NETCARE MEDICAL SCHEME

REGISTRATION NUMBER: 1584

ANNUAL REPORT

31 December 2023

NETCARE MEDICAL SCHEME

ANNUAL REPORT
for the year ended 31 December 2023

The reports and statements set out below comprise the annual financial statements and Report of the Board of Trustees:

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NETCARE MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2023

DESCRIPTION OF THE MEDICAL SCHEME

The Netcare Medical Scheme (the "Scheme") is a not for profit restricted membership South African Medical Scheme, registered in terms of the Medical Schemes Act 131 of 1998, as amended (the "Act").

The Scheme provides benefits to its members in a two-tier benefit structure, namely insured (risk) benefits and medical savings benefits, under a single benefit option, the Savings Option. As with previous years, the Scheme entered into a risk transfer arrangement with Netcare 911, further details of which are set out in Note 7 to the annual financial statements.

BOARD OF TRUSTEES IN OFFICE DURING THE YEAR UNDER REVIEW

S Khoosal (Chairperson)	Appointed 1 September 2020	Employer Trustee
S Khuboni	Appointed 1 August 2017	Employer Trustee
P Seetul	Appointed 1 August 2018	Employer Trustee
S Vilakazi	Appointed 1 March 2019	Employer Trustee
N Ndzwayiba	Appointed 1 September 2020	Employer Trustee
R Mokonyama	Appointed 23 June 2023	Employer Trustee
S Pretorius	Resigned 23 June 2023	Employer Trustee
D Longueira	Appointed 1 June 2014	Member Trustee
M Toubkin	Appointed 1 June 2014	Member Trustee
C Maslo	Appointed 12 May 2016	Member Trustee
E van Rooyen	Appointed 4 June 2021	Member Trustee
S Machaba	Appointed 28 July 2022	Member Trustee
H Venter	Appointed 23 June 2023	Member Trustee
M Botha	Appointed 28 July 2022	Alternate Member Trustee
A Boers	Resigned 23 June 2023	Member Trustee

PRINCIPAL OFFICER

C Taylor
P O Box 1829
Witkoppen
2068

REGISTERED OFFICE AND POSTAL ADDRESS OF THE SCHEME

Registered Office
76 Maude Street
Sandton
2196

Postal Address
Private Bag X13
Rivonia
2128

ADMINISTRATOR

Discovery Health (Pty) Ltd
1 Discovery Place
Sandton
2146

PO Box 786722
Sandton
2146

MANAGED CARE PROVIDER

Discovery Health (Pty) Ltd
1 Discovery Place
Sandton
2146

PO Box 786722
Sandton
2146

INVESTMENT MANAGERS

Allan Gray Life Ltd
Beach Road
V & A Waterfront
Cape Town
8081

Coronation Life Assurance Company Ltd
Boundary Terraces
1 Mariendahl Lane
Newlands
7700

Investec Assurance Ltd
36 Hans Strijdom Avenue
Foreshore
Cape Town
8001

M&G Investment Managers (Pty) Ltd
7th Floor Protea Place
30 Dreyer Street
Claremont
7708

INVESTMENT CONSULTANTS

Willis Towers Watson (Pty) Ltd
Floor 2 Illovo Edge
1 Harries Road
Illovo, Johannesburg
2196

AUDITOR

Deloitte & Touche
5 Magwa Crescent
Waterfall City
Johannesburg
Gauteng
2090

NETCARE MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2023

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 "Trustees").

The investment committee met 4 times during 2023. The mandate of the committee is to ensure that:
· the Scheme remains solvent;
· investments are placed at minimum risk with the best possible return;
· investments made are in compliance with the regulations of the Act; and
· a risk assessment is performed with feedback to the Trustees with recommendations.

The Trustees continued to invest funds in line with the requirements of the Act.

Investments of the Scheme are maintained in various accounts under the daily cash management services provided by the investment consultant and the administrator. The Scheme also has funds invested in other portfolios:

· Allan Gray Life - Domestic Stable Medical Scheme Portfolio;
· Coronation Life - Coronation Medical Aid Portfolio;
· Ninety One - Stable Money Market Fund; and
· M&G Life Inflation Plus 5% Medical Aid Fund UPF.

The Scheme ring-fenced the members' savings account balances in the Ninety One Stable Money Market Fund noted above.

SOLVENCY RATIO

	2023 R	2022 R
Insurance liability for future members	647,802,958	594,346,379
Less: Cumulative unrealised net gain on remeasurement of investments to fair value	(92,263,110)	(62,889,694)
Accumulated funds per Regulation 29 of the Act	555,539,848	531,456,685
Annualised gross contribution income	1,155,127,306	1,074,737,094
Solvency ratio (Accumulated funds/Gross annual contribution income x 100)	48.09%	49.45%

The Scheme's reserve ratio exceeds the statutory reserve requirement of 25% of gross contribution income.

REVIEW OF THE YEAR'S ACTIVITIES

The Scheme ended the financial year with a surplus after investment income of R53,456,580 (2022: R53,631,249) which has been transferred to the Insurance liability for future members (note 4 to the annual financial statements). The surplus after investment income was taken into account in determining the solvency target for 2023 as well as the contribution increases.

The results of the Scheme are set out in the attached annual financial statements, and the Trustees believe the information contained in the annual financial statements fairly presents the financial position of the Scheme at year end.

OPERATIONAL STATISTICS

	2023	2022	% Variance
Number of members at the end of the accounting period	16,943	16,513	2.60%
Number of beneficiaries at the end of the accounting period	32,981	32,721	0.79%
Average number of members for the accounting period	16,737	16,296	2.71%
Average number of beneficiaries for the accounting period	32,777	32,475	0.93%
Average insurance revenue per month (pbpm)	R2,496	R2,344	6.48%
Pensioner ratio (beneficiaries age > 65)	5.77%	5.67%	1.76%
Average age per beneficiary	32.25	31.96	0.91%
Average insurance service expense per average beneficiary	R2,471	R2,266	9.04%
Operating expenditure per average beneficiary	R23	R16	39.60%
Insurance liability for future members per member at the end of the accounting period	R38,234	R35,993	6.23%
Dependants per member at the end of the accounting period	0.95	0.98	-3.41%
Return on investments as a % of investments	11.54%	7.60%	51.79%

INSURANCE RISK MANAGEMENT

A summary of the objectives, policies and procedures for managing insurance risk and the methods used to manage those risks is discussed in Note 13 to the annual financial statements.

PERSONAL MEDICAL SAVINGS ACCOUNT

In order to provide a facility for Scheme members to set funds aside to meet future healthcare costs, not covered by the benefit schedule, the Trustees have made the Savings Option available to meet this objective.

All members contribute 15% of their gross contributions into a savings account so as to help pay the members' portion of healthcare costs, up to a prescribed threshold.

Unexpended savings amounts are accumulated for the long-term benefit of the member. Interest has been accrued on savings account balances as required in terms of Circular 38 of 2011. No interest is accrued on savings contribution advances. The Scheme carries the risk of savings contribution advances.

Savings account balances are refundable when the member leaves the Scheme. The balance due to the member will be transferred to the member, or another medical scheme which provides for a similar account, after five months of the date of change.

The liability to the members in respect of the savings plan is reflected as part of the Insurance contract liability per note 4 of the annual financial statements, repayable in terms of Regulation 10 of the Act.

BOARD AUDIT COMMITTEE

The Board Audit Committee (the "Audit Committee") was constituted in accordance with the provisions of the Act. The Audit Committee is mandated by the Trustees by means of written terms of reference as to its membership, authority and duties. The Audit Committee (listed below) consists of five members of which two are members of the Board of Trustees:

Chairperson	A Roditis
Employer Trustee	S Khuboni
Employer Trustee	D Longuiera
Independent Member	C Frank
Independent Member	L Phelane

The members, including the Chairperson, are not officers of the Scheme or its third party Administrator. However, with the exception of the Chairperson, all members are employees of Netcare Ltd.

In accordance with the provisions of the Act, the primary responsibility of the Audit Committee is to assist the Trustees in carrying out its duties relating to the Scheme's accounting policies, financial reporting practices, internal control systems and risk and governance processes. The external auditors formally report to the Audit Committee on critical findings arising from audit activities.

The Audit Committee has reported that:

- It has carried out its duties in terms of the Act and the Trustees' written Audit Committee charter;
- The external auditors have confirmed their independence and the Audit Committee has reviewed their audit plan and performance;
- The assurance provided by the administrator and the executive committee has satisfied the Audit Committee that associated Scheme risks have been considered and addressed;
- The assurances provided by the administrator, the external auditors and the internal auditors have satisfied the Audit Committee that internal controls are adequate and effective; and
- It has reviewed the Scheme's annual financial statements, reviewed the accounting policies, obtained assurance from the external auditors and has recommended the adoption of the annual financial statements by the Trustees for presentation to the members.

The Audit Committee met on 4 occasions during the course of the year, as follows:

- 03 February 2023
- 21 April 2023
- 8 August 2023
- 14 November 2023

NON-COMPLIANCE MATTERS

The Trustees are of the opinion that there are no material deviations from the Act.

1. Outstanding contributions

Nature and impact

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

Causes for failure

Balances after 3 days are due to defaults by direct paying members. Direct paying members are limited to pensioners or disability members no longer employed by Netcare Ltd or its subsidiaries. The risk of default on payments due to the Scheme is small because of the restricted nature of the Scheme and employer base.

Corrective action

Suspension policies are in place and applied where contributions are outstanding beyond the Scheme's available credit terms.

2. Payment of claims within 30 days

Nature and impact

In terms of Section 59(2) of the Act a member or provider claim should be settled within 30 days of submission. Instances were noted where settlements took more than 30 days.

Causes for failure

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

Corrective action

The Scheme is aware of the requirements and complies as far as possible.

3. Investment in administrators

Nature and impact

In terms of Section 35(8)(c) of the Act a medical scheme shall not invest any of its assets in any administrator. During the year under review the Scheme had indirect investments in Administrators of Medical Schemes.

Causes for failure

The Scheme invests in pooled investment vehicles that allow investment managers 100% discretion to invest in a combination of shares and bonds that best achieve the stipulated benchmark.

Corrective action

The Scheme made an application to the Council for Medical Schemes for an exemption from this section of the Act. An exemption has been granted by the Council for Medical Schemes until 30 November 2025.

Council for Medical Schemes: Annual Financial Statements and Annual Return Submission:

In accordance with the provisions of the Act, the Scheme is required to furnish the Registrar of Medical Schemes with an Annual Statutory Return comprising information from the financial statements and additional historical financial information extracted from the underlying accounting records within four months of the Scheme's financial year end. The Council for Medical Schemes issued a Circular 21 of 2024 on 30 April 2024 advising on submission deadline being delayed. At the date of this report, the Scheme was in the process of completing its submission and is confident that it would be able to submit all required documentation to the Council for Medical Schemes on the required date.

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2023

BOARD OF TRUSTEES AND SUB-COMMITTEES MEETING ATTENDANCES

The following schedule sets out the composition of the Trustees and sub-committees, and their respective meeting attendances. None of the Trustees are remunerated for their participation on the Board.

	Board Meeting		Investment Committee Meeting		Audit Committee Meeting	
	A	**B**	**A**	**B**	**A**	**B**
S Khoosal (Chairperson)	4	4	-	-	-	-
S Khuboni * (Investment Committee Chairperson)	4	4	4	4	4	3
P Seetul	4	2	-	-	-	-
S Vilakazi	4	4	4	4	-	-
R Mokonyana	2	2	-	-	-	-
N Ndzwayiba	4	4	-	-	-	-
S Pretorius	3	3	-	-	-	-
D Longueira *	4	4	4	4	4	4
M Toubkin	4	4	-	-	-	-
C Maslo	4	4	-	-	-	-
E van Rooyen	4	4	-	-	-	-
S Machaba	4	3	-	-	-	-
H Venter	2	1	-	-	-	-
M Botha	4	3	-	-	-	-
A Boers	2	2	-	-	-	-
A Roditis *(Board Audit Committee Chairperson)	-	-	-	-	4	4
C Franks *	-	-	-	-	4	4
L Phelane *	-	-	-	-	4	3
C Taylor (Principal Officer)	4	4	4	4	4	4

A - total possible number of meetings that could have been attended
B - actual number of meetings attended
* - indicates Audit Committee member

GENERAL

No incidents of litigation or other negative matters occurred.

The Trustees were briefed on all relevant aspects of the terms of reference of corporate governance during the course of the year.

The Chairperson of the Board of Trustees would like to thank the Trustees and the members of the Audit Committee for their positive and meaningful contributions during the year.

NETCARE MEDICAL SCHEME

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES
for the year ended 31 December 2023

The Trustees are responsible for the preparation, integrity and fair presentation of the annual financial statements of the Netcare Medical Scheme ("the Scheme"). The annual financial statements presented on pages 13 to 50 have been prepared in accordance with International Financial Reporting Standards and the Medical Schemes Act 131 of 1998, as amended, and include amounts based on judgements and estimates made by management.

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

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

The Trustees are responsible for ensuring that proper accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Scheme which enables the Trustees to ensure that the annual financial statements comply with the relevant legislation.

The Scheme operates 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 Scheme are being controlled. No material breakdown in controls have been identified during the year under review.

On the basis of this review, and in light of the current financial position and available resources, the Trustees have no reason to believe that the Scheme will not be a going concern for the foreseeable future.

The Scheme's external auditor, Deloitte & Touche, are responsible for auditing the annual financial statements in terms of International Standards on Auditing and their audit report is presented on page 12 - 14.

The annual financial statements were approved by the Board of Trustees on 23 May 2024 and are signed on its behalf by:

S Khoosal	C Taylor	P Seetul
Chairperson	Principal Officer	Trustee

23 May 2024

NETCARE MEDICAL SCHEME

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES
for the year ended 31 December 2023

The Scheme derives its corporate governance framework from its rules, the Medical Schemes Act 131 of 1998, as amended (the "Act") and guidance provided by the Council for Medical Schemes by means of reports and circulars. In addition to this, the Trustees are considering the principles of the King Code as it relates to medical schemes.

As Trustees of the Scheme we acknowledge that our appointment is by the members of the Scheme and that we owe them a duty to exercise fiduciary responsibilities over the financial affairs of the Scheme whilst ensuring compliance with the framework of the law and rules of the Scheme.

The Trustees delegate several of its duties to service providers such as managed care organisations and administrators. These relationships are managed by means of written contracts and service level agreements. Regular meetings are held to ensure services are rendered within the framework of the contracts and agreements.

The Trustees make use of various sub-committees to assist in the execution of its duties. These sub-committees remain responsible to the main Board of Trustees of the Scheme and their activities are governed by a terms of reference framework as agreed by the Board of Trustees. Currently the following committees are in place:

- Investment Committee;
- Board Audit Committee;
- Benefit Design Committee;
- Clinical Governance Committee
- Disputes Committee;
- Exgratia Committee; and
- Governance & Risk Committee.

A code of conduct is in place to which all Trustees subscribe. It deals with conflicts of interest, duties of the Trustees and any other matters relating to unethical or perceived unethical behaviour. The Trustees are reminded of the code of conduct and their duty to members of the Scheme. This is acknowledged and agreed at Board meetings.

The Trustees are not remunerated for their services. Expenses relating to travel and training are paid by the Scheme. New Trustees appointed are duly orientated and inducted to ensure they fulfil their obligation to the membership of the Scheme.

The Trustees recognise the need for each and every staff member in the Netcare group to have access to medical aid cover and each year during benefit design the Trustees pay significant attention to ensure premiums remain affordable to all staff whilst providing benefits in line with prescribed minimum benefits.

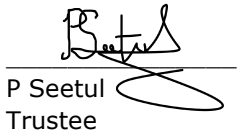
Communication with members of the Scheme is seen as an essential component of transparent governance. Regular feedback in the form of electronic communication is submitted to members with monthly statements to communicate changes in the regulatory environment or benefit structure of the Scheme.

The number of Board members is equally split in terms of employer and member elected Trustees whose duties are explicitly stated in the rules of the Scheme. Board of Trustees meetings are arranged four times a year and where issues require urgent attention, interim meetings and discussions take place with the full Board of Trustees being appraised of decisions. Board minutes and information packs deal with all the necessary financial and clinical information relating to the Scheme. Full disclosure and transparency is fostered. The Chairperson of the Scheme was unanimously appointed by the Board of Trustees.

The Board of Trustees view good governance not only as complying with legislative provisions and applying the relevant principles of the King Code on corporate governance, but view it as integral to the success, sustainability and financial soundness of the Netcare Medical Scheme. The Trustees are satisfied that the Scheme has in all material respects complied with the provisions and spirit of its rules, the Medical Schemes Act 131 of 1998, as amended and its regulations, other than those matters noted in the Board of Trustees report.

S Khoosal
Chairperson

C Taylor
Principal Officer



P Seetul
Trustee

Private Bag X6
Gallo Manor 2052
South Africa

Deloitte & Touche
Registered Auditors
Financial Services Team - FIST
Deloitte
5 Magwa Crescent
Waterfall City
Waterfall
Docex 10 Johannesburg

Tel: +27 (0)11 806 5200
www.deloitte.com

Independent Auditor's Report

To the Members of the Netcare Medical Scheme

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Netcare Medical Scheme (the Scheme), set out on pages 13 to 50, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Outstanding claim provision component of the Liability for Incurred Claims (LIC)	
IFRS requires the Scheme to make provision for all future cash flows for which the past event has occurred. In doing so the Scheme calculates a best estimate of claims payments for claim events occurring prior to year-end but for which the scheme has not been notified by year end. Note 4 in the annual financial statements shows the present value of future cash flows under the LIC of R214.5 million (2022: R193.6 million). Included in this is a claims provision which constitutes the largest component of this amount. The claims provision as per management's actuaries amounts to R36.2 million (2022: R29.6 million). This matter is considered significant as the underlying calculation requires the use of significant assumptions, estimates and judgement by management. The risk adjustment component of the LIC is not linked to this Key Audit Matter.	• We assessed the competence, capabilities and objectivity of the Trustee's specialist performing the calculation of the provision; • Performed a review of the provision raised in relation to the 2022 financial year with the assistance of Deloitte Actuarial specialists to ensure that the opening balance is not materiality misstated; • With the assistance of Deloitte Actuarial specialists, reviewed the key assumptions and methodology applied in determining the LIC and ensured that these are consistent with the requirements of IFRS and actuarial best practice. • The actuarial specialists also performed an independent recalculation of the claims provision component of the LIC and compared the outcome to the amount raised by the scheme; and • Assessed the presentation and disclosure in respect of the LIC and considered whether the disclosures reflected the risks inherent in the accounting for the provision.

Other Information

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

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

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

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

Responsibilities of the Scheme's Trustees for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide the Scheme's trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes (CMS), 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

In terms of CMS Circular 38 of 2018 Audit tenure, we report that Deloitte has been the auditor of Netcare Medical Scheme for 11 years.

The engagement partner, Kelby Moothoosamy, has been responsible for the Netcare Medical Scheme audit for 3 years.

DocuSigned by:
Deloitte & Touche
EF3312C19A464FF...

Deloitte & Touche
Registered Auditor
Per: Kelby Moothoosamy
Partner

17 May 2024

NETCARE MEDICAL SCHEME
(Registration no. 1584)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Notes	2023 R	Restated 2022 R	1 January 2022 R
ASSETS				
Financial assets at fair value through profit or loss	1	592,345,062	545,301,354	528,246,065
Financial assets at amortised cost	2	79,094	44,183	47,444
Cash and cash equivalents	3	270,502,060	243,320,076	207,893,240
TOTAL ASSETS		**862,926,216**	**788,665,613**	**736,186,749**
LIABILITIES				
Total insurance contract liabilities		861,897,978	787,638,941	735,506,042
Insurance contract liability	4	214,095,020	193,292,562	194,790,912
Insurance liability for future members		647,802,958	594,346,379	540,715,130
Financial liabilities at amortised cost	5	1,028,238	1,026,672	680,707
Total liabilities		**862,926,216**	**788,665,613**	**736,186,749**

NETCARE MEDICAL SCHEME
(Registration no. 1584)

STATEMENT OF CHANGES IN FUNDS AND RESERVES
as at 31 December 2023

	Accumulated funds R	Total Members' Funds R
Balance as at 1 January 2022	542,141,610	542,141,610
IFRS 17 transition adjustment	(542,141,610)	(542,141,610)
Balance at at 31 December 2022	**-**	**-**

NETCARE MEDICAL SCHEME
(Registration no. 1584)

STATEMENT OF COMPREHENSIVE INCOME
as at 31 December 2023

	Notes	2023 R	2022 R
Insurance revenue	7	981,732,181	913,470,478
Insurance service expense	7	(1,025,450,303)	(936,806,635)
Net expense from reinsurance contracts held		(109,784)	(708,757)
Reinsurance expense	7	(6,799,116)	(6,225,144)
Reinsurance income	7	6,689,332	5,516,387
Insurance service result		**(43,827,906)**	**(24,044,914)**
Interest income from financial assets not measured at fair value through profit or loss	8	615,178	374,415
Investment income from investments held at fair value through profit or loss	8	36,313,302	26,866,973
Fair value gains from investments held at fair value through profit or loss	8	32,020,312	14,174,127
Net investment income		**68,948,792**	**41,415,515**
Finance expenses on Personal Medical Savings Account monies		(13,967,747)	(8,907,933)
Net insurance finance expenses		**(13,967,747)**	**(8,907,933)**
Net insurance and investment result		**11,153,139**	**8,462,667**
Asset management fees		(2,233,863)	(2,098,918)
Other operating expenses	9	(9,008,856)	(6,393,678)
Sundry income	10	89,580	29,929
Net result *		**0**	**0**

* See "Impact of transition to IFRS17" (page 19)

NETCARE MEDICAL SCHEME
(Registration no. 1584)

STATEMENT OF CASH FLOWS
as at 31 December 2023

	Notes	2022 R	2022 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from members and providers		1,154,890,643	1,074,528,068
- Cash receipts from members - contributions		1,154,890,643	1,074,528,068
Cash paid to providers, employees and members		(1,147,344,970)	(1,061,365,800)
- Cash paid to members and providers - claims		(1,124,456,208)	(1,036,680,869)
- Cash paid to providers - non-healthcare expenditure		(9,027,494)	(6,726,541)
- Cash paid to members - savings plan refunds		(13,861,268)	(17,958,390)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**7,545,673**	**13,162,268**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		(21,600,447)	(17,580,103)
Proceeds on disposal of investments		6,577,052	14,698,941
Interest received		4,118,227	22,817,267
Dividends received		32,775,342	4,427,381
Asset management fees		(2,233,863)	(2,098,918)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**19,636,311**	**22,264,568**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**27,181,984**	**35,426,836**
Cash and cash equivalents at beginning of the year		243,320,076	207,893,240
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**270,502,060**	**243,320,076**

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

GENERAL INFORMATION

Netcare Medical Scheme (the Scheme) is a medical scheme that offers hospital, chronic illness and day-to-day benefits and is administered by Discovery Health (Pty) Ltd, a wholly owned subsidiary of Discovery Limited, listed in the insurance sector of the Johannesburg Stock Exchange (JSE).

The Scheme is a restricted membership medical scheme registered in terms of the Medical Schemes Act No. 131 of 1998, as amended (the Act), and is domiciled in the Republic of South Africa.

BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with International Financial Accounting Standards (IFRS), which are set by the International Accounting Standards Board (IASB). The Financial Statements are also prepared in accordance with the Act, which requires additional disclosures for registered medical schemes.

The detailed accounting policies have been set out in the respective note to the Financial Statements, with the general accounting policies applied in the preparation of these Financial Statements set out below. These policies have been applied consistently to all years presented, except for changes required by the mandatory adoption of new and revised IFRS.

The preparation of the Financial Statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies.

The Financial Statements are prepared in accordance with the going concern principle using the historical cost basis except for certain financial assets and liabilities, which include:
- Financial instruments at fair value through profit or loss; and
- Insurance and reinsurance assets and liabilities – measured in terms of IFRS 17 estimates.

All monetary information and figures presented in these Financial Statements are stated in rand, unless otherwise indicated.

IMPLEMENTATION OF NEW STANDARDS

New standards, amendments and interpretations not yet effective and relevant to the Scheme

The following new standards, amendments and interpretations to the existing standards have been published and are not yet effective for the current financial year. The Scheme has not early adopted them and it is not expected that they will have any material impact on the Scheme's assets, liabilities and results but may result in additional disclosure in the Financial Statements.

IMPLEMENTATION OF NEW STANDARDS (continued)

Standard	Scope	Effective date
IAS 1 Presentation of Financial Statements	Classification of Liabilities as Current or Non-current. Under existing IAS 1 requirements, schemes classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.	1 January 2024
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. The scheme discloses the accounting policy for each note as well as the critical judgements and estimates applicable to the individual financial statement line items. The standard has no further impact on the Scheme.	1 January 2024

Implementation of IFRS 17 Insurance contracts

Introduction

The effective date of IFRS 17 Insurance Contracts is for reporting periods beginning on or after 1 January 2023. IFRS 17 is mandatory for the Scheme effective from 1 January 2023.

IFRS 17 is a new accounting standard for insurance contracts that provides guidelines on recognising, measuring, presenting, and disclosing insurance contracts. It was introduced by the International Accounting Standards Board (IASB) in May 2017. IFRS 17 replaces the previous standard, IFRS 4 Insurance Contracts, issued in 2005 as an interim standard with limited prescribed changes to pre-existing insurance accounting practices applied by insurers.

IFRS 17 represents a positive step towards enhancing transparency, comparability, and understanding of how insurers earn profits from insurance contracts, namely insurance service result and financial results. The framework established by IFRS 17 outlines the specific requirements that entities must adhere to when reporting information related to both the insurance contracts they issue and the reinsurance contracts they hold. One of the noteworthy distinctions introduced by IFRS 17 pertains to the level of granularity at which insurance contracts are recognised and measured.

IFRS 17 is not limited to insurance companies but also those entities that issue any contract that results in transfer of significant insurance risk. Contracts issued by the Scheme fall within the scope of IFRS 17. These contracts are entirely aligned with those recognised under the previous standard IFRS 4.

IMPLEMENTATION OF NEW STANDARDS (continued)

Implementation of IFRS 17 Insurance contracts (continued)

Whilst the underlying contractual terms and economic risks and rewards of each insurance contract remain unaltered, IFRS 17 impacts the accounting treatment of insurance contracts and most notably the timing of recognition of insurance related profits and losses for accounting purposes. Importantly, it also separates the insurance related profit or losses between those arising from insurance service results and those arising from financial results.

Transition to IFRS 17

Upon first-time adoption, IFRS 17 requires the standard to be applied fully retrospectively as if the standard always applied unless impracticable. If impracticable to do so, the entity can elect to either apply a modified retrospective approach or use the fair value approach.

The Scheme 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 and is in a position to apply a fully retrospective restatement from inception for its groups of insurance contracts issued. The fully retrospective approach requires that the Scheme identify, recognise, and measure groups of insurance contracts as if IFRS 17 had always applied, derecognising any existing balances that would not exist had IFRS 17 always applied and recognise any resulting net difference in the Insurance liability for future members.

The retrospective approach has limited impact on the Scheme, with the most significant impact being applying the treatment under IFRS 17 for mutual entities and a risk adjustment for non-financial risk to insurance cash flows. The purpose of the risk adjustment is to measure the effect of uncertainty in the fulfilment cash flows that arise from insurance contracts, other than uncertainty arising from financial risk.

The Scheme has applied the retrospective transition provision in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item.

Impact of transition to IFRS 17

The Scheme considered its substantive rights and obligations arising from its insurance contracts in applying IFRS 17. Medical schemes are not legally defined as mutual entities and the current regulatory and legislative requirements remain applicable to medical schemes. Medical schemes have similar attributes as mutual entities. When applying IFRS 17, payments to policyholders' form part of the fulfilment cash flows regardless of whether those payments are expected to be made to current or future policyholders. Thus, the fulfilment cash flows of an insurer that is a mutual entity generally include the rights of policyholders to the whole of any surplus of assets over liabilities. This means that, for an insurer that is a mutual entity, there should, in principle, be no equity remaining and no net comprehensive income reported in any accounting period.

The Scheme does not have any contracts with specified embedded derivatives, however, does issue contracts which contain Personal Medical Savings Accounts (PMSAs). Under IFRS 4 the criteria for unbundling were met and the PMSAs were unbundled and accounted for as financial instruments.

The condition whereby the investment component (PMSA) can be separated from the insurance component if not highly interrelated is not met and the PMSA cannot be separated from the insurance component and IFRS 17 is applied to the entire contract including the PMSA.

IMPLEMENTATION OF NEW STANDARDS (continued)

Impact of transition to IFRS 17 (continued)

The PMSA is a non-distinct investment component with the balances included in Insurance Contract Liabilities in the Scheme's Statement of Financial Position.

The net impact of the retrospective application on the Scheme's Statement of Financial Position is summarised as follows:

	R
Accumulated funds as at 31 December 2021	
Audited and previously reported	542,141,610
IFRS 17 adjustment	
Adjustment as a result of the risk adjustment for non-financial risk	(526,480)
Adjustment of Liability for Incurred Claims	(900,000)
Liability for future members as at 31 December 2021 (restated)	540,715,130
Liability for future members as at 31 December 2022	590,666,902
IFRS 17 adjustment	
Adjustment as a result of the risk adjustment for non-financial risk	(690,652)
Adjustment of Liability for Incurred Claims	4,370,129
Liability for future members as at 31 December 2022 (restated)	594,346,379

INSURANCE CONTRACTS SCOPE AND GROUPING

Definition and classification

Insurance contracts are contracts under which the Scheme accepts significant insurance risk from another party (the member/policyholder) by agreeing to compensate the policyholder should a specified uncertain future event (the insured event) adversely affect the policyholder.

A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

The Scheme determines whether it has assumed significant insurance risk by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance and reinsurance contracts can also expose the Scheme to financial risk, which is not taken into account in the determination of significant insurance risk.

Significant judgements and estimates

IFRS 17 does not specify what significant insurance risk is. The Scheme's policy defines significant insurance risk as follows: The possibility that the present value of losses arising on the insurance contract exceeds 10% of the present value of income and receipts collected when applying a worst-case scenario upon inception of the insurance contract.

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Separating components within insurance contracts

IFRS 17 requires an analysis of whether the contract contains components that should be separated from the insurance contract and accounted for under different IFRS Accounting Standards. IFRS 17 requires that cash flows relating to embedded derivatives, cash flows relating to distinct investment components and promises to transfer distinct goods or distinct services, other than insurance contract services, be accounted for separately.

The Scheme presently has no contracts requiring further separation or a combination of insurance contracts.

The Scheme does not have contracts with specified embedded derivatives. Certain of the contracts with members contain a Personal Medical Savings Account (PMSA), an investment component.

The investment component and the insurance component are highly interrelated as the one component cannot be measured without considering the other. Under the contracts issued by the Scheme, the PMSA can be measured separately, however, under certain benefit plans, there is a risk component that is available once the PMSA has been exhausted and once certain conditions are met. This indicates that the level of certain risk benefits available is dependent on the PMSA, and the value of risk benefits cannot be measured without considering the PMSA. This results in the two components being highly interrelated. The second indicator that the two components are highly interrelated is that members are unable to benefit from one component unless the other component of the insurance contract is also present. Under benefit plans that offer PMSAs, the PMSA and the risk portion of the plan cannot be bifurcated and the member, if electing a benefit plan with a PMSA, has to take both the PMSA and the risk component. To cancel a component of the contract, the member has to cancel the entire contract (both components).

The condition whereby the investment component can be separated from the insurance component if not highly interrelated is not met and the PMSA cannot be separated from the insurance component and IFRS 17 is applied to the entire contract including the PMSA.

The PMSA is a non-distinct investment component with the balances included in Insurance Contract Liabilities in the Statement of Financial Position. While the cash flows are not recorded in the Statement of Comprehensive Income, they are considered in assessing onerous contracts.

Measurement models

IFRS 17 provides three possible measurement models.

- The default model is the General Measurement Model (GMM). The GMM is typically used for measuring long-term insurance risk and annuity contracts.
- The GMM is supplemented by the Variable Fee Approach (VFA) for contracts where policyholders have purchased investment linked insurance contracts integrated with insurance coverage (i.e. insurance contracts with direct participating features).
- The Premium Allocation Approach (PAA) is a simplified approach of the GMM for short-duration contracts such as group risk, personal lines and private medical insurance.

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Measurement models (continued)

Insurers can elect to apply the premium allocation approach (PAA) to measure a group of insurance contracts issued or reinsurance contracts held if, at the inception of the group:

- The coverage period of each contract in the group of insurance contracts is one year or less, or
- The insurer reasonably expects that the PAA would produce a measurement of the LRC for a group of insurance contracts that would not differ materially from the measurement achieved by applying the GMM.

As permitted in IFRS 17, the Scheme has elected to apply the premium allocation approach. The Scheme reasonably expects that the PAA would produce a measurement of the LRC for a group of insurance contracts that would not differ materially from the measurement achieved by applying the GMM.

The PAA simplifies the general measurement model. At initial recognition, the insurance contract is measured as:

- The premiums, if any, received at initial recognition, and
- Plus/minus non-acquisition assets or liabilities previously recognised for cash flows related to the group of insurance contracts.

IFRS 17 permits an accounting policy election on a group-by-group basis:

- Not to adjust the components of the insurance contracts and onerous contracts for the time value of money (i.e. no discounting).
- An entity may elect to immediately expense insurance acquisition cash flows when incurred.

Under the PAA, the standard allows an entity to make a policy choice whether to account for the effect of the time value of money in the measurement of the liability for remaining coverage and the liability for incurred claims when:

- On initial recognition of the contract, for the liability of remaining coverage, the time between the coverage and due date of the related premium is less than a year.
- The cash flows arising from the liability for incurred claims are expected to be paid or received in less than one year from the date the claim is incurred.

The Scheme has elected not to account for the effect of the time value of money in the measurement of the liability for incurred claims and the liability for remaining coverage as both conditions have been met. In some instances, claims may be disputed.

The Scheme has elected to immediately expense insurance acquisition cash flows.

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Expected fulfilment cash flows (EFCF)

The measurement of a group of insurance contracts includes all future cash flows expected to arise within the contract boundary of each contract in the group.

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

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

In assessing the practical ability to reprice, risks transferred from the member to the Scheme are considered; other risks, such as lapse or surrender and expense risk, are not included. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria. The Scheme has assessed its group of insurance contracts and determined that the group has a boundary of one year.

EFCF include payments to (or on behalf) of policyholders, insurance acquisition cash flows and other directly attributable costs to fulfilling the group of insurance 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. When estimating, the Scheme uses information about past events, current conditions and forecasts of future conditions.

Insurance acquisition cash flows arise from activities of selling, underwriting and commencing a group of contracts that are directly attributable to the portfolio of contracts.

Risk adjustment

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the Scheme fulfils insurance contracts. It measures the compensation that the entity would require to make it indifferent between:

- Fulfilling a liability that has a range of possible outcomes arising from non-financial risk and
- Fulfilling a liability that will generate fixed cash flows with the same expected present value as the insurance contract.

A lower risk adjustment would be observed for those insurance contracts with shorter duration, high frequency and low severity type products and narrow probability of distributions. Higher risk adjustment would be observed for insurance contracts that are longer in duration, have a low frequency and high severity and have a wide probability of distributions.

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Risk adjustment (continued)

IFRS 17 does not prescribe methods for determining the risk adjustment for non-financial risk. Therefore, management's judgement is necessary to determine an appropriate risk adjustment technique.

When applying a confidence level technique, the first step in the process is to calculate the best estimate reserve, where there is an equal chance that the actual amount needed to pay future claims will be higher or lower than the calculated best estimate. The risk adjustment is then calculated such that there is a specified percentage probability that the reserves will be sufficient to cover future claims.

For the Scheme's insurance contracts the explicit risk adjustment for non-financial risk is estimated to measure the LIC. The risk adjustment will be determined by applying a confidence level technique set at a confidence level of 75%.

Unit of account, aggregation and recognition of insurance and reinsurance contracts

Under IFRS 17, the unit of account is defined as a group of insurance contracts. The manner in which insurance contracts are grouped affects the timing of profit recognition for insurance services but does not affect the measurement of the estimated cash flows to fulfil the insurance contracts. In terms of IFRS 17, the unit of account is determined by first establishing a portfolio of insurance contracts and then creating separate cohorts within the portfolio based on the date of origination. Each such cohort is further grouped into three groupings based on estimated profitability.

Portfolio
Insurance contracts that are subject to similar risks and managed together.

The Scheme offers insurance cover against the cost of a health event.

Cohort
Only contracts issued within a given 12-month period (cohort) can be included in the same group. Annual cohorts are further grouped as follows.

Groups
- Onerous at initial recognition (Onerous)
- At initial recognition, no significant possibility of becoming onerous (Profitable)
- Other (Profitable at risk)

The Scheme has assessed its portfolio to be at a scheme level. The Scheme has applied the exemption not to perform profitability groupings as allowed by IFRS and included all contracts in the same group.

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

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.

If the modification does not comply with all the requirements of IFRS 17, the Scheme shall treat the changes in cash flow as changes in estimates of fulfilment cash flows.

Initial and subsequent measurement

For insurance contracts issued, on initial recognition, the Scheme measures the liability for remaining coverage at the amount of contributions received less any acquisition cash flows paid.

The carrying amount of the group of insurance contracts issued at each reporting period is the sum of:
- the liability for remaining coverage; and
- the liability for incurred claims, comprising the fulfilment cashflows related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the Liability for remaining coverage is:
- increased for contributions received in the period; and
- decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

For insurance contracts issued at each of the subsequent reporting dates the Liability for incurred claims is:
- probability weighted estimate of the present value of the future cash flows; and
- risk adjustment for non-financial risk.

Refer to Judgements and Estimates earlier in this note for the significant judgements and estimates used to determine the Liability for incurred claims and the estimates to determine the fulfilment cash flow.

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Initial and subsequent measurement (continued)

If the group of contracts becomes onerous, the Scheme increases the carrying amount of the Liability for remaining coverage to the amounts of the fulfilment cashflows determined under the general measurement model with the amount of such an increase recognised in insurance service expenses. Subsequently, the Scheme amortises the amount of the loss component within the Liability for remaining coverage by decreasing insurance service expenses. The loss component amortisation is based on the passage of time over the remaining coverage period of contracts within an onerous group.

Insurance revenue

The Scheme recognises insurance revenue based on the passage of time over the coverage period of the group of insurance contracts in the statement of comprehensive income.

Insurance Service Expenses

Insurance service expenses include:

- incurred claims and benefits excluding investment components;
- other incurred directly attributable insurance service expenses;
- changes that relate to past service (i.e. changes in the fulfilment cashflows relating to the Liability for incurred claims); and
- changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

Net of:

- Recoveries from third parties (including reimbursement from the Road Accident Fund).

Other incurred directly attributable insurance service expenses include:

Accredited managed care healthcare services (no risk transfer)

Accredited managed healthcare services (no risk transfer) fees comprise amounts paid or payable to a third party for managing the utilisation, costs and quality of healthcare services to the members of the Scheme and are expensed as incurred. Accredited managed healthcare services are part of healthcare expenditure as they directly impact on the delivery of cost-effective and appropriate healthcare benefits to beneficiaries of the Scheme.

Insurance acquisition costs

The Scheme includes the acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are costs directly attributable to individual contracts and the group of contracts.

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

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Other incurred directly attributable insurance service expenses include(continued):

Accredited administration services

Expenses for accredited administration services are paid to the Scheme administrator.

Cash flows that are not directly attributable to a group of insurance contracts are recognised in other operating expenses as incurred and include the Scheme's operating expenses and other administration services fees paid to the Scheme administrator.

Insurance interest income and expenses

The non-distinct investment component (PMSA) accrues interest. This is disclosed within the insurance finance expense line item.

RISK TRANSFER REINSURANCE

Definition

Risk transfer arrangements are contractual arrangements entered into by the Scheme and third parties who undertake to indemnify the Scheme against all or part of the loss that the Scheme may incur as a result of carrying on the business of a medical scheme. The third party is paid a fixed fee per member to cover the risk of the number of incidents that occur during a specified period and the cost of providing the service. Risk transfer arrangements do not reduce the Scheme's primary obligations to its members and their dependents.

Unit of account

Groups of reinsurance contracts held are assessed for aggregation separately from groups of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Scheme aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of contracts for which there is a net gain at initial recognition.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Scheme tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

Recognition and derecognition

The reinsurance contract held that covers the losses of separate insurance contracts on a proportionate basis is recognised at the later of:

- the beginning of the coverage period of the group; or
- the initial recognition of any underlying insurance contract.

The Scheme does not recognise their reinsurance contract held until it has recognised at least one of the underlying insurance contracts.

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Initial and subsequent measurement

The coverage period of each reinsurance contract in the Scheme's group of reinsurance contracts, is one year or less. Therefore the Scheme has made the accounting policy choice to simplify the measurement of it's group of reinsurance contracts using the PAA.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- the remaining coverage; and
- the incurred claims, comprising the fulfilment cashflows related to past service allocated to the group at the reporting date.

Subsequent measurement of the remaining coverage for reinsurance contracts held is:

- increased for ceding contributions paid in the period; and
- decreased for the amounts of ceding contributions recognised as reinsurance expenses for the services received in the period.

The Scheme does not adjust the asset for the remaining coverage for reinsurance contracts held for the effect of the time value of money. The reinsurance contributions are due within coverage periods which are one year or less.

Contract boundary

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Scheme is compelled to pay amounts to the reinsurer or in which the Scheme has a substantive right to receive services from the reinsurer.

The Scheme's capitation agreements held have a duration of one year or less.

Net income/(expense) from reinsurance contracts held

Reinsurance income consists of the amount that depicts the value the insurer benefits from entering into a risk transfer arrangement (i.e. the value of services received from the capitation provider).

Reinsurance expenses consist of reinsurance expenses, other incurred directly attributable insurance service expenses and the effect of changes in risk of reinsurer non-performance.

The Scheme recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

CLASSIFICATION, RECOGNITION, PRESENTATION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

The Scheme recognises a financial instrument when, and only when, it becomes a party to the contractual provisions of the instrument. The Scheme classifies its financial instruments into the following categories: financial assets or financial liabilities at fair value through profit or loss, derivatives, and other receivables. Other receivables are receivables other than those arising from insurance contracts and include sundry accounts receivable and interest receivable. Other receivables are disclosed under "Financial assets at amortised cost".

The classification depends on the purpose for which the financial instruments are acquired. Management determines the classification of financial instruments at initial recognition. All purchases and sales of financial instruments are recognised on the trade date, which is the date on which the Scheme commits to purchase the financial asset or assume financial liability.

Offsetting financial instruments

This applies where a legally enforceable right to set off exists for recognised financial assets and financial liabilities, and there is an intention to realise the asset and settle the liability simultaneously or to settle on a net basis.

The Scheme will disclose the net asset or liability in the Statement of Financial Position and on a gross basis in the accompanying notes if the above conditions are met.

Derecognition of financial assets and liabilities

The Scheme derecognises a financial asset or part of a financial asset when:
- The contractual right to the cash flows from the asset expires.
- The Scheme retains the contractual right to receive cash flows of the asset, but assumes the obligation to pay one or more third parties the cash flow without material delay.
- The Scheme transfers the asset, while transferring substantially all the risks and rewards of ownership.
- The Scheme neither transfers the financial asset nor retains significant risk and reward of ownership, but has transferred control of the financial asset.

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

FINANCIAL ASSETS

IFRS 12 Unconsolidated investment structures

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

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value, net of transaction costs incurred. After initial recognition the financial liabilities are measured at amortised cost, using the effective interest rate method. In addition, the Scheme is not permitted to borrow, in terms of Section 35 (6)(c) of the Act. The Scheme therefore has no long-term financial liabilities.

PROVISIONS

The Scheme recognises a provision once the following conditions are met:

- It has a present legal or constructive obligation as a result of past events.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- A reliable estimate of the amount of the obligation can be made.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

CONTINGENT LIABILITY

The Scheme will disclose a contingent liability if one of the following conditions are met:

- A possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme.
- A present obligation that arises from past events but not recognised because:
  - It is not probable that an outflow of resources will be required to settle an obligation.
  - The amount of the obligation cannot be measured with sufficient reliability.

INCOME TAX

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 Scheme is exempt from income tax.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

1. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting policy

The Scheme's investment strategy ("business model objective") is determined by means of an allocation across different asset classes and grouping of Financial assets. Independent asset managers manage this portfolio under fully discretionary, active mandates with performance evaluated at portfolio level on a fair value basis. The asset managers is remunerated based on the fair value of the portfolio under management. The business model objective is achieved through the selling of assets per the documented strategy for realisation of gains with the collection of contractual cash flows being incidental to the primary business model objective. The Financial assets are managed together and grouped into specific portfolios. Based on the business model objective the Financial assets are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the surplus or deficit section of the Statement of Comprehensive Income.

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

Gains or losses arising from subsequent changes in fair value are recognised under Other income in the Statement of Comprehensive Income within the period in which they arise.

The Scheme's Financial assets at fair value through profit or loss are summarised as follows:

	2023 **R**	**2022** **R**
Fair value at the beginning of the year	545,301,354	528,246,065
Additions		
Contributions	1,816,176	199,200
Interest re-invested	16,246,311	12,953,522
Dividends re-invested	3,537,960	4,427,381
Disposals		
Withdrawals	(4,341,631)	(12,600,023)
Investment management fees#	(2,235,421)	(2,098,918)
Realised gains on disposal of investments	2,646,897	4,803,372
Unrealised gains on fair valuation of investments	29,373,416	9,370,755
Fair value at the end of the year	**592,345,062**	**545,301,354**

Investment management fees are paid for by the respective portfolios through the disinvestment of investments.

1. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The investments included above represent investments on a look-through basis in:

	2023 R	2022 R
Bonds	160,525,512	178,417,111
Cash and deposits	258,262,447	238,905,465
Equity	173,557,103	127,978,777
Fair value at the end of the year	592,345,062	545,301,354

Investments held at fair value through profit or loss representing units in insurance policies and collective investment schemes are made up of the following:

Allan Gray Life - Domestic Stable Medical Scheme Portfolio	157,406,397	144,731,899
Coronation Life - Coronation Medical Aid Portfolio	118,555,250	107,143,726
M&G Life Inflation Plus 5% Medical Aid Fund UPF	119,938,228	111,004,642
Ninety One - Stable Money Market Fund	33,213,735	30,389,316
Ninety One - Stable Money Market Fund - PMSA Trust Funds	163,231,452	152,031,771
	592,345,062	545,301,354

A register of investments held through the above insurance policies are available for inspection at the registered office of the Scheme.

The investment managers actively trade the underlying portfolios with reference to the market values of the underlying investments. Realised gains and losses arise when individual shares and bonds or equites are disposed within the underlying portfolios.

The weighted average effective return on the above investments was 9.1% (2022: 5.5%.)

2. FINANCIAL ASSETS AT AMORTISED COST

Accounting policy

Receivables are non-derivative Financial assets with fixed or determinable payments that are not quoted in an active market, other than those the Scheme intends to sell in the short term.

Receivables are initially recognised at fair value, plus transaction costs. The Scheme holds its other receivables with the objective to collect the contractual cash flows and measures them subsequently at amortised cost using the effective interest method.

2. FINANCIAL ASSETS AT AMORTISED COST (continued)

Impairment of other receivables

The Scheme applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for other receivables. To measure the expected credit losses, other receivables are grouped based on shared credit risk characteristics and days past due. There are no impairments of other receivables.

	2023 R	2022 R
Interest receivable on cash and cash equivalents	79,094	44,183
	79,094	**44,183**

At 31 December the carrying amounts of loans and receivables approximate their fair values due to the short-term maturities of these assets.

3. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents are short-term, highly liquid instruments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

In the Statement of Cash Flows, cash and cash equivalents comprise:
- Current accounts
- Money market instruments

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing or other purposes and are carried at cost, which, due to their short-term nature, approximates fair value.

	2023 R	2022 R
Current accounts	96,339,942	90,145,935
Money market instuments	174,162,118	153,174,141
	270,502,060	**243,320,076**

The weighted average effective interest rate on money market accounts was 9.4% (2022: 5.0%). The overall weighted average effective interest rate on cash and cash equivalents was 7.6% (2022: 5.9%).

4. INSURANCE CONTRACT LIABILITY

	2023				2022			
	Liability for remaining coverage (LRC)	**Liability for incurred claims (LIC)**		**Total**	**Liability for remaining coverage (LRC)**	**Liability for incurred claims (LIC)**		**Total**
Insurance contracts issued		**Present value of future cash flows**	**Risk adjustment**			**Present value of future cash flows**	**Risk adjustment**	
Net opening balance	**(1,000,984)**	**193,602,894**	**690,652**	**193,292,562**	**(791,958)**	**195,056,390**	**526,480**	**194,790,912**
Insurance service result	**(981,732,181)**	**971,833,351**	**160,373**	**(9,738,457)**	**(913,470,478)**	**883,011,214**	**164,172**	**(30,295,092)**
Insurance revenue	(981,732,181)	-	-	(981,732,181)	(913,470,478)	-	-	(913,470,478)
Insurance service expense	-	971,833,351	160,373	971,993,724	-	883,011,214	164,172	883,175,386
Incurred claims and directly attributable expenses	-	933,154,476	-	933,154,476	-	859,673,718	-	859,673,718
Changes in fulfilment cash flows relating to the liability for incurred claims - past service	-	4,178,875	(690,652)	3,488,223	-	(5,962,504)	(526,480)	(6,488,984)
Changes in fulfilment cash flows relating to the liability for incurred claims - current service	-	34,500,000	851,025	35,351,025	-	29,300,000	690,652	29,990,652
Finance expense from insurance contracts issued	-	13,967,747	-	13,967,747	-	8,907,933	-	8,907,933
Total amounts recognised in comprehensive	(981,732,181)	985,801,098	160,373	4,229,290	(913,470,478)	891,919,147	164,172	(21,387,159)
Investment component - PMSA	(173,395,125)	173,395,125	-	-	(161,266,616)	161,266,616	-	-
Total movement	**(1,155,127,306)**	**1,159,196,223**	**160,373**	**4,229,290**	**(1,074,737,094)**	**1,053,185,763**	**164,172**	**(21,387,159)**
Cash flows								
Contributions received	1,154,890,643	-	-	1,154,890,643	1,074,528,068	-	-	1,074,528,068
Claims and other directly attributable expenses	-	(1,138,317,475)	-	(1,138,317,475)	-	(1,054,639,259)	-	(1,054,639,259)
Total cash flows	**1,154,890,643**	**(1,138,317,475)**	**-**	**16,573,168**	**1,074,528,068**	**(1,054,639,259)**	**-**	**19,888,809**
Net closing balance	**(1,237,647)**	**214,481,642**	**851,025**	**214,095,020**	**(1,000,984)**	**193,602,894**	**690,652**	**193,292,562**
Breakdown of cash flows								
Contributions received				1,154,890,643				1,074,528,068
Risk contributions				981,495,518				913,261,452
PMSA contributions				172,309,304				160,362,962
Transfers received from other schemes				1,085,821				903,654
Claims and directly attributable expenses				1,138,317,475				1,054,639,259
Risk claims				918,016,545				849,109,925
PMSA claims				160,988,867				151,455,789
Expenses				59,312,063				54,073,546

4. INSURANCE CONTRACT LIABILITY (continued)

Included in Insurance Contract liability above

	2023 R	2022 R
Personal Medical Savings Account monies	**164,774,385**	**152,261,648**
Balance at the beginning of the year	152,261,648	151,501,278
Plus:		
PMSA contributions received	172,309,304	160,362,962
Interest on PMSA monies	13,967,747	8,907,933
Transfers received from other schemes	1,085,821	903,654
Less:		
PMSA claims	(160,988,867)	(151,455,789)
Refunds on death or resignation	(13,861,268)	(17,958,390)

Reconciliation of Insurance liability for future members

Balance at the beginning of the year	594,346,379	540,715,130
Amounts attributable to future members	53,456,579	53,631,249
Balance at the end of the year	**647,802,958**	**594,346,379**

5. REINSURANCE CONTRACT ASSETS

	2023				2022			
	Remaining Coverage Component	Incurred claims for contracts under the PAA		Total	Remaining Coverage Component	Incurred claims for contracts under the PAA		Total
Healthcare Risk – Reinsurance contracts held		Present value of future cash flows	Risk adjustment for non-financial risk			Present value of future cash flows	Risk adjustment for non-financial risk	
Net opening balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net income/(expenses) from reinsurance contracts held	**6,799,116**	**(6,689,332)**	**-**	**109,784**	**6,225,144**	**(5,516,387)**	**-**	**708,757**
Reinsurance expenses	6,799,116	-	-	6,799,116	6,225,144	-	-	6,225,144
Claims recovered	-	(6,689,332)	-	(6,689,332)	-	(5,516,387)	-	(5,516,387)
Total amounts recognised in comprehensive income	**6,799,116**	**(6,689,332)**	**-**	**109,784**	**6,225,144**	**(5,516,387)**	**-**	**708,757**
Cash flows								
Premiums paid	(6,799,116)	-	-	(6,799,116)	(6,225,144)	-	-	(6,225,144)
Recoveries from reinsurance	-	6,689,332	-	6,689,332	-	5,516,387	-	5,516,387
Total cash flows	**(6,799,116)**	**6,689,332**	**-**	**(109,784)**	**(6,225,144)**	**5,516,387**	**-**	**(708,757)**
Net closing balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

6. FINANCIAL LIABILITIES AT AMORTISED COST

Accounting policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

Unallocated funds

Unallocated funds arise on the receipt of unidentified deposits in favour of the Scheme.

Unallocated funds that have legally prescribed, that is funds older than three years, are written back and included under Sundry income on the face of the Statement of Comprehensive Income.

A liability for unallocated funds that have not legally prescribed is recognised and disclosed under Trade and other payables. The liability is measured at amortised cost using the effective interest rate method.

Note	**2023** **R**	**2022** **R**
Financial liabilities		
Sundry payables	948,287	995,268
Unallocated funds	79,951	31,404
Total arising from financial liabilities	**1,028,238**	**1,026,672**

At 31 December 2023 the carrying amounts of insurance and other payables approximate their fair values due to the short-term maturities of these liabilities.

7. INSURANCE REVENUE AND SERVICE EXPENSES

	2023 R	2022 R
Insurance revenue	981,732,181	913,470,478
Insurance service expenses	(971,993,724)	(883,175,386)
Incurred claims	(915,313,644)	(830,927,703)
Third party recoveries	2,631,982	1,825,862
Other directly attributable expenses	(59,312,062)	(54,073,545)
Accredited administration services	(36,211,387)	(33,045,488)
Accredited managed healthcare services (no risk transfer)	(23,100,675)	(21,028,057)
Amounts attributable to future members	(53,456,579)	(53,631,249)
Net expense from reinsurance contracts held	(109,784)	(708,757)
Reinsurance expense	(6,799,116)	(6,225,144)
Reinsurance income	6,689,332	5,516,387
Total insurance service result	9,628,673	29,586,335
Included in other directly attributable expenses above		
Accredited administration services		
Customer services	18,236,630	16,642,233
Information management and data control	6,694,921	6,109,596
Claims management	4,129,858	3,768,792
Member record management	3,734,903	3,408,367
Contribution management	3,279,846	2,993,095
Financial management	135,229	123,406
	36,211,387	**33,045,488**
Accredited managed healthcare services (no risk transfer)		
Specialist and hospital utilisation management	6,234,062	5,674,735
Hospital benefit management	7,161,532	6,518,992
Pharmacy benefit management	2,311,144	2,103,785
Disease management	7,393,937	6,730,545
	23,100,675	**21,028,057**

8. INVESTMENT INCOME

Interest revenue from financial assets not measured at fair value through profit and loss	615,178	374,415
Dividend revenue from investments at fair value through profit and loss	3,537,960	4,427,381
Interest revenue from investments at fair value through profit and loss	32,775,342	22,439,592
Net gains on investments at fair value through profit and loss	32,020,312	14,174,127
	68,948,792	**41,415,515**

9. OTHER OPERATING EXPENDITURE

Accounting policy

Other operating expenses are expensed as incurred.

	2023	2022
Note	**R**	**R**
Administration services	3,095,247	2,824,635
Other services		
Forensic investigations and recoveries	693,319	632,703
Internal audit services	553,796	505,379
Actuarial services	317,681	289,907
Governance and compliance	109,471	99,900
Additional services		
Quality Management and Monitoring Services	521,598	475,996
Advanced Data Analytics	435,739	397,643
Digital Service Offering	158,841	144,954
Product Innovation	105,179	95,983
Enhanced Service Offering	88,006	80,312
Enterprise risk management services	88,006	80,312
Legal Services	23,611	21,547
Administration of 3rd party recoveries	610,782	5,609
AGM Costs	248,088	214,840
Auditor's remuneration - audit	484,240	446,542
Audit committee fees	60,000	60,000
Bank charges	173,496	174,042
Board of Healthcare Funders (BHF) subscriptions	43,099	41,048
Consultants costs	405,247	350,675
Fidelity insurance expense	40,340	40,080
Legal Fees	1,826,907	483,017
Principal Officer remuneration and related expenses	972,492	922,522
Registrar's levies	769,338	725,896
Subscriptions - benchmarking through health quality assessments	60,153	70,486
Sundry expenses	201,426	17,787
Trustees expenses	18,000	16,500
	9,008,856	**6,393,678**

9. OTHER OPERATING EXPENDITURE (continued)

	2023 R	2022 R
Trustee expenses		
Gifts		
S Khoosal	1,500	-
P Seetul	1,500	1,500
S Vilakazi	1,500	1,500
S Khuboni	1,500	1,500
N Ndzwayiba	1,500	-
R Mokonyama	1,500	-
C Maslo	1,500	1,500
D Longueira	1,500	1,500
E van Rooyen	1,500	1,500
M Toubkin	1,500	-
S Machaba	1,500	1,500
H Venter	1,500	-
S Pretorius	-	1,500
A Boers	-	1,500
E Michen	-	1,500
M Botha	-	1,500
	18,000	**16,500**

None of the Trustees are remunerated for their attendance at meetings.

10. SUNDRY INCOME

Accounting policy

Amounts due by the Scheme that have legally prescribed, that is funds older than three years, are reversed and included under Sundry income.

Note

Prescribed amounts written back	89,580	29,929

11 RELATED PARTY TRANSACTIONS

Discovery Health (Pty) Ltd

Discovery Health (Pty) Ltd ("Discovery"), as third party administrator and managed care organisation is deemed a related party as a result of their influence over the financial and operational functions of the Scheme, without having control. Discovery received market related administration and managed care fees as follows:

	2023	2022
	R	R
Administration fees	39,306,636	35,870,125
Managed care: Management services	23,100,675	21,028,057
Amounts owing to administrator at year-end	5,297,317	4,845,330

Discovery Third Party Recovery Services

The Scheme has contracted Discovery Third Party Recovery Services Proprietary Limited (DTPRS), a wholly owned subsidiary of Discovery Health Proprietary Limited, to manage the indentification and collection of third party recoveries from the Road Accident Fund.

Road Accident Fund recoveries	1,232,890	111,152

Netcare Ltd

The Netcare Ltd Group is deemed a related party in that the Netcare Medical Scheme is a restricted membership scheme, and the membership comprises staff working for employer entities within this Group. Contributions received in note 8 are in part subsidised by the employer group. During the year, claims were paid by the Scheme to hospitals within the Netcare Ltd Group, in respect of treatment received by the members of the Scheme at those facilities.

In addition to the above, included in the pooled investment portfolios disclosed in note 3, are shares and bonds held in Netcare Ltd.

Netcare Ltd Group claims paid	379,492,735	363,163,849

Netcare 911

Netcare 911, a division of the Netcare Ltd Group, and, based on utilisation, provided ambulance services to members of the Scheme during the year, for which it received market related fees. These fees are included in risk transfer arrangements in note 11.

Netcare 911 fees	6,799,116	6,225,144

Trustees and Principal Officer

Contributions billed to, contributions received from, and claims paid in respect of Trustees of the Scheme during the year, were done so in accordance with the rules of the Scheme and the provisions of the Medical Schemes Act 131 of 1998, as amended. Accordingly, all Trustees were treated in the same manner by the Scheme as would any member have been, at arms length. Details of transactions with the Trustees and the Principal Officer are shown below:

Principal Officer remuneration and related expenses	972,492	922,522
Amounts in		
Risk contribution received	830,845	860,434
Risk claims paid	(838,991)	(797,711)
MSA Interest	5,602	5,892
Positive savings balances	91,531	71,380

12 CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Provision for outstanding risk claims

The provision for outstanding risk claims is an estimate of the potential liability at the reporting date for risk claims that have been incurred by members but not yet reported to the Scheme. This amount is included in the Insurance Contract Liablity per note 4.

13 INSURANCE RISK MANAGEMENT

Risk management objectives and policies for mitigating medical insurance risk

The primary medical 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 risk claims under the contract.

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

The Scheme uses several methods to assess and monitor medical 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 and provisioning for a portfolio of medical insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

Medical insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated.

Risk in terms of risk transfer arrangements

The Scheme cedes medical insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks and defined blocks of business, on a co-insurance, yearly renewable term. These risk transfer arrangements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Scheme's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. According to the terms of the capitation agreements, the suppliers provide certain minimum benefits to Scheme members, as and when required by the members. The Scheme does, however, remain liable to its members with respect to ceded medical insurance if any capitation provider fails to meet the obligations it assumes. When selecting a capitation provider the Scheme considers its stability from public rating information and from internal investigations.

13 INSURANCE RISK MANAGEMENT (continued)

Risk management objectives and policies for mitigating insurance risk

The following table summarises the concentration of medical insurance risk on a beneficiary level, with reference to the amount of 2023 medical insurance claims paid in the 2023 financial year, by age group and in relation to the type of risk covered or benefits provided.

2023 Age group (in years)	Hospital (major medical) R	Chronic R	Day to day R	Total R
< 26	115,435,420	2,401,135	36,478,621	154,315,176
26 - 35	78,227,434	3,104,882	37,315,413	118,647,729
36 - 50	157,629,228	11,826,984	70,078,360	239,534,572
51 - 65	144,696,458	14,929,675	58,512,667	218,138,800
> 65	99,415,649	8,206,517	29,874,797	137,496,963
Total	595,404,189	40,469,193	232,259,858	868,133,240

2022 Age group (in years)	Hospital (major medical) R	Chronic R	Day to day R	Total R
< 26	93,029,456	2,626,030	36,726,767	132,382,253
26 - 35	82,010,792	3,737,021	38,550,750	124,298,563
36 - 50	137,793,342	13,481,411	65,848,587	217,123,340
51 - 65	132,491,980	16,094,562	54,331,805	202,918,347
> 65	88,675,094	8,285,473	27,728,903	124,689,469
Total	534,000,664	44,224,497	223,186,813	801,411,973

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.

All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal. Management information including contribution income and claims ratios, is reviewed monthly. There is also a program that regularly reviews contractual premium and benefit data to ensure adherence to the Scheme's objectives.

Risk claims development

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

Sensitivity to insurance risk

A sensitivity analysis is provided below reflecting the impact on the Scheme's reported results for the year assuming a 1% increase/(decrease) in the cost of claims incurred, with all other variables held constant.

	Increase of 1%	Decrease of 1%
2023	R	R
In-hospital claims incurred	(6,173,397)	6,173,397
Chronic claims incurred	(420,299)	420,299
Day-to-day claims incurred	(2,412,168)	2,412,168
Total	(9,005,863)	9,005,863
2022		
In-hospital claims incurred	(5,340,007)	5,340,007
Chronic claims incurred	(442,245)	442,245
Day-to-day claims incurred	(2,231,868)	2,231,868
Total	(8,014,120)	8,014,120

13 INSURANCE RISK MANAGEMENT (continued)

Sensitivity to insurance risk

The following table provides a sensitivity on the insurance contract liabilities. The table provides the sensitivity before and after the impact of the Scheme being a mutual entity. 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 the Scheme will impact the risk adjustment.

	2023		2022	
	LIC as at December R	**Impact on SOCI* R**	**LIC as at December R**	**Impact on SOCI* R**
Sensitivity of liability and claims				
Unpaid claims				
Insurance contract liability	214,095,020	-	193,292,562	-
Unpaid claims and expenses - 5% increase	-	10,704,751	-	9,664,628
Expenses - 5% increase				
Insurance service expense	971,993,724	-	883,175,386	-
Change in insurance service expense	-	48,599,686	-	44,158,769

*Statement of Comprehensive Income
the impact increases the LIC by the same value

Sensitivity of risk adjustment	**2023 R**	**2022 R**
Risk adjustment with a 75% confidence level - as reported	851,025	690,652
Risk adjustment with a 90% confidence level	1,849,170	1,500,700

14 FINANCIAL RISK MANAGEMENT

Overview

The Scheme is exposed to financial risk through its financial assets, insurance assets, financial liabilities and insurance liabilities. In particular, the financial risk is that the proceeds, for any reason, from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk include market risk, interest rate risk, investment risk, credit risk and liquidity risk.

The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's statutory solvency requirement.

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

The Scheme manages these risks through various risk management processes. These processes have been developed to ensure that the long-term investment return on assets supporting the insurance liabilities is sufficient to contribute towards funding members' reasonable benefit expectations.

The Scheme manages the financial risks as follows:

- The Investment Committee, a Committee of the Board of Trustees, recommends the Scheme's investment policy to the Board of Trustees for approval. The Investment Committee meets at least quarterly and reports back to the Board of Trustees on the matters included in its terms of reference.
- The Scheme has appointed reputable external asset managers to manage its investments and their performance is monitored regularly.
- An external asset consulting company has been appointed to assist in formulating the investment strategy and to provide ongoing reporting and monitoring of the asset managers.

Market risks

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

The Scheme's insurance liabilities are settled within one year and the Scheme does not discount insurance liabilities. Consequently, changes in market interest rates would not affect the Scheme's surplus or deficit arising from changes in the insurance liability.

Interest rate risk

Interest rate risk is the exposure that the Scheme has to changes in interest rates. This is not a significant risk to the Scheme as it holds no debt with the exception of the member's saving liability on which interest is paid. The main exposure to the Scheme would be a reduction in interest income on investments if interest rates were to decrease. In order to reduce the impact of any potential interest rate changes, the Scheme holds a diversified portfolio of investments both long and short term.

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

	Up to 1 month	1 - 3 months	3 - 12 months	Carrying amount
	R	R	R	R
2023				
Investments held at fair value through profit or loss	418,787,959	-	-	418,787,959
Cash and cash equivalents	270,502,060	-	-	270,502,060
Total	689,290,019	-	-	689,290,019

14 FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

2022

Investments held at fair value through profit or loss	417,322,576	-	-	417,322,576
Cash and cash equivalents	243,320,076	-	-	243,320,076
Total	660,642,652	-	-	660,642,652

If interest rates changed by 1%, assuming all other variables remain constant, and the recent past is predictive of the future, the impact on return on investment and the resulting impact on the net surplus of the Scheme is as follows:

	2023 R	2022 R
Change in investment income	6,892,900	4,822,255

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

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

Price risk

The Scheme is exposed to equity price risk as it invests funds in South African equities, managed by the Scheme's asset managers. The Scheme's equity portfolio is a long-term investment, and the funds invested in this portfolio are not needed in the short or medium-term. This mitigates the risk associated with short-term fluctuations in the equity market. The Scheme has appointed reputable asset managers with good track records in terms of performance.

Should the South African bond and equities markets change by 2%, assuming all other variables remain constant, and the recent past is predictive of the future, the impact on return on investment and the resulting impact on the net surplus of the Scheme would be as follows:

	2023 R	2022 R
Equities	3,471,142	2,559,576

Credit risk

The Scheme has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and members.

The Scheme's credit risk is primarily attributable to insurance contract assets and other receivables. The amounts presented in the statement of financial position are net of unpaid accounts, estimated by the Scheme's management based on prior experience and the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit rating agencies.

14 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

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

	Up to 1 month R	1 - 3 months R	3 - 12 months R	Total R
As at 31 December 2023				
Assets				
Financial assets at fair value through profit or loss	258,262,447	334,082,615	-	592,345,062
Financial assets at amortised cost	79,094	-	-	79,094
Cash and cash equivalents	270,502,060	-	-	270,502,060
Insurance contract assets	4,519,612	319,779	819,273	5,658,664
	533,363,214	334,402,394	819,273	868,584,881
Liabilities				
Insurance contract liabilities	43,182,414	10,147,292	166,423,979	219,753,685
Trade and other payables	1,028,238	-	-	1,028,238
	44,210,652	10,147,292	166,423,979	220,781,923
Net positive/(negative) liquidity*	489,152,562	324,255,102	(165,604,706)	647,802,958
As at 31 December 2022				
Assets				
Financial assets at fair value through profit or loss	238,905,465	306,395,888	-	545,301,353
Financial assets at amortised cost	44,183	-	-	44,183
Cash and cash equivalents	243,320,076	-	-	243,320,076
Insurance contract assets	4,652,903	1,495,510	40,125	6,188,538
	486,922,627	307,891,398	40,125	794,854,150
Liabilities				
Insurance contract liabilities	35,324,339	12,386,379	151,770,384	199,481,102
Trade and other payables	1,026,672	-	-	1,026,672
	36,351,011	12,386,379	151,770,384	200,507,774
Net positive/(negative) liquidity*	450,571,616	295,505,019	(151,730,259)	594,346,376

* Money market related funds disclosed as Financial assets at fair value through profit or loss are easily convertible into cash and cash equivalents to ensure the Scheme has sufficient liquidity to meet its obligations.

14 FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation and hierarchy

The fair value of publicly traded financial instruments held at fair value through profit or loss and held through insurance policies, is based on quoted bid prices in an active market at the statement of financial position date.

For all financial assets and liabilities held at year end, the carrying values approximate their fair values.

Fair value by hierarchy level:

	2023 R	2022 R
Level 1 *		
Investments held at fair value through profit or loss	592,345,062	545,301,354

* Level 1 - Financial assets whose fair value is determined directly by reference to published price quotations in an active market.

Capital adequacy risk

This represents the risk that there are insufficient reserves to provide for adverse variations on actual and future experience. The Scheme manages its funds to ensure that it will be able to continue as a going concern as well as meet the solvency ratio of 25%, as regulated by the Medical Schemes Act 131 of 1998, as amended.

The Scheme had R647,8 million (2022: R594,3 million) of Liability for future members at 31 December 2023, which translated to a solvency ratio of 49.2% (2022: 49.5%).

The solvency ratio decreased from 49.5% to 49.2% and the Liability for future members increased in the current year. The financial results will be monitored closely to ensure the sustainability of the Scheme. These interventions include a number of designated service providers, managed care initiatives and continuous monitoring of the investment portfolios.

*Refer to note 1

15 CONTINGENT ASSETS

The Scheme has approximately R22.0 million (2022: R29.1 million) in recoveries outstanding from the Road Accident Fund (RAF) for claims paid on behalf of members. The general likelihood of recovery of these amounts is uncertain, and the Trustees have elected not to recognise a debtor on the statement of financial position as any future recoveries are contingent on a multitude of factors. The Trustees consider, based on past experience and the current financial stability of the RAF, that the debtor, were it to be recognised would be impaired by R22.0 million (2022: R29.1 million).

16 FIDELITY COVER AND PROFESSIONAL INDEMNITY INSURANCE

The Scheme participated in fidelity insurance and professional indemnity cover provided by Ace Insurance Limited on behalf of AON South Africa (Pty) Ltd, amounting to R30 million (2022: R30 million).

17 NON-COMPLIANCE MATTERS

The Trustees are of the opinion that there are no material deviations from the Medical Schemes Act 131 of 1998 as amended.

17.1 Outstanding contributions

Nature and impact

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

Causes for failure

Balances after 3 days are due to defaults by direct paying members. Direct paying members are limited to pensioners or disability members no longer employed by Netcare Ltd or its subsidiaries. The risk of default on payments due to the Scheme is small because of the restricted nature of the Scheme and employer base.

Corrective action

Suspension policies are in place and applied where contributions are outstanding beyond the Scheme's available credit terms.

17.2 Payment of claims within 30 days

Nature and impact

In terms of Section 59(2) of the Act a member or provider claim should be settled within 30 days of submission. Instances were noted where settlements took more than 30 days.

Causes for failure

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

Corrective action

The Scheme is aware of the requirements and complies as far as possible.

17.3 Investment in administrators

Nature and impact

In terms of Section 35(8)(c) of the Act a medical scheme shall not invest any of its assets in any administrator. During the year under review the Scheme had indirect investments in Administrators of Medical Schemes.

Causes for failure

The Scheme invests in pooled investment vehicles that allow investment managers 100% discretion to invest in a combination of shares and bonds that best achieve the stipulated benchmark.

Corrective action

The Scheme made an application to the Council for Medical Schemes for an exemption from this section of the Act. An exemption has been granted by the Council for Medical Schemes until 30 November 2025.

17 NON-COMPLIANCE MATTERS (continued)

Council for Medical Schemes: Annual Financial Statements and Annual Return Submission:

In accordance with the provisions of the Act, the Scheme is required to furnish the Registrar of Medical Schemes with an Annual Statutory Return comprising information from the financial statements and additional historical financial information extracted from the underlying accounting records within four months of the Scheme's financial year end. The Council for Medical Schemes issued a Circular 21 of 2024 on 30 April 2024 advising on submission deadline being delayed. At the date of this report, the Scheme was in the process of completing its submission and is confident that it would be able to submit all required documentation to the Council for Medical Schemes on the required date.

18 CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2023.

19 SUBSEQUENT EVENTS

There were no events after the reporting date that had a material impact on the Scheme.