRS® Accounting Standards and in accordance with the requirements of the Medical Schemes Act of South Africa. IFRS® Accounting Standards comprise International Financial Reporting Standards, International Accounting Standards (IAS) and the interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The standards referred to are set by the International Accounting Standards Board (IASB).

Historical cost
The annual financial statements are prepared on a going concern basis using the historical cost convention, except for the following:

- Certain financial assets and liabilities (including derivative instruments) – measured at fair value.
- Insurance assets and liabilities – measured in terms of IFRS 17 current estimates.

Use of estimates
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 affecting 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.

Implementation of new standards
The following new standards were adopted by the Fund effective 1 January 2023.

Standard	**Impact on the Fund**
IFRS 17: Insurance Contracts	The Standard was issued in May 2017 and replaces IFRS 4: Insurance Contracts. The Standard creates one accounting model for all insurance contracts and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts that fall within the scope of IFRS 17. Contracts issued by the Fund to its Members are included in the scope of IFRS 17 and the Fund was therefore required to adopt IFRS 17 effective 1 January 2023, applied retrospectively.

New standards, amendments and interpretations issued and not yet effective in 2023 and relevant to the Fund

Standard	**Summary of requirements**	**Effective date**
IAS 1 Presentation of Financial Statements	*Classification of Liabilities as Current or Non-current:* Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. *Disclosure of Accounting Policies:* The amendments require schemes to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	Annual periods commencing on or after 1 January 2024

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.2 Financial instruments

Classification
The Fund classifies its financial assets into the following categories: at fair value through profit or loss, at fair value through other comprehensive income and amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss
Debt investments that do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
Equity investments that are held for trading and equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.
Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Fund's loans and receivables comprise ‘trade and other receivables’ in the statement of financial position. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Fund holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(c) Amortised cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.

Recognition and initial measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Fund 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 Fund has transferred substantially all the risks and rewards of ownership.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.2 Financial instruments (continued)

Subsequent measurement

Despite the aforegoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset:

The Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

The Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Derecognition
When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments
Subsequent measurement of debt instruments depends on the Fund’s business model for managing the asset and the cash flow characteristics of the asset.

Trade and other receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as current assets. The Fund's financial instruments at amortised cost comprises ‘trade and other receivables’ and ‘cash and cash equivalents’ in the statement of financial position. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Fund holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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.

Impairment of financial assets

Debt instruments that are measured subsequently at amortised cost are subject to impairment. In relation to the impairment of financial assets an expected credit loss model is required. The expected credit loss model requires the Fund to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Fund recognises a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost;
(2) Trade receivables and contract assets; and
(3) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

The Fund measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Fund is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.2 Financial instruments (continued)

Derecognition of assets or financial liabilities

The Fund 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 Fund is recognised as a separate asset or liability.

Where the Fund neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Fund determines whether it has retained control of the financial asset. In this case:
(i) If the Fund 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 Fund has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

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

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a current legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.3 Equipment

Equipment is reflected at historical cost less accumulated depreciation and accumulated impairments. Depreciation is charged on the straight-line basis over the estimated useful lives of the assets after taking into consideration the assets' residual value.

The estimated useful lives of equipment are as follows:

Computer equipment

- Hardware	3 years
- Software	2 years
- Electronic equipment	6 years
- Furniture and fittings	6 years

The useful lives, depreciation methods and residual values are reviewed annually at the reporting date and adjusted if appropriate.

Maintenance and repairs are expensed as incurred. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Fund.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with its carrying amount. Gains and losses on the disposal of equipment is recognised in profit or loss.

Where components of an item of equipment have different useful lives they are accounted for as separate items.

1.4 Significant judgements

The Fund used the confidence level to determine the risk adjustment.

1.4.1 Mutual entity assessment

Based on the requirements of IFRS 17, the Fund was recognised as a mutual entity, therefore it is expected that the remaining assets of the Fund will be used to pay the claims of current and future members. The Fund recognised a liability in its statement of financial position to provide coverage to future members.

1.4.2 Unit of account (Level of aggregation)

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

The above is demonstrated by the following:

- Hospital claims are managed on a Fund level.
- Chronic conditions are managed on a Fund level, i.e. no matter the option the member will have access to the chronic condition management benefit.
- Pricing and benefit option changes are determined at a Fund level to manage member migration between different benefit options to ensure each option is sustainable.
- Risk (utilisation and concentration) is managed holistically.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.4 Significant judgements (continued)

1.4.3 Risk adjustment – liability for incurred claims (LIC)

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Fund requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Fund fulfils insurance contracts. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Fund's degree of risk aversion. The Fund estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment was calculated at the portfolio level as the Fund doesn't have groups due to laws that constrain the Fund's ability to set a price for different members. The confidence level method was used to derive the overall risk adjustment for non-financial risk. In the confidence level method, the risk adjustment is determined by applying a confidence level to run-off triangles used to calculate the LIC. The confidence level is set to 75%.

1.5 Significant estimates

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

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

For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to note 7.

1.5.1 Estimates of future cash flows to fulfil insurance contracts

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

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

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

1.5.2 Methods used to measure the insurance contracts

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

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

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.6 Insurance contracts

1.6.1 Insurance contract

Insurance contracts are contracts under which the Fund accepts significant insurance risk from a member by agreeing to compensate the member if a specified uncertain future event adversely affects the member. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Fund uses judgement to assess whether a contract transfers insurance risk (i.e., if there is a scenario with commercial substance in which the Fund has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

1.6.2 Unit of account

The Fund has assessed their portfolio to be at a Fund level as a whole.

Please refer to note 1.4.1 for the assessment.

The Fund has applied the exemption not to perform profitability groupings as allowed by IFRS 17.20 and included all contracts in the same group. The Fund has further assessed that there are no facts and circumstances to indicate that the group was onerous at inception date.

Before the Fund accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

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

The Fund applies IFRS 17 to all remaining components of the contract.

Transmed Medical Fund does not have any contracts that require separation or combination of insurance contracts.

1.6.3 Contract boundary

The Fund uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

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

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

In assessing the practical ability to reprice, risks transferred from the member to Transmed Medical Fund are considered; other risks, such as lapse or surrender and expense risk, are not included.

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

The Fund has assessed all its contracts and determined all contracts have a boundary of one year.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.6 Insurance contracts (continued)

1.6.4 Recognition and derecognition

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

An insurance contract is derecognised when it is:
- extinguished (i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- if the terms are modified due to an agreement between the Fund and its member or by regulation and the modification terms meet the requirement in IFRS 17.72.

If the modification does not comply with all the requirements of IFRS 17.72 the Fund shall treat the changes in cash flow as changes in estimates of fulfilment cash flows (FCF).

1.6.5 Initial and subsequent measurement

The criteria in IFRS 17.53 should be considered to determine if a scheme would be able to use the Premium Allocation Approach (PAA). Transmed Medical Fund contracts all have a coverage period of one year or less and are therefore eligible to apply the PAA model.

The Fund uses the PAA for measuring contracts with a coverage period of one year or less. This approach is used for all healthcare insurance contracts as each of these contracts has a coverage period of one year or less.

For insurance contracts issued, on initial recognition, Transmed Medical Fund measures the Liability for remaining coverage (LFRC) at the amount of contributions received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

The carrying amount of the group of insurance contracts issued at each reporting period is the sum of:
a. the LFRC; and
b. the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LFRC is:
a. increased for contributions received in the period;
b. decreased for insurance acquisition cash flows paid in the period; and
c. decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

For insurance contracts issued at each of the subsequent reporting dates the LIC is:
a. best estimate of fulfilment cash and
b. risk adjustment.
Refer to notes 1.4.2 and 1.5.1 for the significant judgements and estimates used to determine the LIC and the estimates to determine the fulfilment cash flow.
Discounting in the PAA

IFRS 17.59(b) allows a policy choice whether to adjust the measurement for the impact of the time value of money and other financial risks, if the settlement of the claims is expected within 12 months.

Transmed Medical Fund has made the choice not to discount the group of contracts.

If the group of contracts becomes onerous, the Fund increases the carrying amount of the LFRC to the amounts of the FCF determined under the general measurement model (GMM) (as described for the LIC above) with the amount of such an increase recognised in insurance service expenses. Subsequently, the Fund amortises the amount of the loss component within the LFRC by decreasing insurance service expenses. The loss component amortisation is based on the passage of time over the remaining coverage period of contracts within an onerous group.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.6 Insurance contracts (continued)

1.6.6 Onerous contract assessment

In the consideration of whether facts and circumstances indicate that a group of insurance contracts is onerous, the Fund considers whether the expected deficit of the following year exceeds the insurance liability attributable to future members. In the rare scenario where the following year's deficit exceedsthe insurance liability attributable to future members – the contracts written would be onerous and an onerous contract liability raised. Where the amounts attributable to future members exceed the following year's deficit the contracts would not be determined as onerous, and no provision raised as a liability is already recognised.

1.6.7 Insurance revenue

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

For the group of insurance contracts measured under the PAA, the Fund recognises insurance revenue based on the expected pattern of release of risk over the coverage period of the group of contracts.

1.6.8 Expenses

Insurance service expenses

Insurance service expenses include:
a. incurred claims and benefits excluding investment components;
b. other incurred directly attributable insurance service expenses;
c. changes that relate to past service (i.e., changes in the FCF relating to the LIC); and
d. changes that relate to future service (i.e., losses/reversals on onerous groups of contracts from changes in the loss components).

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

1.7 Investment income

Interest income is recognised using the effective interest rate 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 Fund.
Realised gains or losses on disposal of financial assets at FVTPL are recognised in surplus or deficit as investment income.

1.8 Liabilities and related assets under the liability adequacy test

The liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows, and comparing this amount to the carrying value of the liability net of any related assets. Where a shortfall is identified, an additional provision is made and the Fund recognises the deficiency in surplus or deficit for the year.

1.9 Allocation of income and expenditure to benefit options

The following items are directly allocated to benefit options:
- Insurance revenue; and
- Claims incurred.

The remaining items are apportioned based on a percentage split calculated by the Fund's management.
- Accredited managed healthcare services (no transfer of risk);
- Attributables expenses incurred
- Other income
- Other expenditure

2. EQUIPMENT

Year ended 31 December 2023	**Computer equipment R**	**Electronic equipment R**	**Furniture & fittings R**	**Total R**
Cost				
At the beginning of the year	237,836	141,869	22,800	402,505
Additions	-	26,158	-	26,158
Disposals	-	(23,235)	-	(23,235)
At the end of the year	237,836	144,792	22,800	405,428
Accumulated depreciation				
At the beginning of the year	(224,004)	(119,444)	(22,112)	(365,560)
Depreciation charge	(12,263)	(7,109)	(688)	(20,060)
Disposals reversed	-	12,836	-	12,836
At the end of the year	(236,267)	(113,717)	(22,800)	(372,784)
Carrying amount at the end of the year	1,569	31,075	-	32,644

Year ended 31 December 2022	**Computer equipment R**	**Electronic equipment R**	**Furniture & fittings R**	**Total R**
Cost				
At the beginning of the year	236,597	141,869	22,800	401,266
Additions	1,239	-	-	1,239
At the end of the year	237,836	141,869	22,800	402,505
Accumulated depreciation				
At the beginning of the year	(195,787)	(112,413)	(20,946)	(329,146)
Depreciation charge	(28,217)	(7,031)	(1,166)	(36,414)
At the end of the year	(224,004)	(119,444)	(22,112)	(365,560)
Carrying amount at the end of the year	13,832	22,425	688	36,945

The carrying amounts of equipment can be reconciled as follows:

	Computer equipment R	**Electronic equipment R**	**Furniture & fittings R**	**Total R**
2023				
Net carrying value at beginning of the year	13,832	22,425	688	36,945
Additions	-	26,158	-	26,158
Disposals	-	(10,400)	-	(10,400)
Depreciation	(12,263)	(7,109)	(688)	(20,060)
Net carrying value at the end of the year	1,569	31,075	-	32,644
2022				
Net carrying value at beginning of the year	40,810	29,456	1,854	72,120
Additions	1,239	-	-	1,239
Depreciation	(28,217)	(7,031)	(1,166)	(36,414)
Net carrying value at the end of the year	13,832	22,425	688	36,945

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 R	2022 R
Fair value of investments at the beginning of the year	114,807,226	143,240,976
Additions	295,895,000	266,365,000
Disposals	(266,055,000)	(301,975,000)
Capitalised interest	12,464,714	7,231,574
Realised and unrealised gain on financial assets at fair value through Profit or Loss	16,591	(19,939)
Management fees and transaction costs	(36,943)	(35,385)
	157,091,587	114,807,226
Fair value of investments at the end of the year	157,091,587	114,807,226
Total financial assets at fair value through profit or loss		
Non-current	73,761,847	63,750,546
Current	83,329,740	51,056,679
	157,091,587	114,807,226
Investments are summarised as follows:		
Money market instruments	131,098,914	97,129,024
Bonds	25,992,673	17,678,202
	157,091,587	114,807,226

Financial assets at fair value through Profit or Loss consists of money market instruments and bonds. A detailed register of investments is available for inspection at the registered office of the Fund. The maturity of the underlying instruments are disclosed on page 50 of the financial statements.

The weighted average interest rate received on the money market portfolio was 9.10% (2022: 6.06%).

4. CASH AND CASH EQUIVALENTS

	2023 R	2022 R
Current accounts	4,313,403	2,812,808
	4,313,403	2,812,808

The weighted average effective interest rate on the Fund's current accounts was 5.13% (2022: 2.73%).
The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

5. INSURANCE CONTRACT LIABILITY

	2023 R	2022 R
Insurance contract liability to future members	126,926,295	95,714,762
Insurance contract liability to current members	32,622,671	20,430,765
	159,548,966	116,145,527

5.1 INSURANCE CONTRACT LIABILITY TO FUTURE MEMBERS

	2023	2022
Opening balance	95,714,762	110,758,521
Movement in insurance liability attributable to future members	31,211,533	(15,043,758)
Closing balance	126,926,295	95,714,762

TRANSMED MEDICAL FUND
Registration number: 1582
ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

5.2 INSURANCE CONTRACT LIABILITY TO CURRENT MEMBERS

				2023
	R	**R**	**R**	**R**
	LRC*	**LIC****		
		BEL***	**RA******	**Total**
Opening asset	-	-	-	-
Opening liability	-	18,995,173	1,435,592	20,430,765
Net opening balance	**-**	**18,995,173**	**1,435,592**	**20,430,765**
Insurance revenue	(533,218,229)	-	-	(533,218,229)
Insurance service expenses				
Incurred claims and other insurance service expenses	-	495,911,454	(308,782)	495,602,672
Third party claims recoveries	-	(21,445)	-	(21,445)
Losses and reversals of losses on onerous contracts	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	-	-
Insurance service result	**(533,218,229)**	**495,890,009**	**(308,782)**	**(37,637,002)**
Premium debtors to LIC	(9,122,661)	9,122,661	-	-
Cash flows				
Premiums received	542,340,890	-	-	542,340,890
Incurred claims and other insurance service expenses paid	-	(492,511,981)	-	(492,511,981)
Total cash flows	**542,340,890**	**(492,511,981)**	**-**	**49,828,909**
Net closing balance	**-**	**31,495,861**	**1,126,810**	**32,622,671**
Closing asset	-	-	-	-
Closing liability	-	31,495,861	1,126,810	32,622,671
Net closing balance	**-**	**31,495,861**	**1,126,810**	**32,622,671**
Closing liabilities				
Liability for incurred claims (note 7)				21 764 355
Insurance payables				17 019 825
Insurance receivables				(6 161 509)
				32 622 671

* LRC - Liability for Remaining Coverage
** LIC - Liability for Incurred Claims
*** BEL - Best estimate Liability
****RA - Risk adjustment

5.2 INSURANCE CONTRACT LIABILITIES - LIABILITY ATTRIBUTABLE TO CURRENT MEMBERS

				2022
	R	R	R	R
	LRC	LIC		
		BEL	RA	Total
Opening asset	-	-	-	-
Opening liability	-	33,297,677	1,611,008	34,908,685
Net opening balance	**-**	**33,297,677**	**1,611,008**	**34,908,685**
Insurance revenue	(540,760,594)	-	-	(540,760,594)
Insurance service expenses				
Incurred claims and other insurance service expenses	-	545,650,837	(175,416)	545,475,421
Third party claims recoveries	-	(235,210)	-	(235,210)
Losses and reversals of losses on onerous contracts	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	-	-
Insurance service result	**(540,760,594)**	**545,415,627**	**(175,416)**	**4,479,617**
Premium debtors to LIC	8,563,181	(8,563,181)	-	-
Cash flows				
Premiums received	532,197,413	-	-	532,197,413
Incurred claims and other insurance service expenses paid	-	(551,154,950)	-	(551,154,950)
Total cash flows	**532,197,413**	**(551,154,950)**	**-**	**(18,957,537)**
Net closing balance	**-**	**18,995,173**	**1,435,592**	**20,430,765**
Closing asset	-	-	-	-
Closing liability	-	18,995,173	1,435,592	20,430,765
Net closing balance	**-**	**18,995,173**	**1,435,592**	**20,430,765**

Closing liabilities	
Liability for incurred claims (note 7)	22 393 138
Insurance payables	13 290 190
Insurance receivables	(15 252 563)
	20 430 765

6. TRADE AND OTHER RECEIVABLES

	2023 R	2022 R
Loans and receivables		
Sundry accounts receivable	195,620	197,927
Prepaid expenses	225,114	88,011
	420,734	285,938

The carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets. The estimated future cash flow receipts have not been discounted as the effect would be immaterial.

7. LIABILITY FOR INCURRED CLAIMS

	2023 R	2022 R
Provision for outstanding risk claims	21,764,355	22,393,138
Analysis of movements in outstanding risk claims		
Balance at beginning of year	22,393,138	24,048,447
Payments in respect of prior year	(17,220,953)	(20,100,449)
Over provision in respect of prior years (note 10)	5,172,185	3,947,998
Adjustment for current year (note 10)	16,592,170	18,445,140
Balance at end of year	21,764,355	22,393,138

Process used to determine the assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out monthly. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

Each notified risk claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from managed care: management services and historical evidence of the size of similar risk claims. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provision estimation difficulties are further complicated by risk claims complexity, volume of risk claims, the severity of risk claims, determining the occurrence date of claim and reporting lags.

The cost of outstanding risk claims is estimated using run-off triangles. Such methods extrapolate the development of paid and incurred risk claims, average cost per risk claims and ultimate risk claim numbers for each year based upon observed development of earlier years and expected loss ratios. Run-off triangles are used in situations where it takes time after the treatment date until the full extent of the risk claims to be paid is known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in the known cumulative payments from one development month to the next can then be used to calculate payments for future development months. The Fund's actuarial consultant also calculated the provision using the Bornhuetter-Ferguson (BF) Method to confirm the accuracy of the provision.

The method used is consistent with prior years and considered and observed historical risk claims development. To the extent that these methods use historical risk claims development information they assume that the historical risk claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the method. Such reasons include:

- Economic, legal, political and social trends (resulting in different than expected levels of inflation and/or minimum medical benefits to be provided);
- Changes in composition of members and their dependants; and
- Random fluctuations, including the impact of large losses.

7. LIABILITY FOR INCURRED CLAIMS (continued)

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding risk claims provision are the expected percentages of risk claims settled after each of the first four months of the risk claims run-off period, before the risk claims turn stale.

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 Fund's liabilities if an incorrect assumption is used.

Other assumptions:

- The actual demographics of the Fund were used including all membership movements for the period.
- The effect of ageing of the population on the utilisation of health services is automatically incorporated.
- The impact on new technology and the depreciation of the Rand were taken into account.

The assumed percentages of risk claims settled at the end of the period:

Risk claims settled for services rendered in:	**2023**	**2022**
	%	**%**
December	31.4%	31.8%
November	83.5%	87.1%
October	94.1%	95.4%
September	97.1%	97.8%
August and prior	99.6%	99.5%

The impact on profit or loss of the sensitivity of these percentages are illustrated below:	**2023**	**2022**
	R	**R**
Effect of a 1% point change in assumptions used	1 965 256	2 223 170
Effect of a 2% point change in assumptions used	3 978 010	4 401 464
Effect of a 3% point change in assumptions used	6 040 083	6 536 229

This analysis is prepared for a change in a specific variable, namely risk claims outstanding at the end of each month, with other assumptions remaining constant.

The Fund believes that the liability for risk 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 risk claims arise.

8. TRADE AND OTHER PAYABLES

	2023	**2022**
	R	**R**
Financial liabilities		
Other payables and accrued expenses	2,309,402	1,797,389
	2,309,402	1,797,389

The carrying amounts of trade and other payables approximate their fair values due to the short-term maturities of these liabilities.

9. INSURANCE REVENUE

	2023 R	2022 R
Gross insurance revenue	533,218,229	540,760,594
	533,218,229	540,760,594

10. CLAIMS INCURRED

	2023 R	2022 R
Current year risk claims	429,868,202	475,432,183
Movement in outstanding risk claims provisions:		
- Adjustment for current year (note 7)	21,764,355	22,393,138
	451,632,557	497,825,322

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

	2023 R	2022 R
Active disease risk management services	2,841,416	3,085,934
Disease risk management support services	709,579	771,923
Hospital benefit management services	4,730,012	5,137,950
Network management services	3,550,448	3,735,050
Pharmacy benefit management services	4,279,167	4,645,606
	16,110,622	17,376,463

12. ATTRIBUTABLE EXPENSES INCURRED

	2023 R	2022 R
Actuarial fees		
- IBNR calculation	328,617	279,416
- Pricing and benefit design	2,464,625	2,095,622
Administration fees paid in respect of accredited services:		
- Administrator	29,376,314	30,922,731
- Administration expenditure: benefit management services (not accredited managed care)	639,214	682,098
Third party claims recovery administration fees	222,908	241,768
	33,031,678	34,221,635

13. INVESTMENT INCOME

	2023 R	2022 R
Realised (loss)/gain on disposal of financial assets at fair value through Profit or Loss	(25,030)	4,340
Interest on cash and cash equivalents	564,030	307,826
Interest on financial assets at fair value through other Profit or Loss	12,464,714	7,231,574
	13,003,714	7,543,740

14. SUNDRY INCOME

	2023 R	2022 R
Old and unidentified credit balances written back to income	44,626	242,280
	44,626	242,280

15. ADMINISTRATION FEES AND OTHER OPERATING EXPENSES

	2023 R	2022 R
Actuarial fees		
- Monthly actuarial reporting	492,925	419,119
Association fees	271,405	274,325
Audit expense:		
- Audit services	2,260,979	1,237,800
Audit expense (internal)	274,654	295,494
Bank charges	312,686	334,754
Board: sub-committees (i.e. non trustee members)		
- Audit committee	255,053	188,669
Call centre fees	224,315	231,255
Compliance and governance services	1,809,135	1,945,334
Council for Medical Schemes expenses	713,832	758,944
Debt collection fees	-	812
Depreciation on PPE	20,059	36,414
Fidelity guarantee insurance premiums	162,571	143,662
Investigation fees (including forensic services)		
- Fraud	347,451	378,117
Legal fees	30,315	-
Marketing expenditure (including advertising)	2,249,900	2,351,097
Operating leases and other rentals (including property rentals)	865,406	890,722
- Property rentals - occupied	662,121	687,301
- Equipment rental	203,285	203,421
Principal Officer fees & remuneration	4,916,634	5,037,661
Printing, stationery and postage	487,240	567,445
Staff remuneration and employment costs	945,459	710,353
Telephone and fax	56,094	40,198
Travel, accommodation and conferences	164,439	149,299
Trustees' remuneration and considerations (note 15.1)	2,232,127	1,761,790
- Trustees’ remuneration: Board	1,312,702	1,118,962
- Reimbursements and other expenditure	919,425	642,828
Functions and sundries	226,173	184,853
Trustees Vetting	-	8,095
	19,318,852	17,946,212

15. ADMINISTRATION FEES AND OTHER OPERATING EXPENSES (Continued)

15.1 Trustees' remuneration and considerations - 2023

Name	Fees for meeting attendance R	Fees for holding office R	Travel and accommodation R	Conference fees R	Telephone allowance R	Total R
Mr C Beard	113,415	30,640	30,447	-	-	174,502
Ms S Booysen	113,415	30,640	111,835	-	5,400	261,290
Mr HF Fourie	84,453	30,640	38,609	-	-	153,702
Mr JJ Groenewald	19,620	15,694	34,326	-	-	69,640
Mr B Jonker	158,992	46,936	196,833	-	5,400	408,161
Mr F Mabaso	60,353	30,640	99,590	-	-	190,583
Mr F Mackenzie	149,647	30,640	157,233	9,450	5,400	352,370
Mr LJ Ngaka	19,620	15,694	27,266	-	-	62,580
Ms J Phokane	94,544	30,640	26,054	-	5,400	156,638
Mr V Ramlugaan	-	-	24,492	-	-	24,492
Mr L Siwani	113,415	30,640	107,295	-	5,400	256,750
Ms C Sophete	61,784	30,640	23,595	-	5,400	121,419
Total	989,258	323,444	877,575	9,450	32,400	2,232,127

TRANSMED MEDICAL FUND
Registration number: 1582
ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

15. ADMINISTRATION FEES AND OTHER OPERATING EXPENSES (Continued)

15.1 Trustees' remuneration and considerations - 2022

Name	Fees for meeting attendance R	Fees for holding office R	Travel and accommodation R	Conference fees R	Telephone allowance R	Total R
Mr C Beard	122,904	29,060	25,833	-	-	177,797
Ms S Booysen	121,239	29,060	100,798	-	5,400	256,497
Mr T Campher	36,467	14,114	6,885	-	1,800	59,266
Mr HF Fourie	30,451	29,060	2,968	-	-	62,479
Mr WH Goosen	32,938	14,114	39,477	-	3,150	89,679
Mr B Jonker	155,271	36,438	156,435	-	5,400	353,544
Mr F Mabaso	68,097	29,060	109,898	-	-	207,055
Mr F Mackenzie	155,914	36,026	77,611	-	5,400	274,951
Ms J Phokane	18,687	7,473	6,742	-	1,800	34,702
Mr V Ramlugaan	-	-	14,542	-	-	14,542
Mr L Siwani	97,369	29,060	64,748	-	5,400	196,577
Ms C Sophete	18,687	7,473	6,742	-	1,800	34,702
Total	858,024	260,938	612,678	-	30,150	1,761,790

16. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES

	2023	2022
Trade and other receivables	**R**	**R**
Debt not collectable:		
Movement in allowance for expected credit losses	(73,434)	44,780
Written off during the year	121,733	212,197
Previously written off receivables recovered	(12,248)	(5,260)
	36,051	251,717

Trade and other receivables are considered to be impaired when four months have elapsed and the outstanding amount has not been collected.

17. SUNDRY EXPENSES

	2023	2022
Loss with disposal of electronic equipment	10,400	-

18. RELATED PARTY TRANSACTIONS

Employer

Transnet SOC Ltd is providing additional funding for the SATS risk pool (Guardian option) in order to cover the shortfall between member contributions and claims, and to keep the risk pool at the statutory required reserve ratio level of 25%.

Administrators and their associates

The administrators and their associates do not fall within the definition of a related party. The information below has been included due to the significance of the outsourcing relationships.

The administrator Momentum Health Solutions (Pty) Ltd has significant influence over the Fund, as Momentum Health Solutions provides financial and operational information as well as managed care services, but does not control the Fund. Momentum Health Solutions provides administration and managed care services.

Universal Health (Pty) Ltd provides administration and managed care functions on the Link Option but does not control the Fund.

Actuarial and Consultancy services company NMG Consultants and Actuaries (Pty) Ltd has significant influence over the Fund, as it provides actuarial and consultancy services but does not control the Fund.

Transactions with administrators and their associates are governed by contracts and service level agreements.

Key management personnel

The key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Fund. Key management personnel include the Board of Trustees, Principal Officer, sub-committee members, their dependants and close family members.

Transaction with related parties

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

Key management personnel (Board of Trustees, Principal Officer and sub-committee members)

	2023	2022
Statement of comprehensive income	**R**	**R**
Insurance revenue	294,840	350,095
Claims incurred	(1,330,966)	(336,782)
Principal Officer's fees and expenses	(4,916,634)	(5,037,661)
Board of Trustee's fees and expenses	(2,232,127)	(1,761,790)
Audit committee fees	(255,053)	(188,669)

18. RELATED PARTY TRANSACTIONS (continued)

Details regarding trustee remuneration is disclosed in note 15.1.

There were no ex-gratia payments made to key management during the 2023 and 2022 financial years.

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

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

Transaction with entities that have significant influence	**2023** **R**	**2022** **R**
Statement of comprehensive income		
Transnet SOC Ltd - funding for SATS pensioners	134,880,820	123,035,640
Momentum Health Solutions - Administration fee	32,352,967	34,849,599
Momentum Health Solutions - Managed care services	14,651,729	15,913,223
NMG Consultants and Actuaries - Actuarial services	2,919,892	2,794,157
Universal Health - Managed care services	1,458,893	1,463,240
Statement of financial position		
Momentum Health Solutions - reimbursement due	307,958	165,167

Terms and conditions of the administration agreement (Momentum Health Solutions)

The administration agreement is in terms of the rules of the Fund and in accordance with instruction given by the Board of Trustees of the Fund. The Board of Trustees reviews the performance of the service provider and renew the contract on an annual basis. The Fund has the right to terminate the agreement on 180 days notice.

Terms and conditions of the managed care agreement (Momentum Health Solutions)

The managed care agreement is in accordance with instruction given by the Trustees of the Fund. The Board of Trustees reviews the performance of the service provider and renew the contract on an annual basis. The Fund has the right to terminate the agreement on 90 days notice.

Terms and conditions of the administration and managed care agreement (Universal Health)

The Universal Health agreement is in accordance with the instruction given by the Board of Trustees of the Fund. The Board of Trustees reviews the performance of the service provider and renew the contract on an annual basis. The Fund has the right to terminate the agreement on 180 days’ notice.

Terms and conditions of actuarial and consultancy contracts

The actuarial and consultancy contract is in accordance with the instruction given by the Board of Trustees of the Fund. The Board of Trustees reviews the performance of the service provider and renew the contract on an annual basis. The Fund has the right to terminate the agreement on 90 days notice.

TRANSMED MEDICAL FUND
Registration number: 1582
ANNUAL FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

19. NET PROFIT/(LOSS) PER BENEFIT OPTION

2023	**Link**	**Select**	**Prime**	**Guardian**	**Total**
	R	**R**	**R**	**R**	**R**
Insurance revenue	35,749,284	310,986,551	29,004,737	157,477,657	533,218,229
Insurance service expenses	(28,693,300)	(277,862,377)	(36,704,023)	(152,321,527)	(495,581,227)
Claims incurred	(25,264,931)	(262,235,152)	(35,165,242)	(128,967,233)	(451,632,557)
Third party claims recoveries	2,266	12,736	322	6,121	21,445
Accredited managed healthcare services (no transfer of risk)	(1,778,613)	(7,343,221)	(757,199)	(6,231,589)	(16,110,622)
Attributables expenses incurred	(2,156,969)	(11,227,467)	(938,100)	(18,709,142)	(33,031,678)
Changes that relate to past service - adjustments to the LIC	504,946	2,930,727	156,196	1,580,316	5,172,185
Losses on onerous contracts and reversal of these losses	-	-	-	-	-
Insurance service result	7,055,984	33,124,174	(7,699,286)	5,156,130	37,637,002
Other income	573,967	4,974,511	457,161	7,084,322	13,089,961
Investment income	567,461	4,932,413	454,910	7,048,930	13,003,714
Sundry income	4,704	26,393	699	12,830	44,626
Unrealised gains on investments at fair value through Profit or Loss	1,802	15,705	1,552	22,562	41,621
Other expenditure	(1,116,876)	(6,707,560)	(1,152,042)	(10,538,952)	(19,515,430)
Administration fees and other operating expenses	(1,106,970)	(6,632,162)	(1,145,261)	(10,434,459)	(19,318,852)
Asset management fees	(6,548)	(56,932)	(5,268)	(81,379)	(150,127)
Net impairment loss on healthcare receivables	(2,257)	(12,297)	(1,356)	(20,141)	(36,051)
Sundry expenses	(1,101)	(6,169)	(157)	(2,973)	(10,400)
Unrealised loss on investments at fair value through Profit or Loss	-	-	-	-	-
Profit/(loss) for the year	6,513,074	31,391,125	(8,394,166)	1,701,500	31,211,533
Number of members at the end of the year	1,443	8,067	197	3,859	13,566

19. NET PROFIT/(LOSS) PER BENEFIT OPTION

2022	Link R	Select R	Prime R	Guardian R	Total R
Insurance revenue	35,632,940	322,471,006	34,991,988	147,664,660	540,760,594
Insurance service expenses	(29,944,361)	(311,783,294)	(33,224,346)	(170,288,210)	(545,240,212)
Claims incurred	(25,539,852)	(291,350,196)	(32,216,778)	(148,718,495)	(497,825,322)
Third party claims recoveries	22,714	138,214	4,683	69,599	235,210
Accredited managed healthcare services (no transfer of risk)	(1,918,361)	(7,920,192)	(816,694)	(6,721,216)	(17,376,463)
Attributables expenses incurred	(2,234,673)	(11,631,934)	(971,894)	(19,383,134)	(34,221,635)
Changes that relate to past service - adjustments to the LIC	(274,189)	(1,019,186)	776,338	4,465,035	3,947,998
Losses on onerous contracts and reversal of these losses	-	-	-	-	-
Insurance service result	5,688,579	10,687,712	1,767,642	(22,623,550)	(4,479,618)
Other income	220,827	1,924,501	197,330	5,443,363	7,786,020
Investment income	197,076	1,781,859	192,553	5,372,253	7,543,740
Sundry income	23,750	142,642	4,777	71,110	242,280
Unrealised gains on investments at fair value through Profit or Loss	-	-	-	-	-
Other expenditure	(1,048,035)	(6,282,706)	(1,000,456)	(10,018,963)	(18,350,160)
Administration fees and other operating expenses	(1,028,318)	(6,160,935)	(987,042)	(9,769,918)	(17,946,212)
Asset management fees	(3,336)	(30,207)	(3,288)	(91,121)	(127,952)
Net impairment loss on healthcare receivables	(15,757)	(85,861)	(9,465)	(140,634)	(251,717)
Sundry expenses	-	-	-	-	-
Unrealised loss on investments at fair value through Profit or Loss	(623)	(5,704)	(662)	(17,290)	(24,279)
Profit/(loss) for the year	4,861,371	6,329,507	964,516	(27,199,150)	(15,043,758)
Number of members at the end of the year	1,530	9,050	294	4,470	15,344

20. INSURANCE RISK MANAGEMENT

NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS

The Fund issues contracts that transfer insurance risk. This section summarises these risks and the manner in which the Fund manages them.

Insurance risk - description of benefit options

The types of benefits offered by the Fund in return for monthly contributions are indicated below:

Description of health benefits provided

Link

Hospitalisation: This option provides hospital benefits for PMB conditions at State facilities. Admissions in Private facilities are covered through Universal Healthcare network for emergency treatment in cases of an accident or trauma and for selected procedures.
Chronic benefits: Benefits are provided through Universal network pharmacies.

Day-to-day cover: Benefits are provided through Universal Healthcare networks and contracted providers.

Select

Hospitalisation: This option provides hospital benefits for PMB and non-PMB conditions at State facilities. Admissions in Private facilities are covered through the Transmed private hospital network for emergency treatment (medical, accidents and trauma), psychiatric treatment, cancer surgery and for selected procedures.

Chronic benefits: Benefits are provided through Transmed pharmacy network.
Day-to-day cover: Benefits are provided through the member's own choice of healthcare or service provider, subject to the day-to-day limit.
Optical and dental services which are managed by the contracted providers.

Prime

Hospitalisation: This option provides private hospital benefits for PMB conditions through Transmed private hospital network.

Chronic benefits: Benefits are provided through Transmed pharmacy network.

Day-to-day cover: No day-to-day cover is provided other than out-patient care for chronic conditions.

Guardian

Hospitalisation: This option provides hospital benefits for PMB and non-PMB conditions at State facilities and for selected procedures at private facilities.
Chronic benefits: Benefits are provided through Transmed pharmacy network.
Day-to-day cover: Benefits are provided through the member's own choice of healthcare or service provider, subject to the day-to-day limit.

20. INSURANCE RISK MANAGEMENT (continued)

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Fund 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 Fund members. As such the Fund is exposed to the uncertainty surrounding the timing and severity of risk claims under the risk contract. The Fund also has exposure to market risk through its investment activities.

The Board of Trustees has developed and approved a documented policy for the acceptance and management of insurance risk to which the Fund is exposed. Reference has also been made to the requirements of the Medical Schemes Act in compiling the insurance risk management policy. This policy is reviewed annually and the benefit options provided to members are structured to fall within the acceptable insurance risk level specified. The Board of Trustees also determines the policy for entering into alternative risk transfer arrangements and/or commercial re-insurance contracts. The annual business plan is structured around the insurance risk management policy.

The Fund manages its insurance risk through:

- benefit limits and sub-limits on different categories of risk claims;
- approval procedures for transactions that involve pricing guidelines;
- pre-authorisation for procedures and hospitalisation in order to monitor and manage cost;
- case management to ensure effective and cost effective treatment;
- disease risk management, which focus on high cost individuals;
- medicine risk management programme;
- HIV and AIDS programme; and
- Home-based care services

The Fund uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing. The principal risk is that the frequency and severity of risk claims is greater than expected. Insurance events are by their nature, random, and actual number and size of events during any one year may vary from those estimated with established statistical techniques.

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 Fund has developed its insurance underwriting strategy to diversify the type of insurance risk accepted and within each of these categories to achieve a sufficient large population of risks to reduce the variability of the expected outcome.

Frequency and severity of risk claims

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

20. INSURANCE RISK MANAGEMENT (continued)

Source of uncertainty in the estimation of future risk claims payments

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

The Fund'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 business plan, which specifies the benefits to be provided by each option, the preferred target market and demographic split thereof.

All the contracts are annual in nature and the Fund has the right to change the terms and conditions of the contract at renewal. Monthly management reports are reviewed which has certain management information including risk contribution income and loss ratios by option.

Concentration of insurance risk

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

2023

Age grouping (in years)	Link	Select	Prime	Guardian	Total
< 26	574	2,548	-	26	3,148
26 - 35	59	342	-	1	402
36 - 50	561	2,806	3	28	3,398
51 - 64	464	2,084	36	187	2,771
> 65	849	4,866	198	4,178	10,091
Total	2,507	12,646	237	4,420	19,810

2022

Age grouping (in years)	Link	Select	Prime	Guardian	Total
< 26	656	3,078	2	28	3,764
26 - 35	71	516	1	1	589
36 - 50	597	3,229	10	31	3,867
51 - 64	523	2,473	80	229	3,305
> 65	872	5,299	262	4,835	11,268
Total	2,719	14,595	355	5,124	22,793

20. 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.

2023

Age grouping (in years)	Medical specialists	General practitioner including Optical and Dental	Supplementary Health Services	Medicines	Private Hospital	Provincial Hospital	Total
	R	R	R	R	R	R	R
<26	2,457,606	512,291	529,712	551,254	2,535,273	75,725	6,661,861
26 - 35	979,895	358,538	244,801	1,161,360	1,018,761	22,322	3,785,677
36 - 50	7,158,175	2,667,140	3,180,423	6,542,469	6,344,006	3,152,456	29,044,669
51 - 65	13,774,623	3,485,223	3,248,540	12,202,302	10,398,286	1,634,830	44,743,805
>65	74,160,874	17,701,489	31,299,210	94,132,780	66,020,700	21,838,763	305,153,816
Link							24,031,556
Optical & Dental							16,446,818
IBNR adjustment							21,764,355
Total	98,531,174	24,724,681	38,502,687	114,590,165	86,317,025	26,724,096	451,632,557

2022

Age grouping (in years)	Medical specialists	General practitioner including Optical and Dental	Supplementary Health Services	Medicines	Private Hospital	Provincial Hospital	Total
	R	R	R	R	R	R	R
<26	3,762,522	1,283,938	997,098	3,160,137	2,096,192	109,637	11,409,525
26 - 35	2,163,253	655,288	1,237,308	2,691,184	770,813	25,409	7,543,255
36 - 50	11,656,391	3,556,560	2,164,777	11,609,495	10,627,669	1,888,419	41,503,311
51 - 65	18,300,393	5,313,442	4,592,356	20,335,785	18,945,894	3,905,374	71,393,244
>65	75,135,787	16,537,592	28,412,657	84,870,583	75,397,902	21,702,448	302,056,968
Link							23,697,600
Optical & Dental		17,828,280					17,828,280
IBNR adjustment							22,393,138
Total	111,018,347	45,175,099	37,404,196	122,667,184	107,838,470	27,631,287	497,825,322

The sensitivity analysis for insurance risk illustrates the effect of an ageing membership profile on the insured benefit payment.

An average increase of one year in the age profile of the Fund will increase insured benefits costs with 1.31% (2022:1.30%).

20. INSURANCE RISK MANAGEMENT (continued)

Risk claims development

Disclosure pertaining to risk claims development is not required as the uncertainty regarding the amounts and timing of risk claim payments is typically resolved within one year. At year-end the provision is made for those risk claims outstanding that are not yet reported at that date. Details regarding the provision is disclosed in note 7.

21. CAPITAL MANAGEMENT

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

The Fund monitors capital using a solvency ratio, which is accumulated funds divided by annual contributions.

The Medical Schemes Act requires the Fund to maintain a solvency ratio of 25% of contributions. The Fund's solvency ratio is 23.79% (2022: 17.70%) (Refer note 29 on page 56).

The Trustees have implemented the actions stipulated in the business plan in order to increase the reserve ratio of the Working Members and Pensioner (WMP) risk pool in order to reach the required 25% level.

The SATS risk pool's reserve ratio was 34.20% at the end of the year. The funding from Transnet SOC Ltd for the 2023 year will be enough to maintain reserves of 25%.

This measure of capital is consistent with prior years. The Fund's objective is to return to a solvency level of 25%.

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

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

A key assumption concerning the future that has a significant risk of causing a material adjustment to the carrying amounts of liabilities in the next financial year is that used to determine the liability for incurred claims (refer note 7).

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

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

23. FINANCIAL RISK MANAGEMENT

The Management Committee makes risk management and investment decisions, under the guidance and policies approved by the Board of Trustees. The Management Committee identifies and evaluates financial risks associated with the Fund's investment portfolio.

The Management Committee provides written principles for overall risk management, as well as written policies covering specific areas, market risk, credit risk, and investing excess liquidity. The Board of Trustees approves all of these written policies.

The Fund appointed a professional asset management company to manage the Fund's investment portfolio. The approach of the asset manager is to construct a portfolio of diversified asset classes in order to obtain an optimal risk/return mix. The strategy is to focus on strategic asset allocation rather than on timing the market. This will mitigate the risk in volatile markets.

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

Asset allocation summary	**2023** **R**	**2022** **R**
Financial assets at fair value through Profit or Loss (note 3)	157,091,587	114,807,226
Cash and cash equivalents (note 4)	4,313,403	2,812,808
Trade and other receivables (note 6)	420,734	285,938
	161,825,724	117,905,972

The Fund's activities expose it to market risk. Market risk is defined as the risk that the fair value of future cash flow of financial instruments will fluctuate because of changes in market prices. Market price risk comprises three types of risk: currency risk, interest rate risk and other price risk. These risks arise from open positions in interest rates which are exposed to general and specific market movements. The Fund'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 Fund holds to meet its obligations to its members.

The following summary represents the major liabilities in the Fund.	**2023** **R**	**2022** **R**
Insurance contract liability to current members (note 5.2)	32,622,671	20,430,765
Trade and other payables (note 8)	2,309,402	1,797,389
	34,932,073	22,228,154

The Fund does not pay any interest on these liabilities.

Financial Risk Factors

Currency risk

The Fund operates in South Africa and therefore its cash flows are denominated in South African Rand (ZAR). The Fund therefore is not exposed to currency risk.

23. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

The Fund is exposed to interest rate risk through its investments in interest bearing investments.

The table below summarises the Fund's exposure to interest rate risk. Included in the table are the Fund's investments at carrying amounts, categorised by the maturity dates.

2023	**Up to 1 Month R**	**1 – 3 months R**	**More than 3 months R**	**More than 1 year**	**Total R**
Cash and cash equivalents	4,313,403	-	-	-	4,313,403
Financial assets at fair value through Profit or Loss	27,448,907	17,490,403	38,390,430	73,761,847	157,091,587
	31,762,310	17,490,403	38,390,430	73,761,847	161,404,990

2022	**Up to 1 Month R**	**1 – 3 months R**	**More than 3 months R**	**More than 1 year**	**Total R**
Cash and cash equivalents	2,812,808	-	-	-	2,812,808
Financial assets at fair value through Profit or Loss	21,017,187	6,121,524	23,917,968	63,750,547	114,807,226
	23,829,995	6,121,524	23,917,968	63,750,547	117,620,034

Sensitivity analysis – interest rate risk

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.

A decrease/increase of 100 basis points in interest yields would result in an increase/decrease in members' funds of R 1 614 050 (2022: R 1 176 200).

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

Other price risk

The Fund was not exposed to equity risk during the year.

23. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of financial loss to the Fund if a counterparty to a financial instrument fails to meet its contractual obligations. The Fund’s principal financial assets are cash and cash equivalents, available-for-sale investments and trade and other receivables. The Fund's credit risk is primarily attributable to its trade and other receivables.

The amounts presented in the statement of financial position are net of allowances for impairment. An allowance for impairment is made where there is an identified loss event, which based on previous experience is evidence of a reduction in the recoverability of the cash flows. The Fund has a policy of limiting the amount of credit exposure to any one financial institution.

Trade and other receivables

The Fund's exposure to credit risk is influenced by the characteristics of each member and the demographics of the membership base. Geographically there is no concentration of credit risk.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtor’s ability to pay all amounts due according to the contractual terms (for example on the basis of a credit risk evaluation or grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Contribution debtors are collected in arrears within 30 days of raising. In monitoring member credit risk, members are grouped according to their credit characteristics, including whether they are an individual, group or government member, whether the risk arises from contributions or member shortfalls. The Board has approved a credit control policy, thereby managing the credit risk to the Fund.

The table below illustrates the quality of the Fund’s receivables in order to assess the risk:

As at 31 December 2023

	Fully performing R	**Past due R**	**Impaired R**	**Total R**
Insurance revenue outstanding	5,743,569	159,810	-	5,903,379
Member and provider debt	168,330	89,800	9,111	267,241
Other receivables	420,734	-	-	420,734
	6,332,633	249,610	9,111	6,591,354

As at 31 December 2022

	Fully performing R	**Past due R**	**Impaired R**	**Total R**
Insurance revenue outstanding	15,003,340	22,700	-	15,026,040
Member and provider debt	197,833	28,690	82,545	309,068
Other receivables	285,938	-	-	285,938
	15,487,111	51,390	82,545	15,621,046

The table above illustrates the Fund's maximum exposure to credit risk.

23. FINANCIAL RISK MANAGEMENT (continued)

The table below provides an age analysis of the credit that is past due, but not yet impaired.

As at 31 December 2023

	30 - 60 days R	60 - 90 days R	90 - 120 days R	Total R
Insurance revenue outstanding	105,708	54,102	-	159,810
Member and provider debt	27,607	44,788	17,405	89,800
	133,315	98,890	17,405	249,610

As at 31 December 2022

	30 - 60 days R	60 - 90 days R	90 - 120 days R	Total R
Insurance revenue outstanding	22,700	-	-	22,700
Member and provider debt	15,795	7,536	5,359	28,690
	38,495	7,536	5,359	51,390

Contribution debtors
On analysing the credit quality of contribution debtors, the Fund collected 99% of these amounts in January 2024. This indicates a high credit quality relating to debtors. Consequently no additional disclosure of credit quality is provided.

Active member claim debtors
These debtors are members of the Fund and therefore are expected to have similar credit quality to the contribution debtors. This does not imply that all amounts were collected in January 2024.

Cash and cash equivalents

The credit risk on liquid funds is limited because the counter parties are financial institutions with high credit ratings. The Fund has no significant concentration of credit risk, with exposure spread over a large number of counter parties and members.

Moody's deposit ratings	**Deposit rating**		**2023**	**2022**
Financial institution	**2023**	**2022**	**R**	**R**
ABSA	Ba2	Ba2	705,234	202,956
Citibank	Aa3	Aa3	2,513	2,063
Standard Bank	Ba2	Ba2	2,549,206	2,086,615
Nedbank	Ba2	Ba2	1,056,450	521,174

Financial assets at fair value through Profit or Loss

The Fund limits its exposure to credit risk by investing in liquid securities and only with counterparties that have a high credit rating. The Trustees do not expect any counterparty to fail to meet its obligations. Annexure B to Regulation 30 to the Medical Schemes Act, of South Africa, as amended, prescribes the credit limits per institution which reduces the individual risk per institution. The utilisation of these limits are regularly monitored.

Fair value estimation

The carrying value of financial assets (less allowance for expected credit losses) and financial liabilities with a maturity date of less than one year, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

23. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial instruments

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

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).

The Fund's financial instruments totalling R 157 091 587 (2022: R 114 807 226), measured at fair value at reporting date are all categorised as level 1 instruments.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund applies prudent liquidity risk management by maintaining sufficient cash and marketable securities so that the availability of funding through liquid holding cash positions with various financial institutions to ensure that the Fund has the ability to fund its day-to-day operations.

Management monitors rolling forecasts of the Fund’s liquidity reserve which comprises of cash and cash equivalents (note 5) on the basis of expected cash flow. In addition, the Fund’s liquidity management policy involves projecting cash flows for seasonal variances and considers the level of liquid assets necessary to meet these and monitoring statement of financial position liquidity ratios against external regulatory requirements.

At year-end 100% (2022: 100%) of the Fund's assets was invested in money market instruments to ensure that the Fund can meet its short-term liabilities.

The table below analyses the assets and liabilities of the Fund into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date:

2023	Up to 1 Month R	1 – 3 months R	More than 3 months R	More than 1 year	Total R
Non–current assets					
Equipment	-	-	-	32,644	32,644
Financial assets at fair value through Profit or Loss	-	-	-	73,761,847	73,761,847
Current assets					
Financial assets at fair value through Profit or Loss	27,448,907	17,490,403	38,390,430	-	83,329,740
Cash and cash equivalents	4,313,403	-	-	-	4,313,403
Trade and other receivables	420,734	-	-	-	420,734
Total assets	32,183,044	17,490,403	38,390,430	73,794,491	161,858,368
Non-current liabilities					
Insurance contract liability to future members	-	-	-	126,926,295	126,926,295
Current liabilities					
Insurance contract liability to current members	23,832,760	4,927,074	3,862,837	-	32,622,671
Trade and other payables	2,309,402	-	-	-	2,309,402
Total liabilities	26,142,162	4,927,074	3,862,837	126,926,295	161,858,368

23. FINANCIAL RISK MANAGEMENT (continued)

2022	**Up to 1 Month R**	**1 – 3 months R**	**More than 3 months R**	**More than 1 year**	**Total R**
Non–current assets					
Equipment				36,945	36,945
Financial assets at fair value through Profit or Loss	-	-	-	63,750,546	63,750,546
Current assets					
Financial assets at fair value through Profit or Loss	21,017,187	6,121,524	23,917,968	-	51,056,679
Cash and cash equivalents	2,812,808	-	-	-	2,812,808
Trade and other receivables	285,938	-	-	-	285,938
Total assets	24,115,933	6,121,524	23,917,968	63,787,491	117,942,916
Non-current liabilities					
Insurance contract liability to future members	-	-	-	95,714,762	95,714,762
Current liabilities					
Insurance contract liability to current members	8,702,539	5,852,155	5,876,071	-	20,430,765
Trade and other payables	1,797,389	-	-	-	1,797,389
Total liabilities	10,499,928	5,852,155	5,876,071	95,714,762	117,942,916

24. LEGAL RISK

Legal risk is the risk that the Fund will be exposed to in respect of contractual obligations which have not been provided for. At 31

December 2023 the Fund did not consider there to be any significant concentration of legal risk that had not been provided for.

25. CONTINGENT ASSET

Road Accident Fund (RAF)

The Fund grants assistance to its members in defraying expenditure incurred 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 a member is re-imbursed by the RAF, they are legally obliged to cede that payment to the Fund to the extent that they have already been compensated.

Due to the uncertainty over the recoverability of the risk claims lodged by the members with the RAF a contingent asset has arisen to the value of R 7 694 705 (2022: R 7 904 180). The net recoveries from RAF for the year was
R 21 445 (2022: R 235 210).

26. PROFESSIONAL INDEMNITY AND FIDELITY GUARANTEE INSURANCE

The Fund was covered under a professional indemnity and fidelity guarantee insurance policy throughout the reporting year. The cover amounted to R 80 000 000 as at 31 December 2023 (2022: R 80 000 000).

27. EVENTS AFTER REPORTING DATE

There have been no events that have occurred between the end of the accounting period and the date of the approval of these annual financial statements that the Trustees consider should be brought to the attention of the members of the Fund.

28. GOING CONCERN

The Board of Trustees considers the Fund to be a going concern. The Board took the following into consideration in the evaluation of the Fund's going concern status:

- Available cash and investments at the end of the year amounted to R 161 404 990.
- Transnet SOC Ltd will be providing funding to ensure that the SATS risk pool maintains a reserve level of 25%.
- A business plan has been developed by the Trustees, with the assistance of the Fund's actuary, in order to get the Fund to a reserve level of 25%.
- It is expected that the Fund's reserve ratio will increase from 23.79% at 31 December 2023 to 23.89% at 31 December 2024.
- An actuarial model was developed to assist the Trustees to consider the going concern status of the Fund. Even with the most negative assumptions on membership movements and membership risk profiles, the model indicated that the Fund will be a going concern.

29. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998

29.1 Self-supporting options

Nature and impact
In terms of Section 33(2) benefit options shall be self-supporting in terms of membership and financial performance. The Prime option recorded a loss for the year ended 31 December 2023.

Causes for the failure
The Prime Option had an adverse high cost case experience in comparison to the prior year.

Corrective action

The Prime Plan is not sustainable in the longer term on account of the following:

- the small and declining membership;
- the poor and rapidly deteriorating risk profile as a result of anti-selection;
- the poor value proposition that it offers;
- the substantial operating losses being experienced on the plan.

In consultation with the CMS, it was agreed that consideration should be given to closing the plan once the plan membership falls below 500 lives and closure of the plan would not threaten the financial sustainability of the WMP risk pool. The Prime Plan membership fell below 500 in November 2021. However impact analyses carried out at part of the 2024 benefit review process for closing the Prime Plan indicated that closing of the Prime Plan as at this time would result in the members of the WMP risk pool being substantially worse off. Taking this into account, the Trustees decided to (1) continue with the Prime Plan for 2024 even though on a loss-making basis, and (2) to continue to monitor the plan closely with a view to closure when it makes financial sense to do so.

29.2 Reserve ratio

Nature and impact
In terms of Regulation 29, a medical scheme should have reserves of at least 25% of its gross annual contributions. At 31 December 2023, the Fund had a reserve ratio of 23.79%, which is lower than the required level.

Causes for the failure
The working member and pensioner risk profile deteriorated during the year. Further to this, Transnet SOC reduced its subsidy for the Guardian Option, intended to bring the risk pool closer to the 25% solvency requirement.

Corrective action
A business plan was developed by the Trustees, with the assistance of the Fund's actuary in order to restore the Fund's reserve levels back to 25%. The Council for Medical Schemes approved the business plan.

29.3 Payment of claims within 30 days

Nature and impact
In terms of Section 59(2) a member or provider claim should be settled within 30 days of submission. Instances were noted during sample testing where settlements took more than 30 days.

Causes of failure
Delays can occur when accounts are referred for clinical audit or other investigations. These are however the exceptions, and claims are generally paid within the prescribed time.

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

29. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998 (continued)

29.4 Outstanding contributions

Nature and impact
In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the Fund. Per the Fund rules, contributions are required to be received at least three days after their due date. Instances were noted where contributions were received late.

Causes for the failure
The reason for this is due to the inherent nature of the business.

Corrective action
On-going communication to employer groups has occurred and will continue.

30. TRANSITION FOR IFRS 17 INSURANCE CONTRACTS

Change in accounting policies as a result of the adoption of IFRS 17 have been applied using the full retrospective approach. Based on the requirements of IFRS 17, the Fund was identified a mutual entity which is different to the accounting under IFRS 4. It is expected that the remaining assets of the Fund will be used to pay current and future policyholders.

As the Fund is in a surplus position, it recognised a liability in its statement of financial position to provide coverage to future members.

This liability is in essence incurred because the scheme is obliged to:
- provide coverage to that member;
- pay incurred claims of that member; or
- provide coverage to future members (IFRS 17.B71 liability).

On measurement of the liability to future members, the fulfilment cash flows of this liability are measured incorporating information about the fair value of the other assets and liabilities of the Fund.

There is an accounting mismatch between the measurement of this liability and the measurement of property and equipment which are measured at cost less accumulated depreciation and accumulated impairment. This resulted in a liability greater than recognised assets in the financial statements. Although the Fund is solvent for regulatory purposes it has negative equity.

As a result of the recognition of the liability to future members, an additional onerous contract liability was not recognised.

The impact on opening equity of the Fund as a result of IFRS 17 was R1 611 008 on 1 January 2022. The impact on insurance liabilities was R1 611 008.

The classification of the Fund as a mutual entity resulted in the Fund not having a Statement of Changes in Members' Funds and Reserves beyond the opening statement in its financial statements. The Fund applied the transition provision in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item.