SEDMED Medical Scheme
(Registration number 1531)
Annual Financial Statements
for the year ended 31 December 2023

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Contents

Statement of responsibility by the Board of Trustees

The Trustees are responsible for the preparation, integrity and fair presentation of the financial statements of Sedmed Medical Scheme, ("the Scheme") comprising the statement of financial position at 31 December 2023, the statement of profit and loss and comprehensive income, the statement of changes in members' funds and reserves and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with IFRS Accounting Standards and in the manner required by the Medical Schemes Act of South Africa and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council.

The Trustees' responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Trustees' responsibilities also include maintaining adequate accounting records and an effective system of risk management. The Trustees have ultimate responsibility for the system of internal control.

The Trustees are satisfied that the information contained in the financial statements fairly presents the financial performance for the year and the financial position of the Scheme at year-end.

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

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

The financial statements set out on pages 3 to 52 were approved by the Board of Trustees on 29 May 2024 and are signed on its behalf:

Francios Louw	Granwill May	
Chairman	**Trustee**	**Principal officer**

29 May 2024
Bloemfontein

Statement of Corporate Governance by the Board of Trustees

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

BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the administration of the Scheme. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive. The Scheme conducts its affairs according to ethical values. 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 scheme.

INTERNAL CONTROL

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

Scheme management and the managed care provider attend regular operations meetings where service levels are reviewed and all pertinent operational issues are discussed.

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.

Francios Louw	Granwill May	
Chairman	**Trustee**	**Principal officer**

29 May 2024

Bloemfontein

Report of the Board of Trustees

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

Registration number: 1531

1. Description of the Medical scheme

1.1 Terms of registration

Sedmed Medical Scheme is a not-for-profit closed fund registered in terms of the Medical Scheme Act 131 of 1998 (the Act), as amended.

1.2 Benefit options within Sedmed Medical Scheme

The scheme offers one benefit option. Membership is restricted to persons in the regular employment of The Seventh Day Adventist Church in the Republic of South Africa, Namibia, Lesotho or Swaziland or any of its recognised sub- organisations.

2. Management

2.1 The principal officer and the board of trustees in office at the date of this report are as follows:

Principal officer		
Mr A du Preez	Secretary / Principal Officer	Appointed as principal officer and secretary at the Board of Trustees meeting held on 19 September 2013, effective from 1 October 2013
Trustees		
Ps F Louw	Chairman / Trustee	Appointed as trustee and chairman on 2 June 2017
Mr G May	Trustee	Appointed as trustee on 2 June 2017
Mr T Kunene	Trustee	Appointed as trustee in May 2021
Mrs P Ndinisa	Trustee	Appointed as trustee in May 2021
Mr H Bekker	Trustee	Appointed as trustee in May 2021
Mrs C Penniken	Trustee	Appointed as trustee in February 2021
MR MS Lupondwana	Trustee	Appointed as trustee on 15 September 2022, resigned 29 June 2023
Mr AH Neerings	Trustee	Appointed as trustee on 15 September 2022, resigned 29 June 2023
Mr DP Shongwe	Trustee	Appointed as trustee on 15 September 2022, resigned 29 June 2023

Report of the Board of Trustees

2.2 Principal Officer

Mr A du Preez
P O Box 468
Bloemfontein
9300

2.3 Registered office address and postal address

2 Fairview Street	P O Box 468
Bloemfontein	Bloemfontein
9301	9300

2.4 Medical Scheme administrator during the year

Self-administered

2.5 Auditor

Pricewaterhouse Coopers Inc.
Ascot Office Pk,
1 Ascot Rd
Gqeberha
6045

2.6 Managed care providers

Mediscor PBM (Pty) Limited
Baobab Building
River Falls Office Park
262 Rose Ave
Centurion
Pretoria
0157

Professional Provident Society Healthcare Administrators (Pty) Limited.
1262 Heuwel Road
Centurion Central
Centurion
0157

3. Investment Strategy of the scheme

The Scheme'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 Scheme invested in fixed deposits, money market instruments, equities and property during 2023. This policy is reviewed annually, taking into consideration compliance with the Act, the risk and returns of the various investments and the surplus of funds available.

Report of the Board of Trustees

4. Insurance risk management

Risk management objectives and policies for mitigating insurance risk.
The primary insurance activity carried out by the Scheme assumes the risk of loss from members and their dependants that are directly subject to the risk. These risks relate to the health of the Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and investment activities.

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, as well as the monitoring of emerging issues.

The scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

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

5. Review of the accounting periods activities

5.1 Operational statistics

	2023	2022
Number of members at the end of the year	1071	1065
Average number of members for the year	1071	1059
Number of dependants at the end of the year	1212	1238
Average number of dependants for the year	1225	1220
Number of beneficiaries at the end of the year	2283	2303
Average number of beneficiaries for the year	2296	2279
Dependant ratio to members at 31 December	1.13	1.16
Insurance revenue per average member per month	5540	5305
Insurance revenue per average beneficiary per month	2585	2465
Insurance service expenses per average member per month	5721	5390
Insurance service expensese per average beneficiary per month	2669	2505
Non-Insurance service expenditure per average beneficiary per month	56.74	55.51
Insurance service expenses as a percentage of insurance revenue	113.59%	106.96%
Non-Insurance service expenditure as a percentage of insurance revenue	2.20%	2.25%
Average age per beneficiary	46	45
Pensioner ratio at the end of the year	25.23%	25.40
Average Insurance contract liabilities attributable to future members per member as at 31 December	44051	39689
Return on investments as a percentage of investments	6.68%	5.35%

5.2 Results of the Scheme

Membership decrease with 1% from 2022 year end to 2023 year end, which is in the norm found before covid 19 pandemic, where it would slightly increase some years and slightly decrease others, depending on the employment data of organisations in the closed medical scheme demographics. Contributions increased with approved increase of 6.91% (2022:4.2%)

5.3 Solvency ratio

	2023	2022
Total Insurance contract liabilities attributable to future members per statement of financial position	50,406,114	43,950,827
Insurance revenue	71,194,485	67,419,893
Solvency ratio	70.80%	65.19%

Report of the Board of Trustees

5.4 Insurance Contract Liability

The basis of calculation of the insurance contract liability is discussed in note 6 to the financial statements. IFRS 17 was adopted for the first time and retrospective figures were adjusted to comply with the requirements of the standard. Movements on the insurance contract liability are set out in the note 6 to the financial statements. The schemes policies have been updated to comply with IFRS 17 requirements.

6. Related party transactions

Refer to related parties disclosures in note 11 to the financial statements.

7. Audit committee

The audit committee was established in accordance with the provisions of the Act. The committee is mandated by the Board of Trustees. The committee, at year-end, 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 Scheme.

The committee met three times during 2023 financial year. The chairperson of the Scheme, the scheme accountant, principal officer and the external Auditor attend the audit committee meetings by invitation 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 Scheme's accounting policies, internal control systems and financial reporting practices. The external Auditor formally report to the committee on critical findings arising from audit activities.
The committee currently comprises: J van Wyk (Chairperson), G May, P Ndinisa, N Moonsamy and H van der Ness.

8. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

9. Investments in and loans to participating employers of members of the medical and other related parties

The Scheme holds no investments in participating employers of the Scheme's members.

Report of the Board of Trustees

10. Trustee and Sub-committee meeting attendance

The following schedule sets out Board of Trustee and Sub-committee meeting attendances.

	Trustee meetings		Audit committee	
	A	B	A	B
Mr. A du Preez	4	4	2	3
Ps F Louw	4	4	-	3
Mrs R Layman	-	4	-	3
Mr D Spencer	-	4	-	3
Mr G May	4	4	2	3
Mr T Kunene	-	4	-	3
Mrs M Mweeba	-	4	-	3
Mrs P Ndinisa	4	4	1	3
MR H Bekker	4	4	-	3
Mrs C Penniken	4	4	-	3
Dr Paul Shongwe	-	4	-	3
Ps Mandla Lupondwana	3	4	-	3
Mr Tony Neerings	4	4	-	3

A - Actual number of meetings attended
B - Total possible number of meetings

Report of the Board of Trustees

11. Non-compliance matters

Non-compliance to the Medical Schemes Act

11.1 Nature and Cause of the non-compliance

In terms of section 26(7) of the Medical Schemes Act, all contributions shall be paid to a medical scheme by no later than three days after payment thereof becomes due. Whilst every effort is made to enforce this requirement the onus is on the member or employer group to ensure compliance. During the financial year, contributions amounting to R2,939,806 (2022: R1,765,830) were identified that were not paid to the Scheme within three days of becoming due.

Possible impact of the non-compliance:

Late payments may result in a loss of interest to the Scheme. This amount would, however, not be considered significant.

Corrective course of action adopted to ensure compliance, including timing of corrective action:

- Actively pursuing all contributions not received after three days of becoming due.
- Monthly reconciliations between administrator and employer are discussed for possible suspensions of memberships.

11.2 Nature and Cause of the non-compliance

Section 59(2) of the Medical Schemes Act (Act) states that: "A medical scheme shall, in the case where an account has been rendered, subject to the provisions of the act and the rules of the Fund concerned, pay to a member or supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the Fund". During the financial year ended 31 December 2023, non-compliance to this section amounting to R3,865,614 (2022: R6,790,749) was identified.

Situations beyond the control of the Scheme could result in claims being paid later than 30 days after receipt when, for example, further supporting documentation is required or incorrect bank details provided.

Possible impact of the non-compliance:

Late payment of claims could result in inconvenience to members and healthcare providers.

Corrective course of action adopted to ensure compliance, including timing of corrective action:

The necessary assistance is provided to the identified members and healthcare providers to ensure that these types of cases are minimised.

11.3 Nature and Cause of the non-compliance

Regulation 6(1) of the Act states: "In order to qualify for benefits, any claim must, be signed and certified as correct and must be submitted to the scheme not later than the last day of the fourth month following the month in which the service was rendered". SEDMED paid out claims to the amount of R78,401 (2022: R865,958) claims which were received more than 4 months after the service date.

Possible impact of the non-compliance:

There is the possibility of fines levied by the Council for Medical Schemes, as well as SEDMED unfavourably impacting their financial position by paying out these claims.

Corrective course of action adopted to ensure compliance, including timing of corrective action

SEDMED does not intend to cease payment of these late claims, as they have an in-house rule which states that all hospital and PMB (Prescribed Minimum Benefit) claims will be paid out regardless of when the claim is received.

Independent Auditor's Report

To the Members of SEDMED Medical Scheme

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SEDMED Medical Scheme (the Scheme), set out on pages 15 to 51, which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and comprehensive income, the statement of changes in members' funds and the statement of cash flows for the year then ended, and notes to the financial statements including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Scheme as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Medical Schemes Act of South Africa.

Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Key Audit Matter

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

Key audit matter	How our audit addressed the key audit matter
Valuation of the liability for incurred claims in relation to insurance contract liabilities Refer to the following disclosure in the financial statement for details:	Our audit addressed this key audit matter as follows:

Key audit matter	How our audit addressed the key audit matter
• Note 1.2: Significant judgements and estimates; • Note 1.5: Insurance contracts; and • Note 6: Insurance contract liabilities. As at 31 December 2023 the Scheme recognised an insurance contract liability amounting to R 60,676,239. The Scheme applied IFRS 17 - Insurance Contract Liabilities ("IFRS 17") retrospectively for the first time in the current financial year ended in accounting for its insurance contract liabilities. The Scheme's insurance contract liabilities comprise the liability for remaining coverage (LFRC) and the liability for incurred claims (LIC). In determining the LIC, the Scheme applies significant judgement and estimation uncertainties, due to the Scheme having to determine claims from healthcare events that have occurred but have not yet been reported. The value of the LIC from healthcare events that have occurred but have not yet been reported is the sum of the probability-weighted estimate of the expected future cash flows and the risk adjustment. The LIC reported is calculated by the Scheme's actuaries which is reviewed by management and the Audit Committee and recommended to the Board of Trustees for approval. The LIC from healthcare events that have occurred but are not yet reported amounts to R5,890,525. The most significant assumptions made in the determination of the LIC are: • the future cash flow projections; and • the risk adjustment for non-financial risk. *Future cash flow projections* The future cash flow projections comprise estimates of all future claim payments, receivables from third parties as well as the	We obtained an understanding from the Scheme's actuaries regarding the process followed in calculating the LIC from healthcare events that have occurred but have not yet been reported. We obtained the actual claims data from the member administration system covering the year ended 31 December 2023 used in calculating the LIC from healthcare events that have occurred but are not yet reported. We assessed the completeness of the claims data on the member administration system by understanding management's controls. We substantively tested a sample of claims received by the Scheme in the 2023 financial year, selected from the member administration system, and evaluated the accuracy of the service and process dates and the validity of the claim against the relevant Scheme rules. No material inconsistencies were noted. We assessed the completeness of the claims data in the Scheme's actuarial model by obtaining an understanding and testing the reconciliation between the claims data per the member administration system and the claims data per the actuarial model. No material inconsistencies were noted. To assess the reasonableness of the Scheme's actuaries estimation process, we compared the actual claim results in the current year to the prior year LIC from healthcare events that have occurred but are not yet reported. We noted no matters for further consideration with respect to the estimation process. We have evaluated management's experts by assessing their competence, capability, and objectivity and noted no aspects requiring further consideration. We also obtained the

Key audit matter	How our audit addressed the key audit matter
directly attributable expenses arising from the healthcare events within the boundary of the insurance contracts. The Scheme's actuaries uses an actuarial model, based on the Scheme's actual claim development patterns throughout the year, to determine the probability-weighted estimate of expected future cash flows. This model applies a Basic Chain Ladder method. *Risk adjustments for non-financial risk* In determining the Scheme's risk adjustment for non-financial risk, the Scheme uses a confidence level technique (value at risk) under IFRS 17. The Scheme's calibrated risk adjustment (using value at risk) is such that the insurance contract liabilities are held to be sufficient at the 75th percentile of the ultimate loss distribution. We considered the valuation of the LIC from healthcare events that have occurred but have not yet been reported to be a matter of most significance to the current year audit due to the significant judgement and estimation uncertainties in determining the future cash flow projections and the risk adjustments for non-financial risk.	LIC from healthcare events that have occurred but are not yet reported from the Scheme's actuaries and assessed whether the inputs, assumptions, methodology and findings per the report were consistent with our testing. We performed the following procedures to assess the adequacy of the LIC from healthcare events that have occurred but are not yet reported: ● We obtained the actual claims run-off report up to 16 April 2024 from the Scheme and compared the claims paid post year-end to the LIC from healthcare events that have occurred but are not yet reported at year-end as part of subsequent event procedures. No material inconsistencies were noted. ● For a sample of claims from the claims run-off report, we tested the occurrence and accuracy of the claims as well as the accuracy of the related service dates by agreeing the claims to underlying supporting documents on the administration system and we identified no material inconsistencies. ● We inquired from the Scheme whether there were delays in processing claims at year-end that could possibly impact the claims run-off pattern subsequent to year-end. No such delays were identified.

Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the information included in the document titled "SEDMED Medical Scheme's Annual Financial Statements for the year ended 31 December 2023". The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Scheme's Trustees for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.
- Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

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

Audit Tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc. has been the auditor of SEDMED Medical Scheme for 2 years.

The engagement partner, Mr. A. Rathan, has been responsible for SEDMED Medical Scheme's audit for 2 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: A. Rathan
Registered Auditor
Gqeberha, South Africa
30 May 2024

Statement of Financial Position as at 31 December 2023

Figures in Rand	Note(s)	2023	2022 Restated *	1 January 2022 Restated *
Assets				
Non-Current Assets				
Property, plant and equipment	2	109,119	97,956	97,507
Financial assets at fair value through profit and loss	3	15,561,318	12,374,849	8,855,900
Financial assets at amortised cost	3	18,842,392	24,555,664	9,949,932
		34,512,829	**37,028,469**	**18,903,339**
Current Assets				
Financial assets at amortised cost	3	24,055,700	11,476,040	21,846,806
Cash and cash equivalents	4	2,413,304	6,501,923	9,037,553
		26,469,004	**17,977,963**	**30,884,359**
Total Assets		**60,981,833**	**55,006,432**	**49,787,698**
Liabilities				
Non-Current Liabilities				
Insurance contract liabilities	6	50,406,114	43,950,826	40,587,171
Current Liabilities				
Trade and other payables	5	305,594	189,150	94,477
Insurance contract liabilities	6	10,270,125	10,866,456	9,106,050
		10,575,719	**11,055,606**	**9,200,527**
Total Liabilities		**60,981,833**	**55,006,432**	**49,787,698**

* See Note 17

Statement of Profit or Loss and Comprehensive Income

Figures in Rand	Note(s)	2023	2022 Restated *
Insurance revenue	7	71,194,485	67,419,893
Insurance service expenses	7	(73,534,602)	(68,493,073)
Insurance service result		**(2,340,117)**	**(1,073,180)**
Other operating expenses	8	(1,563,314)	(1,518,049)
Net healthcare result		**(3,903,431)**	**(2,591,229)**
Investment income	9	3,903,335	2,591,069
Other operating income	10	96	160
Net surplus for the year		**-**	**-**

* See Note 17

Statement of Changes in members' funds and reserves

Figures in Rand	Reserve	Retained income	Total equity
Restated* Balance at 01 January 2022	138,336	40,301,772	40,440,108
Transition restatement*	(138,336)	(40,301,772)	(40,440,108)
1 January 2022	**-**	**-**	**-**

* See Note 17

Statement of Cash Flows

Figures in Rand	Note(s)	2023	2022 Restated *
Cash flows from operating activities			
Cash receipts from members		70,927,199	68,102,345
Cash receipts from members and providers - others		96	160
Cash paid for claims and acquisition cost		(67,408,358)	(64,033,174)
Cash paid to suppliers and employees		(1,290,213)	(1,222,201)
Cash generated from operations		2,228,724	2,847,130
Interest received	11	136,248	74,770
Net cash from operating activities		**2,364,972**	**2,921,900**
Cash flows from investing activities			
Additions to property, plant and equipment	2	(33,291)	(17,046)
Additions of financial assets	3	(8,515,000)	(10,080,976)
Disposal of financial assets	3	2,094,700	4,559,516
Net cash used in investing activities		**(6,453,591)**	**(5,457,530)**
Cash and cash equivalents movements for the year		**(4,088,619)**	**(2,535,630)**
Cash and cash equivalents at the beginning of the year		6,501,923	9,037,553
Total cash and cash equivalents at end of the year	4	**2,413,304**	**6,501,923**

* See Note 17

Accounting Policies

General information

SEDMED Medical Scheme is a non-profit closed Medical Scheme registered in South Africa under the Medical Schemes Act 131 of 1998, as amended. The Scheme offers one benefit option to its members.

The Scheme's registered office address is 2 Fairview street, Bloemfontein, South Africa.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The financial statements are prepared in accordance with IFRS Accounting Standards, IFRIC® Interpretations applicable to schemes reporting under IFRS, Financial Reporting Pronouncements issued by the Financial Reporting Standards Council and in the manner required by the Medical Schemes Act, no 131 of 1998 as amended.

The financial statements have been prepared using the historical cost basis except for the following:

-Fair value through profit and loss financial assets, which are carried at fair value.
-Insurance assets and liabilities – measured in terms of IFRS 17 estimates.

The financial statements are presented in Rand, which also represent the Scheme's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in note 1.2.

1.2 New and amended standards adopted by the Scheme

In the current year, the company has adopted all new standards and interpretations that are effective for the current financial year.

IFRS 17 have a material impact on the entity. Please refer to note 1.5&1.7&1.9&6&17 for details.

The following standards and interpretations may have an impact on the entity but are not yet effective. These new standards are available for early adoption, but have not been applied in the preparation of these financial statements. These standards will be applied on its effective dates.

Standard/Interpretation		Effective date for periods beginning on or after *
IAS1	Amendment: Classification of Liabilities as Current or Non-current	01 January 2024

* All standards and interpretations will be adopted at their effective date.

IAS1 Amendment: Classification of Liabilities as Current or Non-current

Amendment: Classification of Liabilities as Current or Non-current:
- Classification to be based on whether the right to defer settlement by at least twelve months exists at the end of the reporting period;
- Classification is unaffected by expectation of settlement;
- Settlement refers to transfer of cash equity instruments, other assets or services;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

Accounting Policies

1.2 New and amended standards adopted by the Scheme (continued)

Significant judgements and estimates

Consistent with other IFRS Accounting Standards, financial reporting under IFRS 17 is, to a larger extent, based on estimates, judgements and models rather than exact depictions. The IFRS Conceptual Framework establishes the concepts that underlie those estimates, judgements and models.

Significant Judgements:

Assessment as to whether the Scheme is a mutual entity

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

IFRS 3 defined a "mutual entity" as "An entity, other than an investor-owned entity, that provides dividends, lower costs or other economic benefits directly to its owners, members or participants.

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

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

Although the rules do not specify how the assets should be distributed on liquidation, IFRS 17 states that "contracts can be written, oral or implied by an entity's customary business practices. Contractual terms include all terms in a contract, explicit or implied, but an entity shall disregard terms that have no commercial substance (i.e. no discernible effect on the economics of the contract). Implied terms in a contract include those imposed by law or regulation" (IFRS 17.2). Therefore, based on customary business practices, the remaining assets of SEDMED should be distributed to the members on liquidation if there are any and if the scheme does not amalgamate with another scheme. Even if the assets are distributed by a regulator or by the policyholders to an independent third party e.g. another medical scheme, an administrator or a charity, the important aspect is that the choice resides with the members or the regulator acting on behalf of the members, not with an equity holder.

The substance of the legal framework issued regarding insurance contracts and observed practice is that once a contribution is paid to the medical scheme, the contribution is used to provide benefits to members. The benefits are provided by the medical scheme through insurance coverage, reduced contributions, or payment to members on liquidation (based on votes taken by members).

It is therefore expected that the remaining assets of the scheme will be used to pay current and future members. Based on the above, SEDMED meets the definition of a mutual entity in IFRS.

SEDMED has therefore developed an accounting policy in terms of the IFRS 17 guidance for mutual entities and the educational material as issued by the IASB and the Scheme recognises any cumulative profit or losses as part of the insurance liability attributable to future members (which forms part of the insurance contract liabilities on the face of the statement of financial position).

Consequently the statement of profit or loss and comprehensive income reflects no total comprehensive income for the year. The movement in the insurance liability attributable to future members are included in the insurance service expenses line.

Due to the Scheme being a mutual entity, the assessment of onerous contracts are also affected.

Accounting Policies

1.2 New and amended standards adopted by the Scheme (continued)

Unit of account

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

The above is demonstrated by the following:
• Hospital claims are managed on a scheme level.
• Chronic conditions are managed on a scheme level,
• Risk (utilisation and concentration) is managed holistically.

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 SEDMED requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as SEDMED 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 SEDMED's degree of risk aversion. SEDMED estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment was calculated at the portfolio level as the Scheme does not have groups. 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%

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2022 and 2023.

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.

For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to note 13.

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of the portfolio are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Scheme estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Scheme uses information about past events, current conditions and forecasts of future conditions. The Scheme'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 scenario representing the probability weighted mean of a 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.

Accounting Policies

1.2 New and amended standards adopted by the Scheme (continued)

Methods used to measure the insurance contracts

The Scheme 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 technique 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 technique 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.

Accounting Policies

1.3 Property, plant and 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 life of the asset after taking into consideration the asset's residual value. The estimated useful lives of the items of equipment are:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Office equipment	Straight line	5 years
IT equipment	Straight line	5 years
Computer software	Straight line	3 years

Useful lives, depreciation method and residual values are assessed annually at each reporting date.

The cost of an item of equipment includes costs incurred initially to acquire or construct an item of equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of equipment, the carrying amount of the replaced part is derecognised. All other maintenance and repairs are recognised in the statement of profit and loss during the financial period in which they are incurred.

1.4 Financial instruments

On initial recognition trade receivables and debt securities issued are recognised when they are originated and all other financial assets are recognised when the scheme becomes a party to the contractual provisions of the instrument.

All financial assets are initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue

The material accounting policies for each type of financial instrument held by the company are presented below:

Classification

The classification and measurement approach for financial assets should reflect the business model in which they are managed and their cash flow characteristics. The Scheme classifies financial assets into the following categories:

- Measured at amortised cost; and
- Measured at fair value through profit and loss

A business model refers to how an entity manages its financial assets in order to generate cash flows by collecting contractual cash flows, selling financial assets or both

Financial asset at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:
• it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
• its contractual terms give rise to cash flows that are solely payments of principal and interest on principle amount outstanding on specified dates.

These assets are subsequently measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in “gain/(loss) on derecognition of financial assets measured at amortised cost”. Impairment losses are presented as separate line item in the statement ofprofit or loss and reduces the amortised cost of the financial asset.

The amortised cost, calculated using the effective interest method, is the amount recognised initially, minus principal repayments, plus cumulative amortisation of interest, adjusted for any loss allowance.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the loan in the application of the effective interest method. The gross carrying amount is the amortised cost before adjusting for a loss allowance.

Accounting Policies

1.4 Financial instruments (continued)

Debt instruments at fair value through other comprehensive income

A debt instrument is measured at fair value throug comprehensive income if it meets both the following conditions and is not designated at fair value through profit or loss:
• it is held within a business model whose objective is achieved by both collecting contractual cash flows and
• its contractual terms give rise to cash flows that are solely payments of principal and interest on principle amount outstanding on specified dates.

They are measured at fair value, with the difference, at reporting date, between the amortised cost and the fair value being recognised in comprehensive income and accumulated in equity in the reserve for valuation of financial instruments.

The amortised cost, calculated using the effective interest method, is the amount recognised initially, minus principal repayments, plus cumulative amortisation of interest, adjusted for any loss allowance.

Although these instruments are measured at fair value, interest income is recognised on them using the effective interest method, and is included in profit or loss.

On derecognition, the cumulative gain or loss on that instrument which was previously accumulated in equity in the reserve for valuation of financial instruments is reclassified to profit or loss.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above will be measured at fair value through profit or loss. On initial recognition, the scheme may irrevocably designate an asset that otherwise meet the criteria to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if by doin so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss

Valuation of financial instruments

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

- Level 1: Quoted market price (unadjusted in an active market for an identical instrument);
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

- Level 3: Valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are based on the quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Scheme's financial instruments, measured at fair value at the end of the reporting period are categorised as level 2 investments.

Accounting Policies

1.4 Financial instruments (continued)

Impairment of financial assets

For debt investments and other instruments at amortised cost the scheme assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried and other instruments at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Debt investments at fair value through other comprehensive income (FVOCI) include listed and unlisted debt securities. The loss allowance for debt investments at FVOCI is recognised in profit or loss

The scheme has a single impairment model that applies to all financial debt instruments within the scope.

The model uses a dual measurement approach, under which the loss allowance is measured as either:

1. 12 month expected credit losses; or
2. Lifetime expected credit losses.

All loss allowances are measured at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk (risk of default) since initial recognition. If the credit risk has not increased significantly since initial recognition, then the loss allowance for that instrument is measured at 12 month expected credit losses (12 month ECL). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective instruments. This means that at each reporting date, the ECL for a specific instrument will either be based on lifetime ECL or 12 month ECL depending on the credit risk at reporting date compared to the credit risk at initial recognition.

Irrespective of the outcome of the above assessment, the credit risk on an instrument is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

By contrast, if an instrument is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk of the receivable has not increased significantly since initial recognition.

The measurement of expected credit losses incorporates the probability of default, loss given default and the exposure at default, taking the historical data and forward-looking information into consideration.

The movement in credit loss allowance is recognised in profit or loss with a corresponding adjustment to the carrying amount of the instrument through a loss allowance account.

The company writes off an instrument when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Instruments written off may still be subject to enforcement activities under the company's recovery procedures. Any recoveries made are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise of current bank account.

Financial liabilities

Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

The Scheme's financial liabilities consist of other payables.

Accounting Policies

1.5 Insurance contracts

Insurance contracts are contracts under which SEDMED 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.

SEDMED uses judgement to assess whether a contract transfers insurance risk (i.e., if there is a scenario with commercial substance in which SEDMED has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

Unit of account

SEDMED has assessed their portfolio to be at a scheme level as a whole.

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

SEDMED does not have any contracts that require separation or combination of insurance contracts.

Contract boundary

SEDMED 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 SEDMED 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:
• SEDMED 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 SEDMED are considered; other risks, such as lapse or surrender and expense risk, are not included. IFRS 17(35) Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

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

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 Scheme 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 Scheme and its member or by regulation and the modification terms meet the requirement in IFRS 17.72.

Accounting Policies

1.5 Insurance contracts (continued)

Initial and subsequent measurement

SEDMED uses the Premium allocation appreach (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, SEDMED 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:
- the Liability for remaining claims (LFRC); and
- the Liability for Incurred claims (LIC), comprising the fulfilment cash flows (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:
- increased for contributions received in the period;
- decreased for insurance acquisition cash flows paid in the period; and
- decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

The insurance contract liabilities consist of two components:
- the insurance liability attributable to current members; and
- the insurance liability attributable to future members.

For insurance contracts issued, at each of the subsequent reporting dates, the insurance liability attributable to current members (the LIC) is:
- Best estimate of fulfilment cash flows
- Risk adjustment.

SEDMED has elected to include premium debtors in the LIC.

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.
SEDMED has made the choice not to discount the group of contracts.

The insurance liability attributable to future members consists of accumulated profits or losses of the Scheme and it is:
- increased by net surplusses for the period; and
- decreased by the net deficits for the period.

Onerous contract assessment

In the consideration of whether facts and circumstances indicate that a group of insurance contracts is onerous, SEDMED 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 exceeds the 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 Taxation

In terms of Section 10 (1)(d) of the Income Tax Act 58 of 1962, as amended, receipts and accruals of a benefit fund are exempt from normal tax.

A medical scheme is included in the definition of a benefit fund and consequently the entity is exempt from income tax.

Accounting Policies

1.7 Insurance revenue

As the Scheme provides services under the group of insurance contracts, it reduces the LFRC 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 Scheme expects to be entitled to in exchange for those services.

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

1.8 Donation income

Donations represent amounts received from Conferences (Participating Employer Groups). These Conferences pay a discretionary amount in respect of each member to SAUC (Southern Africa Union Conference) on a monthly basis. The SAUC pays these amounts over to the Scheme for the purpose of covering the cost of any excess of hospital claims incurred by members.

The policy of the Scheme is to account for these amounts when received.

1.9 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);
d. changes that relate to future service; and
e. amounts attributable to future members.

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.

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

1.10 Investment income

Investment income comprises interest on cash and cash equivalents and interest on fixed interest securities.

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

Dividend income from financial assets thorugh profit and loss is recognised when the right to receive the payment is established. Income from collective investment schemes is recognised on date of declaration, with interest income from collective investment schemes being recognised in profit and loss on the effective interest method if material.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated *	2021 Restated *

2. Property, plant and equipment

	2023			2022		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	162,345	(151,580)	10,765	162,345	(150,033)	12,312
Office equipment	169,742	(105,271)	64,471	160,496	(91,616)	68,880
IT equipment	61,209	(27,326)	33,883	37,864	(21,100)	16,764
Computer software	97,128	(97,128)	-	97,128	(97,128)	-
Total	**490,424**	**(381,305)**	**109,119**	**457,833**	**(359,877)**	**97,956**

	2021		
	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	162,345	(146,937)	15,408
Office equipment	160,496	(78,400)	82,096
IT equipment	20,816	(20,816)	-
Computer software	97,128	(97,125)	3
Total	**440,785**	**(343,278)**	**97,507**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	12,312	-	(1,547)	10,765
Office equipment	68,880	9,246	(13,655)	64,471
IT equipment	16,764	24,045	(6,926)	33,883
	97,956	**33,291**	**(22,128)**	**109,119**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	15,408	-	(3,096)	12,312
Office equipment	82,096	-	(13,216)	68,880
IT equipment	-	17,046	(282)	16,764
Computer software	3	-	(3)	-
	97,507	**17,046**	**(16,597)**	**97,956**

3. Financial assets

Financial assets at fair value through profit and loss		
Hereford Stanlib	5,471,818	3,112,738
Stanlib Yield Plus	6,443,236	5,923,013
Stanlib Medical Investment Fund.	3,646,264	3,339,098
	15,561,318	**12,374,849**

* See Note 17

Figures in Rand	2023	2022 Restated *
3. Financial assets (continued)		
Financial assets at amortised cost		
ABSA	6,785,069	253,898
First National Bank	10,246,175	9,514,138
Investec	7,891,402	7,328,568
Nedbank	13,600,979	13,067,292
Standard Bank	4,374,467	5,867,808
	42,898,092	**36,031,704**
Total other financial assets	**58,459,410**	**48,406,553**
Non-current assets		
Fair value through profit and loss	15,561,318	12,374,849
Amortised cost	18,842,392	24,555,664
	34,403,710	**36,930,513**
Current assets		
Amortised cost	24,055,700	11,476,040
Total other financial assets	**58,459,410**	**48,406,553**
Financial assets at amortised cost		
Amortised cost at the beginning of the year	36,031,703	31,877,606
Additions	6,515,000	7,080,976
Transfer	(2,094,700)	(4,600,788)
Effective interest accrued / received	2,446,089	1,794,166
Reinvestment fee	-	(120,256)
	42,898,092	**36,031,704**

The investments included above represent investments in:

Maturity dates and interest rates are as follows:

ABSA fixed deposit 30 days	30 Day notice	Variable
ABSA under 24h	24h notice	Variable
Investec Structured Deposit	4 February 2027	7,68%
Nedbank Fixed Deposit	14 February 2024	6,80%
Nedbank Fixed Deposit	4 March 2024	8.75%
Nedbank Platinum Fixed Deposit	9 March 2024	6,63%
Nedbank Fixed Deposit 30 days	30 Day notice	7.25%
Standard Bank 32 Day call account	32 Day notice	6.50%
Standard Bank Fixed Deposit	30 August 2028	11.40%
Standard Bank Fixed Deposit	28 July 2023	5.51%
Stanlib Medical Investment Fund	N/A	Variable
Stanlib Yield Plus	N/A	Variable
Stanlib Classic Investment Plan	N/A	Variable
FNB Fixed deposit	19 November 2024	5.90%
FNB Fixed deposit	19 January 2025	7.51%
FNB Fixed deposit	17 October 2028	9.64%
FNB Fixed deposit	20 October 2023	8.1%
FNB 30 Day notice	30 Day notice	Variable

* See Note 17

Figures in Rand	2023	2022 Restated *

3. Financial assets (continued)

Financial assets at fair value through profit and loss		
Fair value at beginning of year	12,374,849	8,855,900
Reinvestment of interest received	1,321,001	630,154
Additions	2,000,000	3,000,000
Unrealised (loss)/gain on revaluation	(102,150)	(18,290)
Transfer	-	(39,704)
Management fees	(32,382)	(53,211)
	15,561,318	**12,374,849**

The investments included above represent investments in:

Stanlib Medical investment fund		
Bond & Debentures	11,008,174	10,024,799
Cash and Money Market Instruments	3,942,873	1,485,751
Equities	105,332	123,515
Property	504,939	54,981
Other	-	685,803
	15,561,318	**12,374,849**

The investments have no fixed maturity. The fair values of the Stanlib Medical Investment Fund are based on the market valuation supplied by the specific financial institution as at 31 December 2023.

a) Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair value of financial assets are determined as follows:
- the fair value of the investment in the Stanlib Medical Investment Fund is derived using the adjusted net asset method, which determines fair value with reference to the fair value of the underlying investments recognised in the fund.

- the significant inputs used in this method are the fair values of the underlying assets and liabilities of the fund, whose fair values are derived from fair values in the active markets.

b) Fair value measurements recognised in the statement of financial position (fair value hierarchy)
The following table presents the Scheme's assets measured at fair value at 31 December 2023:

Type	Valuation Technique	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurements
Cash and Money Market	Market approach (Directly observable inputs)	Not applicable	Not applicable
Bonds and Debentures	Market approach (listed/fixed prices)	Not applicable	Not applicable
Equities	Market approach (listed/fixed prices)	Not applicable	Not applicable
Property	Market approach (listed/fixed prices)	Not applicable	Not applicable

2023	Level 1	Level 2	Level 3	Total
Cash and Money Market	-	3,942,873	-	3,942,873
Bonds and Debentures	-	11,008,174	-	11,008,174
Equities	-	105,332	-	105,332
Property	-	504,939	-	504,939
	-	**15,561,318**	**-**	**15,561,318**

* See Note 17

Figures in Rand	2023	2022 Restated *

3. Financial assets (continued)

2022	Level 1	Level 2	Level 3	Total
Cash and Money Market	-	1,485,751	-	1,485,751
Bonds and Debentures	-	10,024,799	-	10,024,799
Equities	-	123,515	-	123,515
Property	-	54,981	-	54,981
Other	-	685,803	-	685,803
	-	**12,374,849**	**-**	**12,374,849**

The cash and money market, bonds and debentures, equity and property disclosed under level 2 represent the underlying assets of the Stanlib Medical Investment Fund.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2,413,304	6,501,923	9,037,553

The weighted average effective interest rate was 2.76% (2022: 1.41%) on the ABSA current account.

The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

5. Trade and other payables

Financial Liabilities

Outstanding payments of service providers	305,594	189,150	94,477

* See Note 17

Figures in Rand	2023	2022 Restated *

6. Insurance contract liabilities

Insurance contract liabilities – Non-current Liability attributable to future members	50,406,114	43,950,826	40,587,171
	-	-	-
Insurance contract liabilities – Current – Liability attributable to current members	10,270,125	10,866,456	9,106,050
	60,676,239	**54,817,282**	**49,693,221**

Reconciliation of the liability for remaining coverage and the liability for incurred claims: 2023	**Liability for remaining coverage**	**Liability for Incurred claims**	**Change to Risk Adjustment Factor**	**Total**
Opening insurance contract liabilities	4,612,783	5,985,284	268,389	10,866,456
Insurance revenue	(71,194,485)	-	-	(71,194,485)
Insurance service expenses: Incurred claims and other directly attributable expenses	-	67,641,167	208,340	67,849,507
Changes that relate to past service – adjustments to the LIC	-	(501,805)	(268,389)	(770,194)
Other changes: Contribution receivables to LIC	(19,867)	19,867	-	-
	(66,601,569)	73,144,513	208,340	6,751,284
Cash flows:Contributions received	70,927,199	-	-	70,927,199
Claims and other directly attributable expenses paid	-	(67,408,358)	-	(67,408,358)
	4,325,630	**5,736,155**	**208,340**	**10,270,125**

Reconciliation of the liability for remaining coverage and the liability for incurred claims: 2022	**Liability for remaining coverage**	**Liability for Incurred claims**	**Change to Risk Adjustment Factor**	**Total**
Opening insurance contract liabilities	3,948,113	4,856,721	301,216	9,106,050
Insurance revenue	(67,419,893)	-	-	(67,419,893)
Insurance service expenses: Incurred claims and other directly attributable expenses	-	66,424,655	268,389	66,693,044
Changes that relate to past service – adjustments to the LIC	-	(1,280,701)	(301,216)	(1,581,917)
Other changes: Contribution receivables to LIC	(17,782)	17,782	-	-
	(63,489,562)	70,018,457	268,389	6,797,284
Cash flows:Contributions received	68,102,346	-	-	68,102,346
Claims and other directly attributable expenses paid	-	(64,033,174)	-	(64,033,174)
	4,612,784	**5,985,283**	**268,389**	**10,866,456**

* See Note 17

Figures in Rand	2023	2022 Restated *

6. Insurance contract liabilities (continued)

The LIC for SEDMED has been estimated based on all claims incurred and paid on or before 31 December 2023.

An adaption of the chain-ladder method has been used for the estimation of SEDMED's LIC. One payment run was observed for December 2023. The runoff factors for the December 2023 service month have been manually adjusted based on the runoff patterns for the December 2020 and December 2021 service months, as these months also had one payment run.

The LIC has been calculated to be R5,682,185 as at 31 December 2023, without the Risk Adjustment (RA). This value aligns with the Scheme's Incurred-But-Not-Reported claims ('IBNR') value. This value represents the best estimate of future cashflows expected to be paid in respect of claims serviced during 2023.

A risk adjustment has been applied to this provision covering non-financial risk and to ensure sufficient confidence that the provision held would meet the costs of the expected claims paid during 2024 and serviced during 2023. The risk adjustment is the compensation required by the Scheme for bearing the uncertainty about the amount and timing of cashflows of insurance contracts.

The risk adjustment has been calculated by determining the 75th percentile of the Scheme's ultimate claims ratio for 2023, taking into account historical claim ratios experienced by the Scheme. Claim ratios taken from the Scheme's Annual Financial Statements between 2018 and 2022 were allowed for.

Using this information, the average risk claims ratio and the 75th percentile of the claim ratios were determined, in according with the formulae by GI Scott and AN Lowe. The 75th percentile of the risk claims ratio was calculated as 3.47% above the average risk claims ratio.

This was multiplied by the net contribution income of R66,808,725 million for 2023 to determine a risk adjustment for total claims in 2023 of R2,316,583. This adjustment is calculated to be 3.67% of total claims for 2023.

When considering the risk adjustment for the LIC, the 3.67% calculated above was applied to the LIC value of R5,682,185 to determine a risk adjustment of R208,340 as at 31 December 2023.

The sum of the LIC and the RA is calculated to be R5,890,525 as at 31 December 2023.

Prior year 2022 figures were calculated using the same approach with details below:

Using a similar methodology, the LIC as at 31 December 2022 was estimated to be R4,993,196. This is in line with the Scheme's Incurred-But-Not-Reported claims ('IBNR') value.

The risk adjustment for the LIC as at 31 December 2022 has been calculated using a similar methodology to what was used for the risk adjustment as at 31 December 2023. However, historical claim ratios between 2017 and 2021 were allowed for.

This resulted in the 75th percentile of the risk claims ratio to be calculated as 5.25% above the average risk claims ratio. When multiplied with net contribution income of R62,188,066 for 2022, the risk adjustment for total claims in 2022 is R3,266,246. This adjustment is calculated to be 5.38% of total claims for 2022. The 5.38% was applied to the LIC value of R4,993,196 to determine the risk adjustment of R268,389 as at 31 December 2022.

The sum of the LIC and the RA is calculated to be R5,261,585 as at 31 December 2022.

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* See Note 17

Figures in Rand	2023	2022 Restated *

6. Insurance contract liabilities (continued)

Risk adjustment sensitivities

Any change in the risk adjustment will impact the incurred claims and other directly attributable expenses in insurance service expenses with an equal and opposite impact on the amounts attributable to future members in insurance services expenses. The net impact on profit or loss for any change in the risk adjustment would therefore be nil.

The table below shows the Risk Adjustments using an 80th percentile on each financial year-end

Risk Adjustment on 80th percentile		
31 December 2021		384,586
31 December 2022		341,443
31 December 2023		263,221
		989,250

Reconciliation of the insurance liability attributable to future members		
Opening balance	43,950,825	40,568,880
Movement in insurance liability attributable to future members	6,455,289	3,381,946
	50,406,114	**43,950,826**

* See Note 17

Figures in Rand	2023	2022 Restated *

6. Insurance contract liabilities (continued)

Process used to determine the assumptions relating to the IBNR calculations are detailed below:

The process used to determine the assumptions is intended to result in a neutral estimate 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 annually. There is more emphasis on current trends, and in early months where there is insufficient information to make a reliable best estimate of outstanding claims, prudent assumptions are used. Estimating the outstanding claims provision is performed using a sophisticated multi-simulation actuarial model using the Chain ladder method, a statistical method, which incorporates risk claims data. The process for determining the assumption is described below.

The provision is 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 also differ by category of claims (e.g. in-hospital and chronic benefits) due to differences in underlying insurance contracts, claims complexity, the volume of claims, the individual severity of claims, determining the occurrence date of claim and reporting lags.
The Chain Ladder method used varies by benefit month being considered, categories of claims and observed historical claims development. To the extent that this method uses historical claims development information, they assume that the historical claims developments 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.
The Chain Ladder method used varies by benefit month being considered, categories of claims and observed historical claims development. To the extent that this method uses historical claims development information, they assume that the historical claims development pattern will occur again in future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for.
Such reasons include:
- changes in processes that affect the development/recording of claims paid and incurred (such as changes in claim reserving procedures);
- economic, 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.

The accuracy of the model is evaluated against actual known cumulative payments received after the reporting date, insofar as these claims' payments relate to the financial year end. The provision is revised, if necessary, as with each additional month of claims payments data, the claims incurred and hence the provision at reporting date becomes an actual known amount.

Assumptions

The assumptions that have the greatest effect on the measurement include:
- the claims provision is not discounted;
- the claims are assumed to be fully run-off within 10 months;
- the pattern of the inflation in the existing data will be projected into the future;
- any distortion as a result of once-off events are isolated from the claims data set; and
- claims are assumed to have a stable run-off pattern.

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An analysis of sensitivity around various scenarios for the general medical insurance business provides an indication of the adequacy of the Scheme's estimation process. The Scheme believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon variables and assumptions which could differ when claims arise

Non-current liabilities			
Liability attributable to future members	50,406,114	43,950,826	40,587,171
Current liabilities			
Liability attributable to current members	10,270,125	10,866,456	9,106,050
	60,676,239	**54,817,282**	**49,693,221**

* See Note 17

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated *
7. Insurance revenue and service expenses		
Insurance revenue		
Insurance revenue from contracts measured under the PAA	71,194,485	67,419,893
Insurance service expenses	(73,534,602)	(68,493,073)
	(2,340,117)	**(1,073,180)**
Insurance service expense consist of the following		
Incurred claims and other directly attributable expenses	67,581,218	66,391,828
Amounts attributable to future members	6,455,289	3,381,946
Changes that relate to past service –adjustments to the LIC	(501,905)	(1,280,701)
	73,534,602	**68,493,073**
8. Other operating expenses		
Significant operating expenses detailed below:		
Auditor's remuneration - external auditor	345,000	297,275
Bank charges	169,375	146,592
Depreciation - Owned	22,128	16,599
	536,503	**460,466**
9. Investment income		
Interest income		
From investments in financial assets:		
Interest from cash and cash equivalents	136,248	74,770
Interest from other financial assets	3,767,087	2,516,299
Total investment income	**3,903,335**	**2,591,069**
10. Other operating income		
Card replacement fee	96	160

* See Note 17

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated *

11. Related parties

Relationships	
Employer of participating members	Employers of participating members (including SAUC)
Key management personnel (Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees and Principal Officer)	Principal Officer Board of Trustees

Related party balances

Loan accounts - Owing (to) by related parties		
South African Union Conference	(255,788)	(189,149)

Related party transactions

Interest paid to (received from) related parties		
Donations received from employers of participating members	(4,385,760)	(5,231,827)
Principal Officer - Contributions	100,656	94,512
Principal Officer - Benefits	76,593	33,259
Trustees - Contributions	769,968	738,888
Trustees - Benefits	996,360	714,955

Contributions paid by the related party as a member of the Scheme, in their individual capacity, were in terms of the rules of the Scheme.
Amounts claimed by the related party as a member of the Scheme, in their individual capacity, were in terms of the rules of the Scheme.
All transactions were in accordance with the Act.

Rent expenses		
South African Union Conference	-	-

Sedmed rents the premises which they are operating in, free of charge from South African Union Conference

12. Analysis of carrying amounts of financial assets and financial liabilities per category

Financial assets at amortised cost		
Nedbank Fixed Deposit	1,393,370	-
Nedbank Fixed Deposit	5,131,369	-
Nedbank Fixed Deposit	4,008	1,290,106
Standard Bank Fixed Deposit	-	4,389,784
Nedbank Fixed Deposit	7,072,232	-
Standard Bank Fixed Deposit	-	1,478,023
Standard Bank Fixed Deposit	4,374,467	-
Investec Structured Deposit	7,891,402	7,328,568
ABSA Fixed Deposit	239,523	224,759
ABSA 32-day call account	30,546	29,139
ABSA savings account with immediate transfer	6,515,000	-
First National bank fixed deposit	3,051,753	-
First National bank fixed deposit	2,306,007	-
First National bank fixed deposit	-	4,064,228
First National bank fixed deposit	3,524,770	3,294,014
First National bank 32-day call account	1,363,646	-
	42,898,093	**22,098,621**

The carrying amount of financial assets at amortised cost approximate their fair value.

* See Note 17

Figures in Rand	2023	2022 Restated *

12. Analysis of carrying amounts of financial assets and financial liabilities per category (continued)

Financial assets at fair value through profit and loss		
Stanlib Medical Investment Fund		
Bonds & Debentures	11,008,174	10,024,799
Cash and Money Market Investments	3,942,873	1,485,751
Equities	105,332	123,515
Property	504,939	54,981
Other	-	685,803
	15,561,318	**12,374,849**
Cash and cash equivalents (measured at amortised cost)		
Cash and cash equivalents	2,413,304	6,501,923
	2,413,304	**6,501,923**
Financial Liabilities (measured at amortised cost)		
Trade payables	305,593	189,149
	305,593	**189,149**

The carrying amount of other payables approximate their fair value.
The carrying amounts of each class of financial instrument in the various categories are detailed in the tables above.

13. Risk management

Risk management framework

The Scheme's Board of Trustees has overall responsibility for the establishment and oversight of the Scheme's risk management framework. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligations to its members.

Risk management and investment decisions are made under the guidance and policies approved by the Board of Trustees. Sedmed's investment strategy is a low-risk approach suitable for medical schemes seeking returns superior to those of pure cash, while taking into consideration capital protection and liquidity requirements. The Board of Trustees identifies, evaluates and economically hedges (where appropriate) financial risks associated with the Scheme's investment portfolio. The Board of Trustees provides written principles for overall risk management, as well as written policies covering specific areas, interest rate risk, credit risk and investing excess liquidity.

* See Note 17

Figures in Rand	2023	2022 Restated *

13. Risk management (continued)

Capital risk management

The Scheme is subject to the capital requirement imposed by Regulation 29(2) to the Medical Schemes Act, which requires a minimum solvency ratio of 25%.

The Scheme manages its capital to ensure that it will be able to continue as a going concern. Based on the nature of the medical schemes industry, the assets are considered to be the capital of the Scheme. The Trustees ensure, on a monthly basis, that the Scheme complies with Regulation 30 and Annexure B of the Act.

The calculation of the regulatory capital requirement is set out below:

Insurance contract liability attributable to future members	50,406,114	43,950,826
Insurance revenue	66,808,725	62,188,066
	117,214,839	**106,138,892**
	70.80%	65.19%

Market Risk

Market risk is the risk that changes in the market prices such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments.

Currency risk

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

Liquidity Risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. Ultimate responsibility for liquidity risk management rests with the Board of Trustees, who has built an appropriate liquidity risk management framework for the management of the Scheme's short-, medium and long-term funding and liquidity management requirements.

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

The Trustees monitor this on a monthly basis by performing a cash flow analysis.

Approximately 95% of the Scheme's insurance liabilities are settled within four months after the claim was incurred and the remaining liability is settled within 12 months.

SEDMED expects to achieve a net surplus (before taking into account amounts attributable to future members) for the period ending 31 December 2024 and therefore does not expect to utilise the liability attributable to future members within the next 12 months.

* See Note 17

Figures in Rand	2023	2022 Restated *

13. Risk management (continued)

The following table summarises the Scheme's remaining contractual maturities analysis of other payables and the expected maturity analysis for the Insurance liability:

	Less than 1 year	More than 1Year	Total
2023			
Liabilities			
Current liabilities			
Financial liabilities			
Other payables	305,595		305,595
Liabilities attributable to current members	10,270,125		10,270,125
Non-financial liabilities			
Liabilities attributable of future members		50,406,114	50,406,114
Total current liabilities	**10,575,720**	**50,406,114**	**60,981,834**

	Less than 1 year	More than 1 Year	Total
2022			
Liabilities			
Current liabilities			
Financial liabilities			
Other payables	189,148		189,148
Liabilities attributable to current member	10,866,456		10,866,456
Non-financial liabilities			
Liabilities attributable of future members		43,950,827	43,950,827
Total current liabilities	**11,055,604**	**43,950,827**	**55,006,431**

* See Note 17

Figures in Rand	2023	2022 Restated *

13. Risk management (continued)

Nature and extent of risks arising from insurance contracts

The Scheme issues healthcare contracts. These contracts compensate members and their beneficiaries in the event of a healthcare event. The Scheme is therefore exposed to the uncertainty of the severity and timing of the healthcare event. Based on the risk the Scheme undertakes to compensate the members and their beneficiaries the Scheme has insurance risk.

Insurance risk - description of benefit options

The types of benefits offered by the Scheme in return for monthly contributions are indicated below:
- in-hospital benefits cover all costs incurred by the registered beneficiaries, whilst they are in hospital to receive pre-authorised treatment for the certain medical conditions;
- Chronic benefits cover the cost of certain prescribed medicines consumed by the members for chronic conditions/diseases. Subject to pre-authorisation, protocols, formularies and designated service providers (DSP's);and
- Day-to-day benefits cover the cost up to certain limits of all out of hospital medical attention, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines.

The above benefits are extended to the principal member and their contributing dependants as indicated below:

IN-HOSPITAL	Subject to pre-authorisation PMB unlimited subject to DSP's and PMB (prescribed minimum benefits) protocols Non-PMB generally unlimited subject to specified sub-limits Hospital account paid at a rate negotiated with the hospital DSP paid up to the maximum of 100% agreed tariff Non-DSP paid up to the maximum of 100% agreed tariff
CHRONIC	Subject to registration: 100% for registration and 75% for no registration PMB unlimited subject to protocols, formularies and DSP's Non-PMB 100% of costs for life sustaining medication subject to annual limits Non-PMB 80% of costs for non-life sustaining medication subject to annual limits Extended benefits are available according to formula; Ex-gratia only paid by approval of Board of Trustees
DAY TO DAY	General 75% agreed tariff Members choose from three levels with varying annual limits determined according to family size within each level Extended benefits are available according to a formula and subject to restrictions in respect of the specialised dentistry and optical benefits

Insurance risk management

The scheme has developed and documented a policy to manage insurance risk. Included in this policy are:
• the Scheme rules;
• the requirements of the Medical Schemes Act of South Africa (MSA);
• acceptance and management of the risk the Scheme is exposed to.

The policy is amended for any changes to the MSA or the Scheme rules.

They monitor the adequate application of the policy and reviews the trends in pricing, loss ratios and insurance risks on a regular basis to ensure that the trends fall within the limits of the policy. Furthermore the risk committee reports to the BOT on a quarterly basis regarding the changes.

Insurance risk is managed by benefit limits and sub-limits, following the Scheme rules, pre-authorisation, case management and pricing guidelines. The risk is further managed via monitoring emerging legislative, actuarial and environmental issues. The principal risk is that the frequency and the severity of the claims is greater than expected. This risk can be aggravated by unexpected epidemics, price increases and new technologies/research/medicine.

* See Note 17

Figures in Rand	2023	2022 Restated *

13. Risk management (continued)

There are several methods the Scheme utilises to assess and monitor insurance risk. These risk are analysed on:
- Average age of the member
- Category of claims
- Geographical area of members
- Number of beneficiaries per member

Probability is applied to the group of insurance contracts. History shows that a highly diversified group is less likely to be affected by a change in the underlying group. However the inverse is also true, a group that is not diversified is affected by the change in the underlying group. Experience has ensured that underwriting decisions adequately address the risk and the diversification in the group.

Insurance risk concentration by age and type of risk benefits are included in the tables below:

Age grouping (in years)	In-hospital	PMB	Chronic	Day-to-day	Total
2023					
<26	3,598,655	419,667	324,078	2,098,597	6,440,997
26-35	1,961,448	80,638	179,332	1,000,719	3,222,137
36-50	6,209,180	262,903	749,036	3,059,860	10,280,978
51-65	11,241,792	1,352,440	1,529,350	3,937,665	18,061,247
>65	16,208,009	2,017,629	2,090,699	4,355,915	24,672,252
Total	**39,219,084**	**4,133,277**	**4,872,495**	**14,452,757**	**62,677,613**

Age grouping (in years)	In-hospital	PMB	Chronic	Day-to-day	Total
2022					
<26	4,117,777	323,444	241,156	2,227,556	6,909,933
26-35	2,521,065	116,004	109,753	1,160,170	3,906,992
36-50	6,996,063	796,591	1,215,482	3,030,858	12,038,994
51-65	7,579,588	958,618	1,432,553	3,431,013	13,401,772
>65	17,964,478	1,712,350	1,739,411	4,147,211	25,563,450
Total	**39,178,791**	**3,907,007**	**4,738,355**	**13,996,808**	**61,821,141**

In-hospital benefits cover all costs incurred by members while they are in hospital to receive pre-authorised treatment for certain medical conditions.

* See Note 17

Figures in Rand	2023	2022 Restated *

13. Risk management (continued)

Chronic benefits cover the costs of certain prescribed medicines consumed by members for chronic conditions/diseases, such as high blood pressure, cholesterol and asthma.
Day-to-day benefits cover the cost of all out-of-hospital medical attention, such as visits to general practitioners and dentists and prescribed non-chronic medicines.

The scheme's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome. The strategy is set out in the annual business plan, which specifies the benefits to be provided, the preferred target market and demographic split thereof.

The scheme has the right to change the terms and conditions of all contracts. Management information including contribution income and claims ratios by option, target market and demographic split, is reviewed monthly.

Claims development

Claims development tables are not presented since the uncertainty regarding the amount and timing of the claims payments are typically resolved within one year.

Sensitivity to insurance risk

The following table provides a sensitivity on the insurance contract liabilities. As the Scheme is a mutual entity, the impact of any changes in the insurance liability to current members would impact the insurance liability to future members. The table presents information on how reasonably possible changes in risk confidence level made by SEDMED will impact the risk adjustment.

2023
Insurance contract liabilities

	LIC as at Dec	Impact on LIC	Impact on SOCI
Unpaid claims and expenses –5% increase	10,270,125		
Expenses – 5% increase		513,506	513,506
Insurance service expense (before insurance service expense relating to future members)	67,079,313		
Insurance service expenses		3,353,966	3,353,966

2022
Insurance contract liabilities

	LIC as at Dec	Impact on LIC	Impact on SOCI
Unpaid claims and expenses –5% increase	10,866,456		
Expenses – 5% increase		543,323	543,323
Insurance service expense (before insurance service expense relating to future members)	65,111,127		
Insurance service expenses		3,255,556	3,255,556

Any change in the risk adjustment will impact the incurred claims and other directly attributable expenses in insurance service expenses with an equal and opposite impact on the amounts attributable to future members in insurance services expenses. The net impact on profit or loss for any change in the risk adjustment would therefore be nil.

* See Note 17

Figures in Rand	2023	2022 Restated *

13. Risk management (continued)

Interest rate risk

The Scheme's investment policy is to hold the majority of investments in interest bearing instruments. The majority of the Scheme's investments are exposed to changes in market interest rates.

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

2023	Up to 1 Month	1-3 Month	3-7 month	1-5 years	Total
Financial assets at amortised cost	24,055,700	-	-	18,842,392	42,898,092
Financial assets at fair value through profit and loss	-	-	-	15,561,318	15,561,318
Cash and cash equivalents	2,413,304	-	-	-	2,413,304
	26,469,004	**-**	**-**	**34,403,710**	**60,872,714**

2022	Up to 1 Month	1-3 Month	3-7 month	1-5 years	Total
Financial assets at amortised cost	24,555,664	-	-	11,476,040	36,031,704
Financial assets at fair value through profit and loss	-	-	-	12,374,849	12,374,849
Cash and cash equivalents	6,501,923	-	-	-	6,501,923
	31,057,587	**-**	**-**	**23,850,889**	**54,908,476**

Interest rate risk - sensitivity analysis

Sensitivity of insurance liability to future members and solvency due to changes in the interest rate at 31 December 2023:

The total deposits value of R60,872,715 bears interest based on a variable interest rate. The variable interest rate is linked to the South African Prime rate. Therefore all the deposits will be taken into account for the sensitivity analysis.

The impact has been evaluated by looking at the change based on an increase or decrease of 1% in the market interest rates applicable at 31 December 2023, for each class of financial instrument with all other variables remaining constant as follows:

	Interest rate Increase by 1%	Interest rate Decrease by 1%
Financial assets at amortised cost	428,981	(428,981)
Financial assets at fair value through profit and loss	155.613	(155,613)
Cash and cash equivalents	24,133	(24,133)
Estimated Change in Insurance liability for future members	608,727	(608,727)

* See Note 17

Figures in Rand	2023	2022 Restated *

13. Risk management (continued)

Sensitivity of insurance liability to future members and solvency due to changes in the interest rate at 31 December 2022:

The total deposits value of R54,908,475 bears interest based on a variable interest rate. The variable interest rate is linked to the South African Prime rate. Therefore all the deposits will be taken into account for the sensitivity analysis.

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

	Interest rate Increase by 1%	**Interest rate Decrease by 1%**
Financial assets at amortised cost	360,318	(360,318)
Financial assets at fair value through profit and loss	123,748	(123,748)
Cash and cash equivalents	65,019	(65,019)
Estimated Change in Insurance liability for future members	549,085	(549,085)

* See Note 17

Figures in Rand	2023	2022 Restated *

13. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Scheme if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Scheme's cash and cash equivalents, receivables and investment's debt securities.

Policies to manage credit risk on investments

- All investments must be considered to ensure that Sedmed comply with the Regulation 29 and 30 [Annexure B] requirements of the Medical Schemes Act 131 of 1998;
- All investments must be approved by the board of trustee.

The Scheme manages credit risk by:

- Actively pursuing all contributions not received after 3 days of becoming due as required by Section 26(7) of the Act;
- Monthly reconciliations between the Administrator and the Employer are discussed for possible suspensions of memberships.

The Scheme's principle financial assets, which are exposed to credit risk, are cash and cash equivalents, insurance and other receivables and investments. The amounts presented in the statement of financial position are net of impairments.

With respect to the insurance and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their repayment obligations.

	2023	2022
Not past due	-	229,984
Total	-	229,984

* See Note 17

Figures in Rand	2023	2022 Restated *

13. Risk management (continued)

Financial assets at fair value through profit and loss, Financial assets at amortised cost and cash and cash equivalents comprise of bank deposits, money market and collective investment scheme investments. The Scheme is exposed to the issuer's credit standing on these instruments.

The Scheme's investments in collective investment schemes that are classified as financial assets at fair value through profit and loss represent investments in unconsolidated structured entities. The Scheme's maximum exposure to loss from these investments equals their carrying amounts.

Credit Risk	**Amount**	**Counter Party**	**Fitch rating**
2023			
Cash and cash equivalents	2,413,304	ABSA	BB-
Underlying investments	15,561,318	Stanlib Medical investment Fund	AA-
	17,974,622	(Note 3)	
	6,785,069	ABSA	BB-
	4,374,467	Standard Bank	BB-
	13,600,979	Nedbank	BB-
	10,246,176	First National Bank	BB-
	7,891,402	Investec	BB-
	42,898,093	(Note 3)	

Credit Risk	**Amount**	**Counter Party**	**Fitch rating**
2022			
Cash and cash equivalents	6,501,923	ABSA	BB+
Underlying investments	12,374,849	Stanlib Medical investment Fund	AA-
	18,876,772	(Note 3)	
	253,898	ABSA	BB+
	5,867,807	Standard Bank	BB+
	13,067,292	Nedbank	BB+
	9,514,138	First National Bank	BB+
	7,328,568	Investec	BB+
	36,031,703	(Note 3)	

* See Note 17

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated *

13. Risk management (continued)

Price risk

The equity securities in the notes are classified as Financial assets at fair value through profit and loss. The investment is managed by an independent asset manager and the performance is continually evaluated against the selected benchmarks.

The Scheme is exposed to price risk through its investment in the Stanlib Medical Investment Fund investment scheme. The underlying assets of the collective investment scheme comprise of bonds, cash, equities and property, which exposes the collective investment scheme to equity price risk. A 10% change in unit price of the collective investment scheme at the reporting date will result in a R1,555,132 change (2022: R1,237,485) in fair value of the Financial assets at fair value through profit and loss and equal impact on insurance liability attributable to future members

Expense risk

Expense risk is the risk of unexpected increases in policy maintenance, claim handling and other costs relating to fulfilment of insurance contracts. The risk is managed through budgeting and periodic cost evaluations.

Changes from the previous period

IFRS 17 has a significant policy change from the prior period.

There were no other significant changes in Scheme's objectives, policies and IFRS processes for managing risk and the methods used to measure

* See Note 17

Notes to the Annual Financial Statements

Figures in Rand	2023	2022 Restated *

14. Non-compliance matters

Non-compliance to the Medical Schemes Act

14.1 Nature and Cause of the non-compliance

In terms of section 26(7) of the Medical Schemes Act, all contributions shall be paid to a medical scheme by no later than three days after payment thereof becomes due. Whilst every effort is made to enforce this requirement the onus is on the member or employer group to ensure compliance. During the financial year, contributions amounting to R2,939,806 (2022: R1,765,830) were identified that were not paid to the Scheme within three days of becoming due.

Possible impact of the non-compliance:

Late payments may result in a loss of interest to the Scheme. This amount would, however, not be considered significant.

Corrective course of action adopted to ensure compliance, including timing of corrective action:

- Actively pursuing all contributions not received after three days of becoming due.
- Monthly reconciliations between administrator and employer are discussed for possible suspensions of memberships.

14.2 Nature and Cause of the non-compliance

Section 59(2) of the Medical Schemes Act (Act) states that: "A medical scheme shall, in the case where an account has been rendered, subject to the provisions of the act and the rules of the Fund concerned, pay to a member or supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the Fund". During the financial year ended 31 December 2023, non-compliance to this section amounting to R3,865,614 (2022: R6,790,749) was identified.

Situations beyond the control of the Scheme could result in claims being paid later than 30 days after receipt when, for example, further supporting documentation is required or incorrect bank details provided.

Possible impact of the non-compliance:

Late payment of claims could result in inconvenience to members and healthcare providers.

Corrective course of action adopted to ensure compliance, including timing of corrective action:

The necessary assistance is provided to the identified members and healthcare providers to ensure that these types of cases are minimised.

14.3 Nature and Cause of the non-compliance

Regulation 6(1) of the Act states: "In order to qualify for benefits, any claim must, be signed and certified as correct and must be submitted to the scheme not later than the last day of the fourth month following the month in which the service was rendered". SEDMED paid out claims to the amount of R78,401 (2022: R865,958) claims which were received more than 4 months after the service date.

Possible impact of the non-compliance:

There is the possibility of fines levied by the Council for Medical Schemes, as well as SEDMED unfavourably impacting their financial position by paying out these claims.

Corrective course of action adopted to ensure compliance, including timing of corrective action

SEDMED does not intend to cease payment of these late claims, as they have an in-house rule which states that all hospital and PMB (Prescribed Minimum Benefit) claims will be paid out regardless of when the claim is received.

* See Note 17

Figures in Rand	2023	2022 Restated *

15. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

16. Onerous Contract

In the consideration of whether it is indicated that the Scheme (the 'group of insurance contracts') is onerous, the Scheme should consider whether the expected deficit in the following year exceeds the insurance liability attributable to future members. If the following year's deficit exceeds the insurance liability to future members, the contracts would be considered onerous and the Scheme needs to raise an onerous contract liability.

If the amounts attributable to future members exceed the following year's deficit, the Scheme would not be considered onerous and no onerous contract provision is required.

The Scheme is projected to achieve a net surplus in 2024. In addition, the Scheme's insurance liability to future members is significantly above the operating deficit that is expected to be incurred. For these reasons, it has been determined that the group of insurance contracts issued by SEDMED is not deemed onerous and an onerous contract provision is not required.

17. Transition

SEDMED has determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued within three years prior to the transition.

Accordingly, the Scheme has recognised and measured the group of insurance contracts as if IFRS 17 had always applied; derecognised any existing balances that would not exist had IFRS 17 always applied; and recognised any resulting net difference in equity.

SEDMED previously had financial assets measured at fair value through other comprehensive income (debt and equity instruments) which were used to primarily back the Scheme's liability attributable to future members. During the implementation of IFRS 17, the Scheme noted that there was a mismatch between the fair value gains/losses recognised in other comprehensive income for the debt and equity instruments measured at fair value through other comprehensive income and the movement in the liability attributable to future members recognised in profit and loss. IFRS 17 allowed the Scheme to revisit the decisions of IFRS 9. The Scheme therefore redesignated these debt instruments at fair value through other comprehensive income to fair value through profit or loss to eliminate the accounting mismatch. Similarly, the designation of the equity investments at fair value through other comprehensive income was revoked and the equity instruments are now measured at fair value through profit or loss.

The designations were applied retrospectively without the use of hindsight.

The fair values of the instruments were unchanged.

The classification of the Scheme as a mutual entity and the redesignation of the financial assets measured through other comprehensive income to financial assets measured through profit and loss resulted in the Scheme not having a Statement of changes in member funds beyond the opening statement in its financial statements.

SEDMED 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.

Detailed Income Statement

Figures in Rand	Note(s)	2023	2022 Restated *
Insurance revenue	7	**71,194,485**	**67,419,893**
Insurance service expenses		**(73,534,602)**	**(68,493,073)**
Insurance service result		**(2,340,117)**	**(1,073,180)**
Other operating expenses			
Advertising and marketing		(60,637)	(5,500)
Audit committee expenses		(13,250)	-
Auditor's remuneration	8	(345,000)	(297,275)
Auditors remuneration - internal audit		(64,745)	(37,778)
Bank charges	8	(169,375)	(146,592)
Cleaning Materials		(2,104)	(892)
Consulting and professional fees		(94,702)	(139,722)
Consulting and professional fees - accounting		(121,805)	(158,328)
Consulting and professional fees - legal fees		-	(135,223)
Depreciation	8	(22,128)	(16,599)
Donations		(2,200)	(8,085)
Entertainment		(21,799)	(13,545)
Investment Fees		(34,309)	(173,331)
Investment Losses		(102,150)	(131,901)
Med Council Rules Amendment		(231)	(110)
Medical Council Levies		(49,416)	(50,280)
Postage		(18,266)	(1,000)
Printing and stationery		(72,923)	(56,518)
Repairs and maintenance		(164,346)	(34,690)
Stationery Expenses		(2,627)	(6,636)
Telephone and fax		(12,623)	(15,582)
Training		(50,746)	-
Travel and Accommodation		(137,932)	(88,462)
		(1,563,314)	**(1,518,049)**
Operating loss		**(3,903,431)**	**(2,591,229)**
Investment income	9	3,903,335	2,591,069
Other operating income	10	96	160
Net surplus for the year		-	-

* See Note