ENGEN MEDICAL BENEFIT FUND

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 December 2023

ENGEN MEDICAL BENEFIT FUND
(Registration number 1572)

Contents

ENGEN MEDICAL BENEFIT FUND
(Registration number 1572)

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees of Engen Medical Benefit Fund (the Fund) are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2023, and the statement of comprehensive income and statement of cash flows for the year then ended and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with IFRS® Accounting Standards (IFRS) and in the manner required by the Medical Schemes Act 131 of 1998 of South Africa (the Act). In addition, the Trustees are responsible for preparing the report of the Board of Trustees and statement of corporate governance by the Board of trustees.

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

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

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

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

The going concern basis has been adopted in preparing the annual financial statements. The Trustees have no reason to believe that the Fund will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the Fund.

The Fund's external auditor, Harris Dowden & Fontaine, are responsible for auditing the annual financial statements in terms of International Standards on Auditing and their report is presented on pages 10 to 15.

The annual financial statements were approved by the Board of Trustees on 17 April 2024 and signed on its behalf:

S Moroka-Mosia	N Rabochene	L Shaw
Chairperson	Trustee	Acting Principal Officer

17 April 2024

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

The Engen Medical Benefit Fund is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Fund follows principles of corporate governance appropriate to medical schemes. The Trustees are proposed and elected by the members of the Fund or nominated by the Employers.

BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the Administrator and other service providers. They address a range of key issues and ensure that discussion of items of policy, strategy and performance are critical, informed and constructive.

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

INTERNAL CONTROL

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

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

………………………	…………………………..	……………………………
S Moroka-Mosia	N Rabochene	L Shaw
Chairperson	Trustee	Acting Principal Officer

17 April 2024

ENGEN MEDICAL BENEFIT FUND
(Registration number 1572)

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

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

Registration Number: 1572

1. MANAGEMENT

1.1 Board of Trustees in office during the year under review

Appointed members		
Mr J Gumede	Employer representative	(Appointed: 18 April 2023)
Ms S Moroka-Mosia - Chairperson	Employer representative	
Ms D Mokotjo	Employer representative	(Resigned: 29 August 2023)
Ms N Ngema	Employer representative	(Resigned: 28 February 2023)
Ms L Shaw *	Employer representative	
Mr O Villo	Employer representative	
Ms E Waterson	Employer representative	(Appointed: 1 December 2023)
Elected members		
Mr S Abrahams	Member representative	(Appointed: 27 June 2023)
Ms A Bennetts	Member representative	
Mr D Cassidy	Member representative	(Resigned: 1 June 2023)
Ms G King	Member representative	(Resigned: 31 March 2023)
Ms N Rabochene	Member representative	
Mr M Tshabalala	Member representative	
Ms A Nkomo	Member representative	(Appointed full trustee: 27 June 2023)
Alternate trustee		
Ms B Ndlovu	Alternate employer trustee	

The Board of Trustees is assisted by:
Dr A Davidson — Medical Advisor

* Ms L Shaw was appointed as acting Principal Officer effective 1 April 2024.

1.2 Principal Officer

Mr R Marchant (Resigned: 29 March 2024)

Engen Court	P O Box 35
Thibault Square	Cape Town
Cape Town	8000
8001	

1.3 Registered office address and postal address

Business address	**Postal address**
Engen Court	P O Box 35
Thibault Square	Cape Town
Cape Town	8000
8001	
Country of registration and domicile:	South Africa

1.4 Fund Administrator

Discovery Health (Pty) Ltd

1 Discovery Place	P O Box 2379
cnr Rivonia and Catherine Street	Rivonia
Sandton	2128
2196	

1.5 Managed care provider

Discovery Health (Pty) Ltd	
1 Discovery Place	P O Box 2379
cnr Rivonia and Catherine Street	Rivonia
Sandton	2128
2196	

1.6 Investment Managers

Prescient Investment Management (Pty) Ltd	
Prescient House	P O Box 31142
The Terraces	Tokai
Steenberg Boulevard	7966
Steenberg Office Park	
7966	

M&G Investments	
Seventh Floor	
Protea Place	P O Box 44813
40 Dreyer Street	Claremont
Claremont	7735
7708	

Sanlam Investment Managers	
55 Willie van Schoor Avenue	Private Bag X8
Bellville	Tygervalley
7530	7536

1.7 Investment Consultants

Momentum Consultants and Actuaries	
269 West Avenue	P O Box 7400
Centurion	Centurion
0157	0046

1.8 Actuary

Alexander Forbes Health (Pty) Ltd	
40 Dorp Street	PO Box 700
Stellenbosch	Stellenbosch
7599	7600

1.9 Auditor

Harris Dowden & Fontaine	
7 Pam Road	P O Box 651129
Morningside	Benmore
Benmore	2010
2057	

2. DESCRIPTION OF FUND

2.1 Terms of registration

The Engen Medical Benefit Fund is a not-for-profit medical scheme registered in terms of the Medical Schemes Act 131 of 1998 of South Africa (the Act), as amended. Membership of the Fund is open to all employees of Engen Petroleum (Pty) Ltd and any other institution to whose employees membership has been extended by the Board of Trustees.

2.2 Benefit options within Engen Medical Benefit Fund

In terms of the Engen Medical Benefit Fund's rules, it offers only one plan with a savings option.

2.3 Medical Savings Account

Ten percent (10%) of total contributions are allocated to members' Medical Savings Accounts to cover their day-to-day medical expenses. Unexpended Medical Savings funds are accumulated for the long-term benefit of the members and interest accrued at an average rate of 8.90% (2022: 5.90%).

The Fund's liability to the members in respect of the Medical Savings Account is reflected as a financial liability in the annual financial statements, repayable in terms of Regulation 10 of the Act.

In terms of the rules of the Fund, the Fund carries the risk.

2.4 Risk transfer arrangements

The Fund has entered into a capitation agreement with ER24 (Pty) Ltd. In terms of this agreement ER24, provides emergency evacuation services from accident scenes or when urgent medical care is needed for all members of the Fund. The Fund also entered into a risk transfer arrangement with Discovery Health (Pty) Ltd for the provision of services to beneficiaries on the Fund that are registered under the diabetes program.

3. INVESTMENT STRATEGY OF THE FUND

The Fund's investment objective is to maximise the return on its investments on a long-term basis at an acceptable risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees. An Investment Committee was established to assist the Board of Trustees in any matters related to investments. The Committee is mandated by the Board of Trustees and some of their duties are to ensure that:

- the Fund remains liquid;
- investments are placed at acceptable risk and at the best possible rate of return;
- investments made are in compliance with the regulations of the Medical Schemes Act; and
- a risk assessment is performed with feedback to the Board of Trustees with recommendations on the risks identified.

The Investment Committee presently comprises of:

Mr N Sithebe	Chairperson (Independent)
Mr S Abrahams	Trustee *
Mr D Cassidy	Trustee (Resigned: 01 June 2023)
Ms L Mncwabe	Independent
Ms L Shaw	Trustee
Mr A van Niekerk	Independent
Mr R Marchant	(Principal Officer) in ex-officio capacity

*Previously an independent member and appointed as trustee on 27 June 2023.

The committee met on four occasions during the year as follows:

- 9 February 2023;
- 1 June 2023;
- 8 September 2023; and
- 3 November 2023.

4. MANAGEMENT OF INSURANCE RISK

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

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

The Fund uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. The theory of probability is applied to pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims are greater than expected.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated with established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the annual financial statements and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Fund's cash flows.

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

5.1 Operational statistics

	2023	2022
Average number of members during the accounting period	3,028	3,132
Number of members at 31 December	3,004	3,109
Average number of beneficiaries during the accounting period	5,747	6,088
Number of beneficiaries at 31 December	5,672	5,991
Dependant ratio	0.89	0.93
Number of new members	258	129
Number of members leaving	363	223
Average age of beneficiaries for the accounting period	42.83	41.97
Proportion of lives over the age of 65	21.40%	20.15%
Average net contribution per member per month (R)	5,636	5,449
Average net contribution per beneficiary per month (R)	2,970	2,803
*Insurance service expenditure as a percentage of net contributions (%)	94.95%	98.23%
Non-healthcare expenses as a percentage of net contributions (%)	5.81%	5.87%
Non-healthcare expenses per beneficiary per month (R)	180	165
Average healthcare management expense per member per month (R)	122	115
Average healthcare management expense per beneficiary per month (R)	65	60
Managed care: management services as a percentage of gross contributions	1.89%	1.86%
Amount paid to administrators (R)	10,373,268	10,054,618
Accumulated funds per member at 31 December (R)	116,175	103,763
Return on investments	9.10%	4.60%
Reserves per beneficiary (R)	61,529	53,848

* For the purpose of these ratios the directly attributable administration expenses were excluded from the insurance service expense.

5.2 Results of operations

The results of the Fund are set out in the annual financial statements and the Trustees believe that no further clarification is required.

5.3 Solvency ratio	**2023**	**2022**
	R	**R**
The solvency ratio is calculated on the following basis:		
Insurance liability to future members as per statement of financial position	348,990,673	322,600,579
Less: Unrealised gains on investments **	(46,402,858)	(32,632,326)
Accumulated funds per Regulation 29	302,587,815	289,968,253
Gross contributions	237,187,018	227,532,169
Solvency ratio	**127.57%**	**127.44%**

**** Cumulative net gains on re-measurement to fair value are calculated as follows:**

Net cumulative gains opening balance at the beginning of the year	32,632,326	33,213,013
Movement in unrealised gains on re-measurement of financial instruments to fair value included in accumulated funds	13,770,532	(580,687)
Cumulative net gain on re-measurement to fair value of investments included in accumulated funds	46,402,858	33,213,014

5.4 Insurance contract liability

Movements in the insurance contract liability are set out in note 4 to the annual financial statements.

6. ACTUARIAL SERVICES

An actuarial valuation is not required for the purposes of the annual financial statements, however full use of the Fund's actuarial consultants, Alexander Forbes Health (Pty) Ltd, are made in contribution setting and benefit design.

7. EVENTS AFTER REPORTING DATE

There have been no events that have occurred subsequent to the end of the accounting period that affect the annual financial statements that the Trustees consider should be brought to the attention of the members of the Fund.

8. AUDIT COMMITTEE

An Audit Committee was established in accordance with the provisions of the Medical Schemes Act No. 131 of 1998, as amended. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of seven members of which two are members of the Board of Trustees. The majority of the members are not officers of the Fund or its third party administrator. The Committee met on two occasions during the year as follows:

- 24 March 2023; and
- 09 November 2023.

The Chairperson of the Fund, the financial manager and the external auditors attend all Audit Committee meetings and have unrestricted access to the Chairperson of the Committee.

In accordance with the provisions of the Act, the primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the Fund's accounting policies, internal control systems and financial reporting practices. The external auditor formally reports to the Committee on findings arising from its audit activities.

8. AUDIT COMMITTEE (continued)

At 31 December 2023, the Audit Committee comprised of:

Ms S Koen	Independent	(Chairperson)
Mr S Abrahams	Independent	
Ms L Prins	Independent	
Ms F Ngcwabe	Independent	
Mr N Sithebe	Independent	
Ms N Ngema	Trustee	
Ms N Rabochene	Trustee	
Mr R Marchant	Principal Officer (ex Officio)	

9. PROFESSIONAL INDEMNITY/FIDELITY/TRUSTEES AND OFFICERS INSURANCE

In accordance with the Rules, the Fund has insurance to cover these risks. On 31 December 2023, the total cover was R10 million (2022: R10 million).

10. BOARD OF TRUSTEES AND COMMITTEE MEETING ATTENDANCE

The following schedule sets out the Board of Trustees, Audit and Investment Committee meetings attendances:

Trustee / Sub Committee member	Board meetings		Audit Committee meetings		Investment Committee meetings	
	A	**B**	**A**	**B**	**A**	**B**
Mr S Abrahams *	4	4	2	2	4	4
Ms A Bennetts	4	3				
Mr D Cassidy *	1	1			1	1
Mr J Gumede *	4	4	1	-		
Ms G King *	-	-				
Ms S Koen			2	2		
Ms L Mncwabe					4	4
Ms D Mokotjo *	2	2				
Ms S Moroka-Mosia - Chairperson	4	4	2	2		
Ms B Ndlovu (alternate)	3	3				
Ms F Ngcwabe			2	2		
Ms N Ngema *	-	-	2	-		
Ms A Nkomo (alternate) *	4	3				
Ms L Prins *			1	-		
Ms N Rabochene	4	3	2	2		
Ms L Shaw	4	4			4	2
Mr N Sithebe			2	2	4	4
Mr M Tshabalala	4	3				
Mr A van Niekerk					4	3
Mr O Villo	4	4				
Ms E Waterson *	-	-				
Mr R Marchant (Principal Officer)*	4	4	2	2	4	4

A - Total possible number of meetings could have attended
B - Actual number of meetings attended
* Appointed/resigned during the year

11. GOING CONCERN

The Trustees believe the Fund will be a going concern in the foreseeable future due to, but not limited to the following reasons:

- The reserve ratio at the end of the year was 127.57%;
- Available cash and investments at the end of the year amounted to R387,658,318;
- The actuarial forecast for the next 5 years indicates that the Fund will be a going concern.

12. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT

12.1 Contravention of section 35(8)(c) of the Medical Schemes Act

Nature and impact

The Fund holds indirect investments in Discovery Holdings Ltd. This is in contravention of section 35(8)(c) of the Act, as the Fund is not allowed to hold shares in the holding company of the Administrator or any other Administrator.

Causes for the failure

The Fund invested in a pooled fund and does not have control of the investment decisions relating to the underlying assets.

Corrective action

The Fund applies annually for exemption from the Council for Medical Schemes in terms of section 35(8) in order to hold these shares. Exemption was granted until 30 November 2025.

12.2 Contravention of section 26(7) of the Medical Schemes Act

Nature and impact

Section 26(7) of the Act requires that “All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due”. A limited number of exceptions were noted during the year where contributions were received late.

Cause of failure

Membership changes may cause reconciliation items between the employer and the Fund records. These are typically resolved within one month.

Corrective action

The Fund continually strives to have all membership changes updated before the following contribution run. Due to the nature of membership movement, and the communication process between the employer and pension administrators, on the one hand, and the Administrator on the other, this is not always possible.

12.3 Claims not settled within 30 days

Nature and impact

In terms of Section 59(2) and Regulation 6(2) of the Act a medical scheme shall pay a member or supplier of services any benefit owing to that member or supplier within 30 days of receipt of the medical claim. A limited number of exceptions were noted where settlement took longer than 30 days from receipt.

Causes for the failure

A few complex cases also took more than 30 days to be resolved in order to process the claims payment.

Corrective Action

Management is committed to resolve these matters in a responsible manner and in the best interest of the member and the Fund.

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HARRIS DOWDEN & FONTAINE CHARTERED ACCOUNTANTS (SA)
IRBA Registration No: 943703

7 Pam Road, Morningside, 2196
P.O. Box 651129, Benmore, 2010
Telephone: (011) 884-7373 Fax: (011) 784-6992
E-Mail hdf@icon.co.za

B.J. Dowden, C.L.I. Fontaine

Independent Auditor's Report

To the Members of Engen Medical Benefit Fund

Report on the audit of the Financial Statements
For the year ended 31 December 2023

Opinion

We have audited the financial statements of Engen Medical Benefit Fund (the Fund), set out on pages 16 to 58, which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, 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 Engen Medical Benefit Fund 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 (ISA's). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Fund 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 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 for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. *Insurance contract liabilities:*

   International Financial Reporting Standards (IFRS) requires the Fund to make provision for all future cash outflows for which a past event has occurred.

   The determination of the Liability for Incurred Claims (LIC) (formerly IBNR) including the Risk Adjustment for non financial risk amounted at year end to R8,632,734 (2022: restated R4,863,000). These amounts are included in Total Insurance Contract Liabilities in the Statement of Financial Position at year end.

   As disclosed in Note 4 to the annual financial statements, the carrying amount of the Total Insurance Contract Liabilities at year end was R386,310,710 (2022: restated R356,992,420).

   The determination of the LIC liability requires the Fund's Trustees to make assumptions and significant judgements in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date.

   How the matter was addressed in the audit:

   In evaluating the valuation of the LIC, we audited the calculations approved by the Board of Trustees and performed various procedures including the following:

   - Testing the Fund's controls relating to the preparation of the LIC calculation;
   - Testing the integrity of the information used in the calculation of the LIC by performing substantive procedures, on a sample basis, on the completeness and accuracy of the claims data used in calculating the LIC;
   - Performance of an independent estimate of the LIC using substantive analytical procedures that involved historical claims data and trends and comparing the estimate to the Fund's LIC;
   - Performance of tests of details on the current year's LIC including testing actual claims experienced subsequent to year end and to as close as possible to audit completion date; and
   - Performance of a retrospective review of the restated LIC raised in the restated 2022 financial year based on actual claims paid in 2023 to verify the assumptions applied to determine the LIC are reasonable.

   The assumptions applied in the LIC are appropriate and we are satisfied that the movement of the insurance contract liabilities in the Statement of Financial Position and assumptions are appropriate.

   We engage with management around the rationale for any adjustments or decisions over and above the numeric calculation.

2. *Insurance revenue and insurance service expenses (contributions and claims):*

   Insurance revenue and insurance service expenses are significant classes of transactions in the annual financial statements of the Fund. These are also subject to significant risk of fraud or material misstatement. The Fund places significant reliance on the system of internal controls and various analytical and system based checks to ensure that all claims and contributions are valid and accurate. How the matter was addressed in the audit:

   During the audit insurance revenue and insurance service expense systems are subjected to various tests of controls and exception reports are reviewed.

3. *Risk Transfer Arrangement:*

   The Fund entered into two risk transfer arrangements for the duration of the year, which obliged the Capitator to compensate providers for costs incurred by members of the Fund, in the case that an insured event occurred.

   How the matter was addressed in the audit:

   We tested the accuracy of the risk transfer arrangement fees expense, by agreeing the number of members and rates applied in the calculations, to member records and the service level agreement with the Capitators. No inconsistencies were noted.

Other Information

The Fund's trustees are responsible for the other information. The other information comprises the Statement of Responsibility by the Board of Trustees, and the Report of the Board of Trustees. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Fund's Trustees for the Financial Statements

The Fund'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 Fund'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 Fund's trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to the going concern and using the going concern basis of accounting, unless the Fund's trustees either intend to liquidate the Fund 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 audit 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 ISA's 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 ISA's, 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 Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund's trustees.

- Conclude on the appropriateness of the Fund's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit 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 Fund 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 Fund'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 Fund'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 Fund's trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

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

Audit Tenure

As required by the Council for Medical Schemes Circular 38 of 2018, Audit Tenure, we report that our firm has been the auditor of Engen Medical Benefit Fund for 2 years.

The engagement partner, Charles Fontaine, has been responsible for Engen Medical Benefit Fund's audit for 2 years.

Harris Dowden & Fontaine

HARRIS DOWDEN & FONTAINE
Registered Auditors
Per: C.L.I. FONTAINE

Sandton
17 April 2024

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Notes	2023 R	Restated * 2022 R	Restated * 1 January 2022 R
ASSETS				
Financial assets at fair value through profit or loss	1	347,270,342	326,312,334	309,048,404
Financial assets at amortised cost	2	782,187	675,470	414,309
Cash and cash equivalents	3	40,387,975	31,988,899	41,268,893
TOTAL ASSETS		**388,440,504**	**358,976,703**	**350,731,606**
LIABILITIES				
Total insurance contract liability		386,310,709	356,992,420	348,964,051
Insurance liability for future members		348,990,673	322,600,579	316,419,519
Insurance contract liabilities	4	37,320,036	34,391,841	32,544,532
Trade and other payables	5	2,129,795	1,984,283	1,767,555
TOTAL LIABILITIES		**388,440,504**	**358,976,703**	**350,731,606**

* The new accounting standard IFRS 17 Insurance contracts was implemented retrospectively effective 1 January 2023. Refer the accounting policy note.

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

STATEMENT OF COMPREHENSIVE INCOME
as at 31 December 2023

	Notes	2023 R	Restated * 2022 R
Insurance revenue	6	213,476,264	204,803,653
Insurance service expense	6	(239,255,052)	(217,332,811)
Net income from risk transfer arrangements	6	224,181	333,900
Fees paid		(2,431,135)	(2,005,693)
Recoveries on risk transfer arrangements		2,655,316	2,339,593
Insurance service result		**(25,554,607)**	**(12,195,258)**
Interest from financial assets not measured at fair value through profit and loss	7	508,455	365,199
Investment income from investments at fair value through profit and loss	7	31,449,350	17,282,077
Net investment income		**31,957,805**	**17,647,276**
Finance expenses on Medical Savings Account monies		(1,955,284)	(1,334,170)
Net insurance finance expenses		**(1,955,284)**	**(1,334,170)**
Net healthcare result		**4,447,914**	**4,117,848**
Asset management fees		(1,671,370)	(1,435,668)
Other operating expenses	9	(2,776,544)	(2,682,180)
Net surplus for the year		-	-
Total comprehensive income for the year		-	-
In terms of IFRS17 and Mutual Entity disclosures, all surpluses or deficits are allocated to Insurance service expenses. The amounts allocated were as follows:		**26,390,094**	**6,181,060**

* The new accounting standard IFRS 17 Insurance contracts was implemented retrospectively effective 1 January 2023. Refer the accounting policy note.

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

STATEMENT OF CASH FLOWS
as at 31 December 2023

	Notes	2023 R	2022 R
Cash flows from operating activities			
Cash receipts from members and providers		240,149,567	227,960,220
Cash receipts from members – contributions		238,661,749	227,830,643
Cash receipts from members and providers – other		1,487,818	129,577
Cash paid to providers and members		(240,833,703)	(236,158,752)
Cash paid to providers and members – claims		(223,998,781)	(222,576,393)
Cash paid to service providers – non-healthcare expenditure		(14,656,922)	(12,238,949)
Cash paid to members – savings account refunds		(2,178,000)	(1,343,410)
Cash used in operations		**(684,136)**	**(8,198,532)**
Interest received		2,654,212	1,918,538
Net cash flow from operating activities		**1,970,076**	**(6,279,994)**
Cash flows from investing activities			
Acquisitions of investments		(153,300,000)	(174,000,000)
Proceeds on disposals of investments		159,729,000	171,000,000
Net cash flows from investing activities		**6,429,000**	**(3,000,000)**
Net increase/(decrease) in cash and cash equivalents		**8,399,076**	**(9,279,994)**
Cash and cash equivalents at the beginning of the year		31,988,899	41,268,893
Cash and cash equivalents at the end of the year	3	**40,387,975**	**31,988,899**
Current accounts	3	13,263,560	6,478,945
Medical savings account funds	3	27,124,415	25,509,954

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
as at 31 December 2023

GENERAL INFORMATION

The principal accounting policies applied in the preparation of the financial statements are set out below and are in accordance with IFRS® Accounting Standards (IFRS). These policies were consistently applied to the previous year, unless otherwise stated.

The Fund 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 Fund’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 current estimates.

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
as at 31 December 2023

IMPLEMENTATION OF NEW STANDARDS

New standards, amendments and interpretations effective and relevant to the Fund:

The following new standard has been published and are effective for the current financial year.

Standard	Scope	Effective date
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 Fund 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 Fund.	1 January 2024
Amendments to IAS 1- Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	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 Fund 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.

Implementation of IFRS 17 Insurance Contracts (continued)

Introduction (continued)

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 Fund fall within the scope of IFRS 17. These contracts are entirely aligned with those recognised under the previous standard IFRS 4.

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 Fund 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 Fund 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 Fund, 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 fund 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.

Implementation of IFRS 17 Insurance Contracts (continued)

Impact of transition to IFRS 17

The Fund 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 members form part of the fulfilment cash flows regardless of whether those payments are expected to be made to current or future members. 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 Fund does not have any contracts with specified embedded derivatives.

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)	317,457,938
IFRS 17 adjustment	
Adjustment as a result of the risk adjustment for non-financial risk	(293,119)
Adjustment of Liability for Incurred Claims	(745,300)
Liability for future members as at 31 December 2021 (restated)	316,419,519
Net surplus reported in 2022	8,941,362
IFRS 17 adjustment	
Adjustment as a result of the risk adjustment for non-financial risk	(468,600)
Adjustment of Liability for Incurred Claims	(2,291,700)
Liability for future members as at 31 December 2022 (restated)	322,600,581

INSURANCE CONTRACTS SCOPE AND GROUPING

Definition and classification

Insurance contracts are contracts under which the Fund accepts significant insurance risk from another party (the member) 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 Fund 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 Fund'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.

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 Fund presently has no contracts requiring further separation or a combination of insurance contracts. The Fund does not have contracts with specified embedded derivatives.

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 Fund has elected to apply the Premium Allocation Approach. The Fund 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 Fund 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 Fund 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 Fund has a substantive obligation to provide the member with insurance coverage or other services. A substantive obligation ends when both of the following criteria are satisfied:

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

In assessing the practical ability to reprice, risks transferred from the member to the Fund are considered; other risks, such as lapse or surrender and expense risk, are not included. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria. The Fund has assessed 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 Fund estimates which cash flows are expected and the probability that they will occur as at the measurement date. When estimating, the Fund 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 Fund 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 Fund'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 Fund offers insurance cover against the cost of a health event. One benefit option is offered by the Fund.

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)

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

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

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

Recognition and derecognition

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

An insurance contract is derecognised when it is:
- extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- if the terms are modified due to an agreement between the Fund and its member or by regulation and the modification terms meet the requirement in IFRS 17.

If the modification does not comply with all the requirements of IFRS 17, the Fund 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 Fund 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 Fund 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 Fund 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 Fund 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)
- Amounts attributable to future members

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 Fund 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 Fund when it incurs the cost and are not amortised over the contracts coverage period.

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Insurance Service Expenses (continued)

Accredited administration services

Expenses for accredited administration services are paid to the Fund 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 Fund’s operating expenses and other administration services fees paid to the Fund administrator.

Insurance interest income and expenses

The non-distinct investment component (MSA) 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 Fund and third parties who undertake to indemnify the Fund against all or part of the loss that the Fund 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 Fund'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 Fund 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 and remaining contracts, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Fund 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.

RISK TRANSFER REINSURANCE

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

Initial and subsequent measurement

The coverage period of each reinsurance contract in the Fund's group of reinsurance contracts, is one year or less. Therefore the Fund 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 Fund 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 Fund is compelled to pay amounts to the reinsurer or in which the Fund has a substantive right to receive services from the reinsurer.

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

RISK TRANSFER REINSURANCE

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 Fund 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 Fund recognises a financial instrument when, and only when, it becomes a party to the contractual provisions of the instrument. The Fund 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 Fund 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 Fund 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 Fund derecognises a financial asset or part of a financial asset when:
- The contractual right to the cash flows from the asset expires.
- The Fund 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 Fund transfers the asset, while transferring substantially all the risks and rewards of ownership.
- The Fund neither transfers the financial asset nor retains significant risk and reward of ownership, but has transferred control of the financial asset.

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

INSURANCE CONTRACT LIABILITY

Insurance contract liabilities is made up of the following two components:
- Liability attributable to current members; and
- Liability attributable to future members.

FINANCIAL ASSETS

IFRS 12 Unconsolidated investment structures

The Fund has determined that its investments in pooled funds and collective investment schemes (“funds”) are investments in unconsolidated structured entities. The Fund 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 Fund is not permitted to borrow, in terms of Section 35 (6)(c) of the Act. The Fund therefore has no long-term financial liabilities.

PROVISIONS

The Fund 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 Fund 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 Fund.
- 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.

1. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting policy

The Fund’s investment strategy (“business model objective”) is determined by means of an allocation across different asset classes and grouping of Financial assets into specific portfolios. Independent asset managers manage these portfolios under fully discretionary, active mandates with performance evaluated at portfolio level on a fair value basis. All asset managers are remunerated based on the fair value of the portfolios 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 Fund's Financial assets at fair value through profit or loss are summarised as follows:

	2023	**2022**
	R	**R**
Opening balance	270,910,968	259,527,458
Withdrawals	(18,700,000)	(50,000,000)
Contribution	14,000,000	50,000,000
Capitalised interest	10,296,112	5,267,620
Capitalised dividends	805,043	841,050
Capitalised net realised gains	142,013	7,291,196
Cost incurred in managing investments	(2,611,167)	(1,435,669)
Unrealised gains/(losses)	13,770,530	(580,687)
Fair value at the end of the year (non-current assets))	288,613,499	270,910,968
Money market (current assets)	58,656,843	55,401,366
Fair value at the end of the year	**347,270,342**	**326,312,334**

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

The investments included above represent investments which are administered by Prescient Investment Management (Pty) Ltd, M & G Investment Managers and Sanlam Investment Managers. The fair values of these investments are based on market values at 31 December 2023. A register of investments is available for inspection at the registered office of the Fund.

	2023 R	2022 R
The look-through fair value investments comprise:		
- Bills & bonds	155,653,393	120,348,244
- Listed property	7,908,298	9,169,857
- Preference & ordinary shares	74,236,642	77,416,421
- Money market	58,656,843	55,401,366
- Cash and call account	50,815,166	63,976,446
Fair value at the end of the year	**347,270,342**	**326,312,335**

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 Fund intends to sell in the short term.

Receivables are initially recognised at fair value, plus transaction costs. The Fund 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.

Impairment of other receivables

The Fund 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
Accrued interest	747,659	517,215
Forensic recoveries	34,528	158,255
	782,187	**675,470**

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:
- Money market funds; and
- Balances with banks

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	**2022**
	R	**R**
Current accounts	13,263,560	6,478,945
Money market - medical savings account balances	27,124,415	25,509,954
	40,387,975	**31,988,899**

The weighted average effective interest rate earned on money market instruments for the year was 8.90% (2022: 5.90%).

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4. INSURANCE CONTRACT LIABILITY

2023		**Liability for incurred claims (LIC)**		
Insurance contracts issued	**Liability for remaining coverage (LRC)**	**Present value of future cash flows**	**Risk adjustment**	**Total**
Net opening balance	**(1,194,318)**	**34,824,440**	**761,719**	**34,391,841**
Insurance revenue	(213,476,264)	-	-	(213,476,264)
Insurance service expense	-	212,864,958	(428,985)	212,435,973
Incurred claims	-	198,471,661	-	198,471,661
Other directly attributable expenses	-	14,393,297	-	14,393,297
Changes to past service, i.e. changes in fulfilment cash flows relating to the LIC	-	-	(428,985)	(428,985)
Insurance service result	(213,476,264)	212,864,958	(428,985)	(1,040,291)
Finance expense from insurance contracts issued	-	1,955,284	-	1,955,284
Investment component - Medical Savings Accounts	-	-	-	-
Total movement	**-**	**1,955,284**	**332,734**	**1,955,284**
Cash flows				
Contributions received	214,761,586	-	-	214,761,586
Claims and other directly attributable expenses paid including insurance cash flows expensed	-	(212,748,383)	-	(212,748,383)
Total cash flows	**214,761,586**	**(212,748,383)**	**-**	**2,013,203**
Net closing balance	**91,004**	**36,896,298**	**332,734**	**37,320,036**
Balance at the beginning of the year				**322,600,579**
Amounts attributable to future members				**26,390,094**
Balance at the end of the year				**348,990,673**

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4. INSURANCE CONTRACT LIABILITY

2022	**Liability for remaining**	**Liability for incurred claims (LIC)**		
Insurance contracts issued	**Excluding loss component**	**Present value of future cash flows**	**Risk adjustment**	**Total**
Net opening balance	**(1,492,792)**	**33,744,205**	**293,119**	**32,544,532**
Insurance revenue	(204,803,653)	-	-	(204,803,653)
Insurance service expense	-	211,151,751	468,600	211,620,351
Incurred claims	-	197,207,033	-	197,207,033
Other directly attributable expenses	-	13,944,718	-	13,944,718
Changes to past service, i.e. changes in fulfilment cash flows relating to the LIC	-	-	468,600	468,600
Insurance service result	**(204,803,653)**	**211,151,751**	**468,600**	**6,816,698**
Finance expense from insurance contracts issued	-	1,334,170	-	1,334,170
Investment component - Medical Savings Accounts	-	-	-	-
Total movement	**-**	**1,334,170**	**761,719**	**1,334,170**
Cash flows				
Contributions received	205,102,127	-	-	205,102,127
Claims and other directly attributable expenses paid including insurance cash flows expensed	-	(211,405,686)	-	(211,405,686)
Total cash flows	**205,102,127**	**(211,405,686)**	**-**	**(6,303,559)**
Net closing balance	**(1,194,318)**	**34,824,440**	**761,719**	**34,391,841**
Balance at the beginning of the year				**316,419,519**
Amounts attributable to future members				**6,181,060**
Balance at the end of the year				**322,600,579**

4. INSURANCE CONTRACT LIABILITY (continued)

	2023	2022
Included in Insurance Contact Liability:	**R**	**R**

4.1 Medical Savings Accounts

	2023 R	2022 R
Balance of medical savings account trust liability at the beginning of the year	24,798,161	24,486,155
Add:		
Medical savings account contributions received	23,703,612	22,728,516
Interest and other income earned on trust monies invested	1,955,284	1,334,170
Less:		
Claims paid on behalf of members	(23,217,861)	(22,417,464)
Refunds on death or resignation	(2,226,998)	(1,333,216)
Balances due to members on medical savings accounts held in trust at the end of the year	**25,012,198**	**24,798,161**

	2023 R	2022 R
The Fund has the following ring-fenced investments to match the liability:		
Money market account	27,124,415	25,509,954
	27,124,415	**25,509,954**

4.2 INSURANCE LIABILITY FOR FUTURE MEMBERS

	2023 R	2022 R
Opening balance	322,600,579	316,419,519
Amounts attributable to future members (note 6)	26,390,094	6,181,060
Balance at the end of the year	**348,990,673**	**322,600,579**

5. REINSURANCE CONTRACT ASSETS

2023	**Remaining Coverage Component**	**Incurred claims for contracts under the PAA**		**Total**
Healthcare Risk – Reinsurance contracts held		**Present value of future cash flows**	**Risk adjustment**	
Net opening balance	-	-	-	-
Net income/(expenses) from reinsurance contracts held	**2,431,135**	**(2,655,316)**	-	**(224,181)**
Fees paid	2,431,135	-	-	2,431,135
Claims recovered	-	(2,655,316)	-	(2,655,316)
Total amounts recognised in comprehensive income	2,431,135	(2,655,316)	-	(224,181)
Cash flows				
Premiums paid	(2,431,135)	-	-	(2,431,135)
Recoveries from reinsurance	-	2,655,316	-	2,655,316
Total cash flows	**(2,431,135)**	**2,655,316**	-	**224,181**
Net closing balance	-	-	-	-
2022				
Net opening balance	-	-	-	-
Net income/(expenses) from reinsurance contracts held	**2,005,693**	**(2,339,593)**	-	**(333,900)**
Fees paid	2,005,693	-	-	2,005,693
Claims recovered	-	(2,339,593)	-	(2,339,593)
Total amounts recognised in comprehensive income	2,005,693	(2,339,593)	-	(333,900)
Cash flows				
Premiums paid	(2,005,693)	-	-	(2,005,693)
Recoveries from reinsurance	-	2,339,593	-	2,339,593
Total cash flows	**(2,005,693)**	**2,339,593**	-	**333,900**
Net closing balance	-	-	-	-

5. TRADE AND OTHER PAYABLES

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 Fund.

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		
Accrued expenses	2,034,390	1,792,051
Sundry payables and provisions	95,405	192,232
Total arising from financial liabilities	**2,129,795**	**1,984,283**

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.

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6. INSURANCE REVENUE AND SERVICE EXPENSES

	2023 R	2022 R
Insurance revenue	213,476,264	204,803,653
Insurance service expenses		
Incurred claims	(198,852,360)	(197,532,161)
Third party claim recoveries	380,699	325,128
Other directly attributable expenses	(14,393,297)	(13,944,718)
Accredited managed care services (no risk transfer)	(4,446,102)	(4,309,498)
Accredited administration services	(9,633,282)	(9,340,041)
Net impairment losses	(313,913)	(295,179)
Insurance contract liability to future members	(26,390,094)	(6,181,060)
Claims incurred and directly attributable expenses	(239,255,052)	(217,332,811)
Total insurance service expenses	(25,778,788)	(12,529,158)
Net income from reinsurance contracts held	224,181	333,900
Fees paid	(2,431,135)	(2,005,693)
Reinsurance income	2,655,316	2,339,593
Total insurance service result	**(25,554,607)**	**(12,195,258)**

Included in other directly attributable expenses above

Accredited managed healthcare services (no risk transfer)

	2023	2022
Disease risk management	1,388,674	1,378,860
Medicine risk management	433,983	431,175
Hospital management programme	1,301,948	1,292,773
Managed Care Network Services and Risk management	1,321,497	1,206,689
	4,446,102	**4,309,498**

Accredited administration services

	2023	2022
Member record management	993,081	996,586
Contribution management	872,542	842,660
Claims management	1,098,689	1,061,002
Financial management	35,688	34,455
Information management and data control	1,781,136	1,720,150
Customer services	4,852,147	4,685,188
	9,633,282	**9,340,041**

6. INSURANCE REVENUE AND SERVICE EXPENSES (continued)

Included in other directly attributable expenses above

Net impairment losses	**2023**	**2022**
	R	**R**
Members' and service providers' portions that are not recoverable		
Movement in provision	(174,179)	9,522
Written off	(139,734)	(304,701)
	(313,913)	**(295,179)**

7. INVESTMENT INCOME

Financial assets at amortised cost		
- Interest on cash and cash equivalents	508,455	365,199
Financial assets at fair value through profit and loss		
- Interest on fair value through profit or loss investments	16,731,762	9,730,518
- Dividends earned	805,043	841,050
- Realised gain on investments	142,013	7,291,196
- Unrealised gain/(loss) on investments	13,770,532	(580,687)
	31,957,805	**17,647,276**

9. ASSET MANAGEMENT FEES

Prescient Investment Management (Pty) Ltd	307,007	251,834
M&G Investments Limited	965,719	1,068,067
Sanlam Investment Management Limited	398,644	115,768
	1,671,370	**1,435,668**

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10. OTHER OPERATING EXPENDITURE

Accounting policy

Other operating expenses are expensed as incurred.

	2023 R	2022 R
Administration services	739,985	714,577
Other services		
Internal audit services	147,851	142,690
Forensic investigations and recoveries	183,904	177,895
Governance and compliance	29,497	28,463
Additional services		
Quality Management and Monitoring Services	138,747	134,077
Advanced Data Analytics	116,169	111,980
Digital Service Offering	42,607	41,197
Enhanced Service Offering	23,307	22,471
Enterprise risk management services	23,307	22,471
Legal Services	6,919	6,741
Product Innovation	27,677	26,592
AGM cost	-	64,532
Audit fees	417,701	392,208
Bank charges	67,263	69,058
Consulting fees	1,187,164	1,109,339
Council for Medical Schemes - levies	145,578	142,334
Debt collection fees	3,069	1,074
Health quality assessment	46,791	44,185
Legal fees	-	955
Membership fees	64,278	48,557
PI/Fidelity/Trustees and Officers insurance	41,936	41,058
Printing, postage, stationery and communication services	62,779	54,303
	2,776,544	**2,682,180**

11. PROFESSIONAL INDEMNITY/FIDELITY/TRUSTEES AND OFFICERS INSURANCE

In accordance with the rules, the Fund has insurance to cover these risks. On 31 December 2023, the total cover was R10 million (2022: R10 million).

12. EVENTS AFTER REPORTING DATE

There have been no events that have occurred subsequent to the end of the accounting period that affect the annual financial statements that the Trustees consider should be brought to the attention of the members of the Fund.

13. CONTINGENT ASSET

No contingent asset exists as at 31 December 2023 as the Fund sold the pending Road Accident Fund claims to Discovery Third Party Recovery Services (DTPRS).

14. RELATED PARTY TRANSACTIONS

Parties with significant influence over the Fund

Discovery Holdings (Pty) Ltd has significant influence over the Fund, as it provides administration, managed care and Diabetes management services to the Fund, but does not control the Fund.

DTPRS (Discovery Third Party Recovery Services (Pty) Limited) is a wholly owned subsidiary of Discovery Health (Pty) Limited. The purpose of DTPRS is to identify, acquire, manage and collect debt due to the Fund by the RAF and any other third party insurer.

Alexander Forbes Health (Pty) Ltd has significant influence over the Fund, as they provide financial and operational information on which policy decisions are based, but do not control the Fund. Alexander Forbes also provides consulting and actuarial services.

Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund. Key management personnel include the Board of Trustees, the Principal Officer and members of sub-committees.

Close family members include family members of the Board of Trustees, Principal Officer and members of the sub-committees.

14. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties

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

Key management personnel (Board of Trustees, medical advisor, Principal Officer and executive committee) and their close family members

	2023 R	2022 R
Statement of comprehensive income		
Contributions received	1,036,739	674,084
Claims incurred	676,981	518,112
Remuneration paid to Medical advisor - Dr Davidson	335,766	315,273
Statement of financial position		
Medical Savings Account trust monies	294,974	201,178

The Principal Officer, Trustees and committee members did not receive any remuneration from the Fund for the years ended 2023 and 2022.

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

Contributions received

This constitutes the contributions paid by the related party as a member of the Fund, in their individual capacity. All contributions were on the same terms as applicable to third parties.

Claims incurred

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

Transactions with entities that have significant influence over the Fund

Statement of comprehensive income		
Administration fees - Discovery Health (Pty) Ltd	10,373,268	10,054,618
Managed care fees - Discovery Health (Pty) Ltd	4,446,102	4,309,498
Diabetes Management Services - Discovery Health (Pty) Ltd	1,191,265	915,838
Consulting fees - Alexander Forbes Health (Pty) Ltd	475,548	448,638
Statement of financial position		
Administration fees - Discovery Health (Pty) Ltd	861,794	835,576
Managed care fees - Discovery Health (Pty) Ltd	371,611	358,135
Consulting fees - Alexander Forbes Health (Pty) Ltd	39,630	112,160

Terms and conditions of the administration agreement

The administration agreement is in terms of the rules of the Fund and in accordance with instructions given by the Board of Trustees. The duration of the agreement is indefinite but subject to the right of either party to terminate the agreement by giving not less than three months notice.

14. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of the managed care agreement (no transfer of risk)

The managed care agreement is in terms of the rules of the Fund and in accordance with instructions given by the Board of Trustees. The duration of the agreement is indefinite but subject to the right of either party to terminate the agreement by giving not less than three months notice.

Terms and conditions of the Diabetes Management Services Agreement

The Diabetes Management Services agreement is in terms of the rules of the Fund and in accordance with instructions given by the Board of Trustees. The duration of the agreement is four years and fees will be negotiated on an annual basis.

Terms and conditions of the consulting fees

The consulting fee is paid in accordance with the Service Level Agreement as per the requirements of the Trustees of the Fund.

15. GUARANTEES AND COMMITMENTS

The Fund does not have any guarantees or commitments.

16. INSURANCE RISK MANAGEMENT

NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS

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

Insurance risk - description of benefits

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

- In-hospital benefits cover all costs incurred by members, whilst they are in hospital to receive pre-authorised treatment for certain medical conditions, or costs of high cost care for certain out of hospital benefits;
- Chronic benefits cover the cost of certain prescribed medicines consumed by members for chronic conditions/diseases, such as high blood pressure, cholesterol and asthma;
- Day-to-day benefits cover the cost (up to 100% of the approved Fund rate) of out of hospital medical care (subject to certain sub-limits), such as visits to general practitioners and dentists, as well as prescribed non-chronic medicines.

Risk transfer arrangements

The Fund transfers a portion of the risks it underwrites to ER 24 and Discovery Health via capitation agreements, in order to control its exposures to losses and protect capital resources. These capitation agreements are, in-substance, the same as non-proportional reinsurance treaties. The Fund remains liable to its members with respect to these services, in the event that the capitation providers fail to meet its

Risk management objectives and policies for mitigating insurance risk

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

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for the transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling as well as the monitoring of emerging issues. The Board of Trustees has developed and approved a documented policy for the acceptance and management of insurance risk to which the Fund is exposed. Reference has also been made to the requirements of the Medical Schemes Act in compiling the insurance risk management policy. This policy is reviewed annually and the benefit option provided to members is structured to fall within the acceptable insurance risk levels specified. The Board of Trustees also determines the policy for entering into alternative risk transfer agreements. The annual business plan is structured around the insurance risk management policy.

16. INSURANCE RISK MANAGEMENT (continued)

Risk management objectives and policies for mitigating insurance risk (continued)

The Fund uses several methods to assess and monitor insurance risk exposure both for individual types of risks insured and overall risks. These methods include analysing detailed claims information with the assistance of the Fund's actuarial consultants. The Trustees also appointed a managed care provider to focus on specific areas where the Fund is exposed to insurance risk. These managed care programs include the following:

- Hospital Benefit Management Services
- Pharmaceutical Benefit Management Services
- Disease Risk Management Services
- Disease Risk Management Support Services
- Provider Network Management Services and Clinical Risk Management.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.
Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

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

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

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

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

All the contracts are annual in nature and the Fund has the right to change the terms and conditions of the contract at renewal. Management information, including contribution income and claims ratios, target market and demographic split, is reviewed monthly.
These methods include internal risk management models, sensitivity analyses, scenario analyses and stress testing.

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16. INSURANCE RISK MANAGEMENT (continued)

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

2023

Age grouping	General Practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
0 -25 insured	1,139,120	6,589,242	1,592,472	2,764,679	6,865,971	682,535	19,634,020
26 - 35 insured	497,676	3,173,889	461,911	1,276,200	3,366,095	578,556	9,354,327
36 - 50 insured	1,426,796	8,894,838	1,103,478	4,167,897	8,129,632	1,913,463	25,636,103
51 - 64 insured	1,439,191	16,905,830	1,518,695	7,485,192	16,102,685	2,064,337	45,515,931
>65 insured	2,267,915	34,891,833	1,631,120	16,368,189	34,776,566	5,144,176	95,079,800
Diabetes Management Services							1,191,265
ER24	-	-	-	-	-	-	1,239,870
Discount received	-	-	-	-	-	-	(132,797)
Third party claims recoveries	-	-	-	-	-	-	(247,902)
Movement in provision	-	-	-	-	-	-	700,000
Total	6,770,700	70,455,632	6,307,676	32,062,158	69,240,950	10,383,068	197,970,616

2022

Age grouping	General Practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
0 -25 insured	1,144,446	5,488,885	1,546,137	2,918,357	6,072,653	627,935	17,798,412
26 - 35 insured	558,642	3,620,224	444,929	1,415,386	4,109,958	719,779	10,868,916
36 - 50 insured	1,604,369	10,339,444	1,130,624	4,775,993	10,647,729	2,310,125	30,808,283
51 - 64 insured	1,435,308	16,276,667	1,503,512	8,534,028	14,155,252	2,623,480	44,528,249
>65 insured	2,166,513	31,723,412	1,470,382	15,001,308	36,101,518	4,316,000	90,779,132
Diabetes Management Services							915,838
ER24	-	-	-	-	-	-	1,089,855
Discount received							(170,441)
Third party claims recoveries	-	-	-	-	-	-	(154,686)
Movement in provision	-	-	-	-	-	-	600,000
Total	6,909,277	67,448,631	6,095,584	32,645,072	71,087,111	10,597,320	197,063,558

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

16. INSURANCE RISK MANAGEMENT (continued)

Insurance risk sensitivity analysis

The Fund is exposed to insurance risk as the Fund assumes the risk of loss from members and their dependents that are directly subject to the risk. These risks relate to the health of the Fund's members. As such the Fund is exposed to uncertainty surrounding the timing and severity of claims under the contract.

The insurance risk sensitivity analysis measures the effect that a change in one of the insurance variables will have on the fair value of the provision for outstanding claims as at the reporting date. The analysis is based on the assumption that a change in a specific variable occurs while all other variables remain constant.

The table below outlines the sensitivity of the insured liability estimates to particular movements in assumptions used in the estimation process.

It should be noted that this is a deterministic approach with no correlations between the key variables.

The impact of the sensitivity of the assumed percentages are set out below:

	Change in liability 2023 R	**Change in liability 2022 R**
Effect of a 1% change in assumptions	86,000	79,000
Effect of a 2% change in assumptions	172,000	158,000
Effect of a 3% change in assumptions	258,000	237,000

The change in the provision will be recognised against claims incurred in the statement of comprehensive income.

17. FINANCIAL RISK MANAGEMENT REPORT

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

For the year ended 31 December 2023	**Financial assets and liabilities at fair value through profit or loss**	**Loans, payables and receivables at amortised cost**	**Insurance receivables and payables**	**Total carrying amount**
	R	**R**	**R**	**R**
Fair value through profit or loss investments	347,270,342			347,270,342
Cash and cash equivalents	-	40,387,975	-	40,387,975
Financial assets at amortised cost	-	782,187	-	782,187
Insurance contract liability	-	-	(37,320,036)	(37,320,036)
Trade and other payables	-	(2,129,795)	-	(2,129,795)
	347,270,342	**39,040,367**	**(37,320,036)**	**348,990,674**
For the year ended 31 December 2022				
Fair value through profit or loss investments	326,312,334	-	-	326,312,334
Cash and cash equivalents	-	31,988,899	-	31,988,899
Insurance contract liability	-	-	(34,391,841)	(34,391,841)
Financial assets at amortised cost	-	675,470	-	675,470
Trade and other payables	-	(1,984,283)	-	(1,984,283)
	326,312,334	**30,680,086**	**(34,391,841)**	**322,600,579**

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Risk management

The Fund's activities expose it to a variety of financial risks, including the effects of changes in the equity market price, counter party and interest rates. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potentially adverse effects on the financial performance of the investments that the Fund holds to meet its obligation to its members.

Risk management and investment decisions are made under the guidance, and policies approved by, the Board of Trustees. The Board of Trustees approves all these written policies.

Liquidity risk

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

At year-end 39**%** (2022: 27%) of the Fund's assets were invested in cash products to ensure the Fund can meet its short-term liabilities. The table below illustrates the prudent liquidity position of the Fund:

	Up to 1 Month	**1 - 3 Months**	**4 - 12 Months**	**Total**
2023		**R**	**R**	**R**
Liabilities				
Insurance contract liability	(5,766,899)	(1,035,000)	(30,370,427)	(37,172,326)
Other payables	(2,129,795)	-	-	(2,129,795)
Assets				
Fair value through profit or loss: current assets	8,646,384	11,051,831	38,958,628	58,656,843
Cash and cash equivalents	40,387,975	-	-	40,387,975
Excess liquidity	**41,137,665**	**10,016,831**	**8,588,201**	**59,742,697**

	Up to 1 Month	**1 - 3 Months**	**4 - 12 Months**	**Total**
2022		**R**	**R**	**R**
Liabilities				
Insurance contract liability	(4,878,527)	(729,450)	(26,499,462)	(32,107,439)
Other payables	(1,984,283)	-	-	(1,984,283)
Assets				
Fair value through profit or loss: current assets	8,594,562	17,433,584	29,373,220	55,401,366
Cash and cash equivalents	31,988,899	-	-	31,988,899
Excess liquidity	**33,720,651**	**16,704,134**	**2,873,758**	**53,298,543**

As can be seen from the table above, the Fund has cash in excess of its short-term liabilities, indicating a positive liquidity position.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Credit risk

The Fund's principal financial assets are cash and cash equivalents, accounts receivable and fair value through profit or loss investments. The Fund's credit risk is primarily attributable to its accounts receivable. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made based on the expected credit loss model.

The credit loss model is applied to insurance receivables to the effect that all amounts receivable in the age category of ninety days and older are fully allowed for as doubtful receivables. Other receivables are considered in the expected credit loss model, but the current amount owing mainly relates to interest receivable from high credit quality financial institutions and therefore no allowance was made for other

The Fund manages credit risk by:
- Actively pursuing all contributions not received after 3 days of becoming due, as required by S26(7) of the Medical Schemes Act, 131 of 1998, as amended;
- Monthly reconciliations between the administrator and the employer to determine possible suspension of defaulting members; and
- Ageing and pursuing unpaid debt on a monthly basis.

The table below illustrates the quality of the Fund's accounts receivables.

31 December 2023	Fully performing	Past due	Impaired	Total carrying amount
Insurance receivables				
- Insurance revenue payable	-	-	-	-
- Amount owing from suppliers and members	110,276	40,467	503,901	654,644
Accrued interest	747,659	-	-	747,659
Total	**857,935**	**40,467**	**503,901**	**1,402,303**

31 December 2022	Fully performing	Past due	Impaired	Total carrying amount
Insurance receivables				
- Insurance revenue outstanding	1,171,717	22,601	-	1,194,318
- Amount owing from suppliers and members	88,983	231,018	329,722	649,723
Accrued interest	517,215	-	-	517,215
Total	**1,777,915**	**253,619**	**329,722**	**2,361,256**

The following age analysis applies to receivables past due, but not yet impaired:

31 December 2023	30 days	60 days	90 days	Total
Insurance revenue payable	-	-	-	-
Amount owing from suppliers and members	20,647	19,820	-	40,467
Total	**20,647**	**19,820**	**-**	**40,467**

31 December 2022	30 days	60 days	90 days	Total
Insurance revenue payable	2,684	11,905	8,012	22,601
Amount owing from suppliers and members	70,718	160,300	-	231,018
Total	**73,402**	**172,205**	**8,012**	**253,619**

The member debt have similar credit quality as Contribution debt as these debtors are members of the Fund. Provider debtors are the healthcare providers of the Fund. The amounts due to the Fund are offset against future payments to be made to these providers.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Credit risk (continued)

There has been no change to the credit risk in cash and cash equivalents, and cash transactions are limited to high credit quality financial institutions. The Fund has a policy of limiting the amount of credit exposure to any one financial institution with high credit ratings assigned by Fitch ratings agency.

Fitch National Long-Term Rating

Financial Institution	2023	2022	Credit Rating	
	R	R	2023	2022
First National Bank	13,263,560	6,478,945	Ba1	Ba1

The Fund's financial assets at fair value through profit and loss as well as the investment of member's savings balances are with reputable financial institutions and these investments are in Medical Scheme (Regulation 30) compliant products. The credit risk is deemed to be very low and no provision for impairment is required.

Market risk

The Fund is exposed to market risk, which is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices. Market price risk comprises three types of risks: currency risk, interest rate risk and equity price risk.

Currency risk

The benefits of the Fund are Rand-denominated and therefore the Fund does not have any significant net currency risk on its benefits.

Interest rate risk

The Fund holds 38.66% (2022: 42.25%) of its investments in interest-bearing instruments and 19.15% (2022: 21.61%) in equities. This exposes the Fund's investments to changes in market interest rates.

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

2023	Up to 1 Month	1 - 12 Months	Over 1 year	Total
Fair value through profit or loss investments	59,461,549	50,010,459	-	109,472,009
Cash and cash equivalents	13,263,560	-	-	13,263,560
Medical Savings Account trust monies	27,124,415	-	-	27,124,415
Total	**99,849,524**	**50,010,459**	**-**	**149,859,984**

2022	Up to 1 Month	1 - 12 Months	Over 1 year	Total
Fair value through profit or loss investments	72,571,008	46,806,804	-	119,377,812
Cash and cash equivalents	6,478,945	-	-	6,478,945
Medical Savings Account trust monies	25,509,954	-	-	25,509,954
Total	**104,559,907**	**46,806,804**	**-**	**151,366,711**

Equity price risk

The Fund is exposed to equity price risk as it invested funds in South African equities through its fair value through profit or loss investment portfolios. The Fund'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 for short-term fluctuations in the equity market. The Fund appointed reputable investment managers with good performance track records.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Market risk sensitivity analysis (continued)

Currency value sensitivity analysis

	Fair value	5% strengthening in ZAR	10% strengthening in ZAR	20% strengthening in ZAR
	R	R	R	R
2023				
Fair value through profit or loss investments	288,613,499	291,516,458	280,477,068	258,509,350

	Fair value	5% strengthening in ZAR	10% strengthening in ZAR	20% strengthening in ZAR
	R	R	R	R
2022				
Fair value through profit or loss investments	270,910,968	261,048,861	251,233,682	231,708,855

Interest rate sensitivity analysis

	Fair value	1% increase in interest rate	2.5% increase in interest rate	5% increase in interest rate
	R	R	R	R
2023				
Fair value through profit or loss investments	288,613,499	287,708,349	266,143,614	231,884,985

	Fair value	1% increase in interest rate	2.5% increase in interest rate	5% increase in interest rate
	R	R	R	R
2022				
Fair value through profit or loss investments	270,910,968	257,386,280	237,804,171	206,687,497

Equity price sensitivity analysis

	Fair value	5% decrease in equity market	10% decrease in equity market	20% decrease in equity market
	R	R	R	R
2023				
Fair value through profit or loss investments	288,613,499	294,667,593	286,744,303	270,939,731

	Fair value	5% decrease in equity market	10% decrease in equity market	20% decrease in equity market
	R	R	R	R
2022				
Fair value through profit or loss investments	270,910,968	263,747,763	256,597,596	242,334,507

ENGEN MEDICAL BENEFIT FUND
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17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Fair value estimation

The fair value investments is based on quoted market prices at the reporting date. The face value, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Fund for similar financial instruments.

Fair value sensitivity analysis

The market risk sensitivity analysis measures the effect that a change in one market risk variable, will have on the fair value of investments as at the reporting date. The analysis is based on the assumption that a change in a specific variable occurs while all other variables remain constant. The market risk variables include interest rates, currency values and equity prices. The tables above illustrate the resulting fair value change with various fluctuations in a specific variable.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Fund's financial instruments:

	Carrying amount at fair value	
	2023	**2022**
Financial assets	**R**	**R**
Financial assets at fair value through profit or loss	347,270,342	326,312,334
Cash and cash equivalents	13,263,560	6,478,945
Trade and other receivables	807,398	2,031,534
- Other receivables	747,659	517,215
- Insurance receivables	59,739	1,514,319
Financial liabilities		
Liability for incurred claims	6,900,000	4,863,000
Trade and other payables	5,574,078	4,430,561
- Insurance payables	3,444,283	2,446,278
- Other payables	2,129,795	1,984,283
- Medical Savings Account liability	25,002,757	24,798,163

Fair value of financial assets by hierarchy level

The fair value of investments is based on quoted market prices at the reporting date. The significance of the financial instrument determines the classification of the instrument in the fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and are normally obtainable from multiple sources.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- Reclassification: In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from level 1 to level 2 and from level 2 to level 3.

ENGEN MEDICAL BENEFIT FUND
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17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Fair values (continue)

The table below illustrates the fair values of financial assets by hierarchy level:

As at 31 December 2023	**Level 1** **R**	**Level 2** **R**	**Level 3** **R**	**Reclassification** **R**
Cash	50,815,166	-	-	-
Equities	74,236,642	-	-	-
Bonds	-	155,653,393	-	-
Listed property	7,908,298	-	-	-
Total	**132,960,106**	**155,653,393**	**-**	**-**

As at 31 December 2022	**Level 1** **R**	**Level 2** **R**	**Level 3** **R**	**Reclassification** **R**
Cash	63,976,446	-	-	-
Equities	77,416,421	-	-	-
Bonds	-	120,348,244	-	-
Listed property	9,169,857	-	-	-
Total	**150,562,724**	**120,348,244**	**-**	**-**

If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Trade and other receivables and payables were not carried at fair value in the statement of financial position but their carrying value approximates fair value due to their short-term nature.

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Derivatives

Derivative instruments are used by the investment managers for the purpose of reducing investment risk, enabling diversification of asset allocations and interest rate exposures without having to divest from the instruments in the portfolios.

Derivatives used can generally be classified as futures and options.

Futures
Futures are contracts giving the holder or issuer the obligation to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Futures are standardised exchange-traded contracts. Futures trading may also be illiquid. Certain futures exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, the Fund could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

Options
Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Fund enters into exchange-traded option contracts to meet the requirements of their risk management and trading activities.

Unconsolidated investment structures

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

The Fund has concluded that open-ended investment funds into which it invests, but does not consolidate, meet the definition of structured entities.

The voting rights in the respective funds are not dominant rights in deciding who controls them because they relate to administrative rights only, each fund's activities are restricted by its prospectus/investment mandate which are assess to have narrow well-defined objectives.

The Fund has investments in collective investment schemes as listed in the table below. The Fund's maximum exposure is limited to the total fair value of its investments in the funds.

	as at 31 December 2023			as at 31 December 2022		
Fund	**Investment**	**Portfolio Size**	**% of portfolio size**	**Investment**	**Portfolio Size**	**% of portfolio size**
Prescient Money Market Fund - B1	58,656,843	4,647,649,577	1.3%	55,401,366	3,295,134,189	1.7%
Prescient Positive Return Fund *	52,396,244	52,396,244	100.0%	66,388,335	66,388,335	100.0%
M&G Life Inflation Plus 5% Medical Aid Fund	171,969,890	1,335,094,676	12.9%	152,458,743	1,254,045,681	12.2%
SIM Absolute Return Medical Portfolio	64,247,366	772,133,930	8.3%	52,063,889	619,000,000	8.4%

* The Prescient Positive return fund is a segregated portfolio.

18. CAPITAL ADEQUACY

The Fund's objective is to manage its capital in such a way that the annual contribution increase to members is as low as possible, or at least in line with the participating employers' salary increases. The Fund therefore decided to use some of its investment income to fund any possible deficit that might occur as a result of operational losses.

The Fund monitors capital using a solvency ratio, which is accumulated funds divided by gross contributions (refer to note 5.3 in the Report of the Board of Trustees). The Medical Schemes Act requires the Fund to maintain a solvency ratio of 25%. The Fund includes members' funds, less the unrealised gains on financial assets through profit or loss, as a measure of capital. This measure of capital is consistent with the prior year, and there have been no changes in the Fund's objectives, policies and procedures for managing capital from 31 December 2022 to 31 December 2023.

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

The solvency ratio was 127.57% at 31 December 2023 and 129.11% at 31 December 2022. The accumulated funds ratio exceeds the prescribed accumulated funds ratio of 25%.

19. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

The Fund makes estimates and assumptions concerning the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The resulting accounting estimates will, by definition, rarely equal the related actual result. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

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

The sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, are detailed in the Insurance Risk Management note in the Financial Statements.

Estimates of future cash flows to fulfil insurance contracts.

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

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

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

Methods used to measure the insurance contracts.

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

19. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Methods used to measure the insurance contracts (continued)

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

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

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

The following was taken into account when estimating the Liability for incurred claims:
- The homogeneity of the data.
- Changes in pattern of claims.
- Changes in the composition of members and their beneficiaries.
- Changes in benefit limits.
- Changes in the prescribed minimum benefits.

20. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT

The Council for Medical Schemes stipulated, via Circular 11 of 2008, that all cases of non-compliance with the Act should be disclosed in the annual financial statements. The following stipulations were not complied with during the year:

20.1 Contravention of section 35(8)(c) of the Medical Schemes Act

Nature and impact
The Fund holds indirect investments in Discovery Holdings Ltd. This is in contravention of section 35(8)(c) of the Act, as the Fund is not allowed to hold shares in the holding company of the Administrator or any other Administrator.

Causes for the failure
The Fund invested in a pooled fund and does not have control of the investment decisions relating to the underlying assets.

Corrective action
The Fund applied for exemption from the Council for Medical Schemes in terms of section 35(8) in order to hold these shares.

20. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT (continued)

20.2 Contravention of section 26(7) of the Medical Schemes Act

Nature and impact
Section 26(7) of the Act requires that “All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due”. A limited number of exceptions were noted during the year where contributions were received late.

Cause of failure
Membership changes may cause reconciliation items between the employer and the Fund records. These are typically resolved within one month.

Corrective action
The Fund continually strives to have all membership changes updated before the following contribution run. Due to the nature of membership movement, and the communication process between the employers and pension administrators on the one hand, and the Administrator on the other, this is not always possible.

20.3 Claims not settled within 30 days

Nature and impact
In terms of Section 59(2) and Regulation 6(2) of the Act a medical scheme shall pay a member or supplier of services any benefit owing to that member or supplier within 30 days of receipt of the medical claim. A limited number of exceptions were noted where settlement took longer than 30 days from receipt.

Causes for the failure
A few complex cases also took more than 30 days to resolved for payment.

Corrective Action
Management is committed to resolve these matters in a responsible manner and in the best interest of the member and the Fund.

21. GOING CONCERN

The Board of Trustees considers the Fund to be going concern. The Board took the following into consideration in the evaluation of the Fund's going concern status:
- The reserve ratio at the end of the year was 127.57%;
- Available cash and investments at the end of the year amounted to R387,658,318;
- The actuarial forecast for the next 5 years indicates that the Fund will be a going concern.