TFG MEDICAL AID SCHEME

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2023

TFG MEDICAL AID SCHEME
(Registration no. 1578)

ANNUAL FINANCIAL REPORT
for the year ended 31 December 2023

CONTENTS **Pages**

TFG MEDICAL AID SCHEME
(Registration no. 1578)

FINANCIAL STATEMENTS
for the year ended 31 December 2023

SCHEME DETAILS

BOARD OF TRUSTEES	Mr P Barnard (Chairperson) *	Employer appointed	
	Mr M Wilson (Chairperson) *	Employer appointed	(Resigned: 20 June 2023)
	Mr C Singh (Vice-chairperson) *	Employer appointed	
	Mr R Karamchund	Employer appointed	(Appointed: 20 June 2023)
	Ms N Koopman	Employer appointed	
	Mr L Abrahams	Member elected	(Resigned: 20 June 2023)
	Ms T le Roux	Member elected	
	Ms A Parker	Member elected	(Appointed: 20 June 2023)
	Ms J Vandenbroucke	Member elected	
	Mr R Walther	Member elected	

* Mr M Wilson stepped down as Chairperson on 1 March 2023 and Mr P Barnard was elected as the new Chairperson effective 1 March 2023. Mr C Singh was elected as Vice-chairperson effective 1 March 2023).

PRINCIPAL OFFICER	Ms C Harris
REGISTERED OFFICE	1 Discovery Place Sandton 2196
POSTAL ADDRESS	PO Box 786722 Sandton 2146
AUDITOR Registered address of auditor	Deloitte & Touche The Ridge Building 6 Marina Road Portswood District V&A Waterfront, Cape Town 8000
ADMINISTRATOR Postal address of administrator	Discovery Health (Pty) Ltd 1 Discovery Place Sandton 2196

TFG MEDICAL AID SCHEME
(Registration no. 1578)

FINANCIAL STATEMENTS
for the year ended 31 December 2023

TRUSTEES' RESPONSIBILITY AND APPROVAL

The Trustees are responsible for the preparation and fair presentation of the financial statements of TFG Medical Aid Scheme (the Scheme), comprising the statement of financial position at 31 December 2023, the statements of comprehensive income and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with IFRS® Accounting Standards (IFRS) and the requirements of the Medical Schemes Act of South Africa. In addition, the Trustees are responsible for preparing the report of the Board of Trustees.

The Trustees are also responsible for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Trustees have made an assessment of the Scheme's ability to continue as a going concern and have no reason to believe the Scheme will not be a going concern in the year ahead.

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

Approval of the financial statements

The financial statements of TFG Medical Aid Scheme, as identified in the first paragraph, were approved by the Trustees on 23 April 2024 and are signed on their behalf by:

MR P BARNARD	**MR C SINGH**	**MS C HARRIS**
CHAIRPERSON	TRUSTEE	PRINCIPAL OFFICER

TFG MEDICAL AID SCHEME
(Registration no. 1578)

FINANCIAL STATEMENTS
for the year ended 31 December 2023

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

TFG Medical Aid Scheme (the Scheme) is committed to the principles and practice of responsibility, accountability, fairness and transparency with its dealings with all stakeholders. The Scheme is committed to ensure compliance with recognised framework and conducting its affairs in accordance with ethical values, furthermore to ensure the adoption of risk assessment, evaluation and management processes with regular monitoring of third party administrators and providers in accordance with the service level agreements. This includes an evaluation of their performance as a Board and of the Board sub-committees against an agreed terms of reference and performance targets, establishment and management of internal controls by assessing the adequacy and effectiveness through the appointment of an internal auditor and calling on of expert and professional advice when required. Four Trustees are appointed by the Employer of the Scheme and four are elected by the members of the Scheme.

BOARD OF TRUSTEES

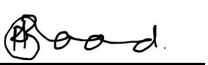
The Board of Trustees and its committees meet regularly and monitor the performance of the Administrator and other service providers. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

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

INTERNAL CONTROL

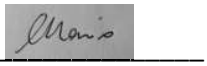
The Administrator of the Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies 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.



MR P BARNARD
CHAIRPERSON

MR C SINGH
TRUSTEE



MS C HARRIS
PRINCIPAL OFFICER

23 April 2024

TFG MEDICAL AID SCHEME
(Registration no. 1578)

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.

1. DESCRIPTION OF MEDICAL SCHEME

1.1 Terms of registration

TFG Medical Aid Scheme is a not-for-profit restricted Scheme registered in terms of the Medical Schemes Act, No 131 of 1998 (the Act) as amended.

1.2 Benefit options within TFG Medical Aid Scheme

The Scheme offers two benefit options, with no option of a savings account, to current and retired employees of The Foschini Group Limited and its subsidiaries. The benefit options are:

- TFG Health; and
- TFG Health Plus

2. MANAGEMENT

2.1 Board of Trustees in office during the year under review

Employer appointed trustees

Mr P Barnard (Chairperson)	
Mr M Wilson (Chairperson)	(Resigned: 20 June 2023)
Mr C Singh (Vice-chairperson)	
Mr R Karamchund	(Appointed: 20 June 2023)
Ms N Koopman	

Member elected trustees

Mr L Abrahams	(Resigned: 20 June 2023)
Ms T le Roux	
Ms A Parker	(Appointed: 20 June 2023)
Ms J Vandenbroucke	
Mr R Walther	

* Mr M Wilson stepped down as Chairperson on 1 March 2023 and Mr P Barnard was elected as the new Chairperson effective 1 March 2023. Mr C Singh was elected as Vice-chairperson effective 1 March 2023).

2.2 Principal Officer

Ms C Harris

Stanley Lewis Centre	PO Box 6020
340 Voortrekker Road	Parow East
Parow East	7501
7501	

2.3 Registered office address and postal address

1 Discovery Place	PO Box 786722
Sandton	Sandton
2196	2146

2.4 Scheme's administrator during the year

Discovery Health (Pty) Ltd

1 Discovery Place	PO Box 786722
Sandton	Sandton
2196	2146

2.5 Principal Banker

First National Bank
PO Box 1153
Johannesburg
2000

2.6 Auditor

Deloitte & Touche
The Ridge Building
6 Marina Road
Portswood District
V&A Waterfront, Cape Town
8000

2.7 Actuarial Consultants

Alexander Forbes Financial Services (Pty) Ltd
40 Dorp Street
Stellenbosch
7599

PO Box 700
Stellenbosch
7599

2.8 Investment Consultants

Willis Towers Watson (Pty) Ltd
Montclare Place
23 Main Road
Claremont
7708

Private Bag X30
Rondebosch
7701

3. INVESTMENT STRATEGY

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

The Board of Trustees are responsible for all the investment decisions, and part of their strategy is to ensure that:

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

The Scheme invested in money market funds and cash instruments during 2023 to ensure sufficient liquidity.

The Scheme also invested in an equity Policy of Insurance through Allan Gray Life Limited which at year-end amounted to 28% (2022: 27%) of the Scheme's assets. The Scheme also invested 13% (2022: 13%) of its asset value in a Sanlam Investment Management Absolute Return Medical Aid Portfolio, 13% (2022: 13%) of its asset value in a Prescient Life Positive Return Medical Aid Portfolio and 28% (2022: 27%) in the Old Mutual Capped All Share Index Fund. The objective with these investments is to maximise capital growth over a longer term.

The investment policy is reviewed on an ongoing basis, taking into consideration compliance with the Act, the risk and returns of various investment instruments and the surplus funds available to invest.

4. MANAGEMENT OF INSURANCE RISK

The primary insurance activity carried out by the Scheme indemnifies covered members and their dependants against the risk of significant loss arising as a result of the occurrence of a health event (i.e. an event relating to the health of the Scheme's beneficiary). As such, the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Scheme manages its insurance risk through benefit limits and sub-limits, application of clinical protocols, approval procedures for transactions that exceed set limits, pricing guidelines, pre-authorisation and case management, service provider profiling, and the regular monitoring of emerging issues.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. 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/or 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.

The Board of Trustees frequently assess the necessity to enter into risk transfer arrangements in order to manage the Scheme's insurance risk.

5. REVIEW OF ACCOUNTING PERIOD ACTIVITIES

5.1 Results of operations

The results of the Scheme's operations for the year under review and financial position at 31 December 2023 are set out in the financial statements, and the trustees believe that no further clarification is required.

5.2 Operational statistics per benefit option

	2023 TFG Health	2023 TFG Health Plus	2023 Total
Number of members at year-end	1,655	1,265	2,920
Average number of members for the accounting period	1,674	1,331	3,005
Average number of beneficiaries for the accounting period	3,452	3,020	6,472
Beneficiaries per member	2.1	2.3	2.2
Average age per beneficiary	29	39	34
Pensioner ratio (beneficiaries >65 years old)	4%	14%	8%
Average contribution pmpm	R 2,823	R 7,322	R 4,816
Average contribution pbpm	R 1,369	R 3,227	R 2,236
Average insurance service expenditure pmpm *	R 2,864	R 6,987	R 4,690
Average insurance service expenditure pbpm *	R 1,389	R 3,079	R 2,178
Average administration expense pmpm	R 360	R 359	R 359
Average managed care: management services pmpm	R 122	R 122	R 122
Insurance service expenditure as a percentage of contributions *	101.5%	95.4%	97.4%
Non-healthcare expenditure as a percentage of contributions	12.7%	4.9%	7.5%
Return on investments as a percentage of investments	-	-	7.8%
Accumulated funds per member at 31 December	-	-	R 92,727

	2022 TFG Health	2022 TFG Health Plus	2022 Total
Number of members at year-end	1,671	1,398	3,069
Average number of members for the accounting period	1,683	1,459	3,142
Average number of beneficiaries for the accounting period	3,539	3,324	6,863
Beneficiaries per member	2.1	2.3	2.2
Average age per beneficiary	29	38	33
Pensioner ratio (beneficiaries >65 years old)	4%	13%	8%
Average contribution pmpm	R 2,662	R 6,929	R 4,644
Average contribution pbpm	R 1,266	R 3,042	R 2,126
Average insurance service expenditure pmpm *	R 2,268	R 6,050	R 4,024
Average insurance service expenditure pbpm *	R 1,079	R 2,655	R 1,842
Average administration expense pmpm	R 332	R 331	R 332
Average managed care: management services pmpm	R 115	R 115	R 115
Insurance service expenditure as a percentage of contributions *	85.2%	87.3%	86.7%
Non-healthcare expenditure as a percentage of contributions	12.7%	4.9%	7.3%
Return on investments as a percentage of investments	-	-	6.3%
Accumulated funds per member at 31 December	-	-	R 88,472

pmpm - per member per month
pbpm - per beneficiary per month

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

5.3 Liability for incurred claims

Movements on the liability for incurred claims are clearly set out in the notes to these financial statements. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the Scheme.

5.4 Solvency ratio

	2023 R	2022 R
The solvency ratio ratio is calculated on the following basis:		
Total insurance liability for future members per statement of financial position	270,761,649	271,751,120
Less: Cumulative net gains on re-measurement to fair value of financial instruments	(66,038,622)	(54,198,954)
Accumulated funds per Regulation 29	**204,723,027**	**217,552,166**
Insurance revenue	**159,184,288**	**175,086,735**
Accumulated funds ratio per Regulation 29	**128.61%**	**124.25%**

The Scheme received approval from the Council for Medical Schemes to give members a Contribution holiday. This Contribution holiday took place in January 2023 whereby no contributions were collected for January 2023. The cost of the Contribution holiday was R14.9m and it directly impacted the Statement of Comprehensive Income. The lower annual contributions increased the solvency ratio for the current financial year. In the absence of the Contribution holiday the solvency ratio would have been 116.96%.

6. COMMITTEES

6.1 Audit Committee

An Audit Committee, established in accordance with the provisions of the Act, 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 six members of which two are members of the Board of Trustees. The rest of the members, including the chairperson, are not officers of the Scheme or its third party administrator. The Committee met twice during 2023. Attendance of these meetings is disclosed in note 10 of the Report of the Board of Trustees.

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

6.2 Investment Committee

The Board of Trustees established an Investment Committee to assist the Board in carrying out their duties relating to the Scheme’s investment policy and strategy. It is mandated by means of written terms of reference as to its membership, authority and duties.

The Committee consists of three trustees and the Principal Officer. The Scheme appointed Willis Towers Watson as independent investment consultants to assist the Committee. The Scheme's Administrator and Actuary also attend committee meetings.

The Committee met regularly during the year and reviewed the strategy in accordance with the mandate set by the Board of Trustees.

6. COMMITTEES (continued)

6.3 Ex Gratia Committee

The Ex Gratia Committee is mandated by the Board of Trustees to assist qualifying members by awarding ex gratia payments where services were either denied or rejected due to limited or uncovered benefits. These awards are granted appropriately according to the merits of each case.

The committee consists of five members and the committee meets if and when required.

7. INVESTMENTS IN AND LOANS TO THE EMPLOYER OR MEMBERS OF THE MEDICAL SCHEME AND TO OTHER RELATED PARTIES

The Scheme has granted no loans to the participating employers of the Scheme. Refer to note 9.2 of the Report of the Board of Trustees for details about investments in the participating employer.

8. ACTUARIAL SERVICES

The Scheme's actuaries have been consulted in the determination of the contribution and benefit levels. They monitor the Scheme's claims expenditure and underwriting results on a monthly basis.

9. NON-COMPLIANCE MATTERS

9.1 Contributions not received within three days of it becoming due

In terms of Section 26(7) of the Act, all contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due.

There were a small number of instances, during the year, where the Scheme received contributions after three days of becoming due, however, there are no contracts in place agreeing to this arrangement.

A detailed mandate is in place with the Administrator regarding the collection of these contributions.

9.2 Investment in participating employer and medical administrators

In terms of Section 35(8) of the Act, a medical scheme is prohibited from investing any of its assets in an employer who participates in that scheme or any medical scheme administrators.

At 31 December 2023 the Scheme held shares through linked life policies in The Foschini Group Limited to the value of R954,587 (2022: R644,845), in Momentum Metropolitan Holdings to the value of R1,432,811 (2022: R988,041), in Discovery Limited to the value of R951,829 (2022: R694,280) and in Sanlam Limited to the value of R1,687,718 (2022: R1,060,140).

Funds in this specific portfolio are structured at the sole discretion of the asset manager in a manner that maximizes returns. Therefore the Scheme does not make inputs into the structuring of the portfolio. The Scheme received exemption from this section of the Act until 30 November 2025 at which stage the Scheme will apply for a further exemption.

9. NON-COMPLIANCE MATTERS (continued)

9.3 Claims not settled within 30 days

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. These were limited to more complex claims and management is committed to resolve these matters in a responsible manner and in the best interest of the member and the Scheme.

9.4 Investment in local equities

In terms of Regulation 30 and Annexure B a medical scheme is only allowed to invest up to 40% of investable assets in local equities. As 31 December 2023 the Scheme's equity holding exceeded this limit.

Regulation 30(3A) provides that assets in excess of the minimum specified in Regulation 30 may be allocated according to different percentages if a medical scheme provides the Registrar of Medical Schemes with a certified statement from a suitably qualified person. The Scheme provided such statement to the Registrar of Medical Schemes, and the Scheme is investing within the suggested percentages.

9.5 Sustainability of benefit options

In terms of section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. At 31 December 2023 the TFG Health option recorded an Insurance service result deficit of R10.9m (2022: Insurance service result surplus of R2.6m), and the TFG Health Plus option recorded an Insurance service result deficit of R8.6m (2022: Insurance service result surplus of R10.3m)

The deficits recorded were due to the contribution holiday that was implemented for January 2023. This contribution holiday was carefully planned and executed in line with the Scheme's strategy, and with the approval of the Council for Medical Schemes.

The Board of Trustees carefully monitors the Scheme’s performance with the assistance of the Scheme’s actuaries. The trustees are comfortable that the Scheme is in a sound financial position as at 31 December 2023.

10 MEETING ATTENDANCES

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

Trustee/Sub-committee member	Board of Trustee meetings		Audit committee meetings		Investment Committee meetings		Ex Gratia committee meetings	
	A	B	A	B				
Mr P Barnard (Chairperson)	7	7	2	2	4	4	2	2
Mr M Wilson (Chairperson) #	3	3	1	1	2	2		
Mr C Singh (Vice-chairperson)	7	5			4	4	2	2
Mr L Abrahams #	1	1						
Mr R Karamchund #	7	6						
Ms N Koopman	7	6	2	2			2	1
Ms T le Roux	7	7	1	1	1	1		
Ms A Parker #	2	2						
Ms J Vandenbroucke	7	6					2	2
Mr R Walther	7	7			4	3	2	1
Mr M Van Est *# (Audit Comm Chairperson)			1	1				
Mr A Bishoon *			2	2				
Ms N Senekal *			2	2				
Ms R Strauss *			2	1				
Ms C Harris (Principal Officer)	7	7	2	2	4	3	2	2

A - Total possible number of meetings that could have been attended
B - Actual number of meetings attended
* - Independent audit committee member
# Appointed or resigned during the year

11 SUBSEQUENT EVENTS

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

Deloitte.

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Cape Town 8000
South Africa

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Independent Auditor's Report

To the Members of the TFG Medical Aid Scheme

Report on the Financial Statements

Opinion

We have audited the financial statements of TFG Medical Aid Scheme (the Scheme), set out on pages 17 to 62, which comprise the statement of financial position as at 31 December 2023 , and the statement of profit or loss and other comprehensive income, the statement of changes in members' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	How the Matter was Addressed during the audit
Liability for incurred claims	
IFRS requires the Scheme to determine the carrying amount for the liability for incurred claims that includes the expected cash flows and the risk adjustment for non-financial risk. The Scheme uses consulting actuaries to calculate a best estimate of cashflows and risk adjustment. This amount is disclosed on the face of the Statement of Financial Position as well as in note 4 of the annual financial statements. This matter is considered a key audit matter as the underlying calculation requires the use of significant assumptions, estimates and judgement by management.	• We have assessed the report of the Scheme's consulting actuaries including evaluating the expertise of the organisation performing the calculation; • We challenged key assumptions over expected cashflows and risk adjustment and the methodology therein; and • We engaged with management around the rationale for any adjustments or decisions over and above the numeric calculation. Our procedures satisfied us to the reasonableness of the estimate.
Incurred claims	
Incurred claims is a key audit focus area and represents a significant expense in the Statement of Comprehensive Income. This amount is disclosed on the face of the Statement of Comprehensive Income as well as in note 7 of the annual financial statements. The occurrence and accuracy of the claims are dependent on the Scheme's administration and IT system involved in the processing of claims. Due to extensive audit focus and the high volume of claims processed by the Scheme, risk claims incurred was considered a key audit matter for this year end.	• We assessed the report of internal audit over the claims control environment and concluded that a substantive approach was the appropriate approach to follow; • We compared a sample of the claim expenses paid to the actual claim form submitted, the benefits balance and tariffs provided for in terms of the rules and the applicable PMB in order to assess validity of actual claims paid; • We calculated the number of days between date of payment and date of receipt of claim, and investigated reasons for claims paid after more than 30 days; • We tested whether the claims selected for testing were submitted within four months of treatment date; • We used computer assisted audit techniques ("CAATs") to identify potential duplicate claim payments, and tested a sample of these to verify whether these were "valid" duplicates; and • We verified that contributions were up to date at the date of treatment where claims were paid, or obtained proof that appropriate approval was obtained from the trustees to pay the claim. Our procedures satisfied us to the occurrence and accuracy of the incurred claims.

Other Information

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

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

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

Responsibilities of the Scheme's Trustees for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

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

Audit tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that Deloitte has been the auditor of TFG Medical Aid Scheme for 8 years.

The engagement partner, Zahid Bardien, has been responsible for TFG Medical Aid Scheme's audit for 5 years.

Deloitte & Touche
Registered Auditors

Per: MZ Bardien
Partner

16 May 2024

TFG MEDICAL AID SCHEME
(Registration no. 1578)

STATEMENT OF FINANCIAL POSITION
at 31 December 2023

	Notes	2023 R	Restated * 2022 R	Restated * 1 January 2022 R
ASSETS				
Non-current assets				
Financial assets at fair value through profit or loss	2	229,611,899	227,330,304	193,332,601
Current assets		49,456,235	53,411,117	58,478,920
Financial assets at fair value through profit or loss	2	36,230,254	10,061,612	-
Other receivables	3	45,864	188,665	164,799
Cash and cash equivalents	4	13,180,117	43,160,840	58,314,121
TOTAL ASSETS		**279,068,134**	**280,741,421**	**251,811,521**
LIABILITIES				
Non-current liabilities				
Insurance liability for future members		270,761,649	271,751,120	245,060,341
Current liabilities		8,306,485	8,990,301	6,751,180
Insurance contract liabilities	5	6,193,852	6,537,595	5,261,143
Trade and other payables	7	2,112,633	2,452,706	1,490,037
TOTAL LIABILITIES		**279,068,134**	**280,741,421**	**251,811,521**

* The new accounting standard IFRS 17 Insurance contracts was implemented retrospectively effective 1 January 2023. Refer accounting policy note 1.2.

TFG MEDICAL AID SCHEME
(Registration no. 1578)

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

	Notes	2023 R	Restated 2022 R
Insurance revenue	8	159,184,288	175,086,735
Insurance service expense *	8	(178,044,767)	(190,232,853)
Net income from risk transfer arrangements	8	347,643	480,504
Premiums paid		(3,093,036)	(2,160,298)
Amounts recovered from risk transfer arrangements		3,440,679	2,640,802
Insurance service result		**(18,512,836)**	**(14,665,615)**
Interest from cash and cash equivalents	9	241,499	112,203
Income from investments at fair value through profit or loss	9	21,677,933	16,812,005
Net investment income		**21,919,432**	**16,924,209**
Net healthcare result		**3,406,596**	**2,258,594**
Sundry income	10	4,831	3,962
Other operating expenses	11	(3,411,427)	(3,137,676)
Net result for the year		**-**	**-**
Total comprehensive surplus/(deficit) 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 follow:		**(989,471)**	**26,690,779**

TFG MEDICAL AID SCHEME
(Registration no. 1578)

STATEMENT OF CHANGES IN MEMBERS' FUNDS
as at 31 December 2023

	R-value
Balance as at 1 January 2022 (as previously reported)	243,955,740
Transition restatement *	(243,955,740)
Balance at 1 January 2022 (restated)	**-**

* Refer accounting policy note describing the impact of the adoption of IFRS 17.

TFG MEDICAL AID SCHEME
(Registration no. 1578)

STATEMENT OF CASH FLOWS
for the year ended 31 December 2023

	Notes	2023 R	2022 R
Cash flows from operating activities			
Cash receipts from members and providers		159,268,160	175,020,783
Cash receipts from members – contributions		159,137,235	174,913,527
Cash receipts from members and providers – other		130,925	107,256
Cash paid to providers and members		(183,558,712)	(163,664,261)
Cash paid to providers and members – claims		(169,462,849)	(151,434,244)
Cash paid for non-healthcare expenditure		(14,095,863)	(12,230,017)
Interest income		5,704,145	4,570,344
Dividends		3,810,853	4,272,255
Cash (utilised by)/ generated from operations		**(14,775,554)**	**20,199,121**
Cash flows from investing activities			
Acquisitions of investments		(32,667,251)	(36,040,326)
Proceeds on disposals of investments		17,462,082	687,924
Net cash flows from investing activities		**(15,205,169)**	**(35,352,402)**
Net decrease in cash and cash equivalents		**(29,980,723)**	**(15,153,281)**
Cash and cash equivalents at the beginning of the year		43,160,840	58,314,121
Cash and cash equivalents at the end of the year	4	**13,180,117**	**43,160,840**

1. PRINCIPAL ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION

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

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

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

The Financial Statements are prepared in accordance with the going concern principle using the historical cost basis except for certain financial assets and liabilities, which include insurance and reinsurance assets and liabilities – measured in terms of IFRS 17 current estimates.

1.2 IMPLEMENTATION OF NEW STANDARDS

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

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

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

The following new standards, amendments and interpretations to the existing standards have been published and are effective for the current financial year.

IFRS 17 Insurance Contracts

Introduction

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

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

1.2 IMPLEMENTATION OF NEW STANDARDS (continued)

New standards, amendments and interpretations effective and relevant to the Scheme (continued)

IFRS 17 Insurance Contracts (continued)

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

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

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

Transition to IFRS 17

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

The Scheme has determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued within three years prior to the transition and is in a position to apply a fully retrospective restatement from inception for its groups of insurance contracts issued. The fully retrospective approach requires that the Scheme identify, recognise, and measure groups of insurance contracts as if IFRS 17 had always applied, derecognising any existing balances that would not exist had IFRS 17 always applied and recognise any resulting net difference in the Insurance liability for future members.

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

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

1.2 IMPLEMENTATION OF NEW STANDARDS (continued)

New standards, amendments and interpretations effective and relevant to the Scheme (continued)

IFRS 17 Insurance Contracts (continued)

Impact of transition to IFRS 17

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

The Scheme does not have any contracts with specified embedded derivatives.

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)	243,955,740
IFRS 17 adjustment	
Adjustment as a result of the risk adjustment for non-financial risk	(95,399)
Adjustment of Liability for Incurred Claims	1,200,000
Liability for future members as at 31 December 2021 (restated)	245,060,341
Net Deficit reported in 2022	27,565,899
IFRS 17 adjustment	
Adjustment as a result of the risk adjustment for non-financial risk	(72,523)
Adjustment of Liability for Incurred Claims	(802,597)
Liability for future members as at 31 December 2022 (restated)	271,751,120

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING

Definition and classification

Contracts under which the Scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary are classified as insurance contracts. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Scheme uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant.

Separating components within insurance contracts

Before the Scheme accounts for an insurance contract it analyses whether the contract contains components that should be separated. There are three categories of components that have to be accounted for separately:

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

The Scheme 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.

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 Liability for Remaining Cover (LRC) for a group of insurance contracts that would not differ materially from the measurement achieved by applying the GMM.

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

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Measurement models (continued)

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

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

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

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

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

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

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

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

Expected fulfilment cash flows (EFCF)

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

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

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

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

EFCF include payments to (or on behalf) of policyholders, insurance acquisition cash flows and other directly attributable costs to fulfilling the group of insurance contracts.

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Expected fulfilment cash flows (EFCF) (continued)

The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Scheme estimates which cash flows are expected and the probability that they will occur as at the measurement date. When estimating, the Scheme uses information about past events, current conditions and forecasts of future conditions.

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

Risk adjustment

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

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

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

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

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

For the Scheme's insurance contracts the explicit risk adjustment for non-financial risk is estimated to measure the Liability for Incurred Claims (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.

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Unit of account, aggregation and recognition of insurance and reinsurance contracts (continued)

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

The Scheme offers insurance cover against the cost of a health event. Two benefit options are offered by the Scheme.

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

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

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

Recognition and derecognition

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

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

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

Initial and subsequent measurement

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

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

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

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:

- the probability weighted estimate of the present value of the future cash flows; and
- the risk adjustment for non-financial risk.

Refer to note 17 for the significant judgements and estimates used to determine the liability for incurred claims and the estimates to determine the fulfilment cash flow.

Onerous contract assessment

In the consideration of whether facts and circumstances indicate that a group of insurance contracts is onerous, the Scheme 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 revenue

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

Insurance Service Expenses

Insurance service expenses include:

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

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Insurance acquisition costs

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

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

Accredited administration services

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

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

1.4 RISK TRANSFER REINSURANCE

Definition

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

Unit of account

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

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

Recognition and derecognition

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

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

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

1.4 RISK TRANSFER REINSURANCE (continued)

Initial and subsequent measurement

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

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

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

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

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

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

Contract boundary

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

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

Net income/(expense) from reinsurance contracts held

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

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

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

1.5 CLASSIFICATION, RECOGNITION, PRESENTATION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

The Scheme recognises a financial instrument when, and only when, it becomes a party to the contractual provisions of the instrument. The Scheme classifies its financial instruments into the following categories: financial assets at amortised cost, other receivables, cash and cash equivalents and trade and other payables.

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

Offsetting financial instruments

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

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

Derecognition of financial assets and liabilities

The Scheme derecognises a financial asset or part of a financial asset when:

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

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

1.6 FINANCIAL LIABILITIES

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

1.7 PROVISIONS

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

- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- 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.

1.8 CONTINGENT LIABILITY

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

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

1.9 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.

1.10 REIMBURSEMENTS FROM THE ROAD ACCIDENT FUND

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

Due to the uncertainty around the confirmation and measurability of the RAF amounts, the Scheme accounts for these on a cash basis and recognises them as a reduction of net claims incurred.

1.11 ALLOCATION OF INCOME AND EXPENDITURE TO BENEFIT OPTIONS

The following items are directly allocated to benefit plans:

- Insurance revenue
- Insurance service expenses
- Net income/(expense) from reinsurance contracts held

The risk adjustment is apportioned based on claims expenditure per benefit option.

The remaining items are allocated based on the average number of members per benefit option.

1.12 STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual agreements. A structured entity often has some or all of the following features or attributes:

- Restricted activities.
- A narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors.
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support.
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Scheme has determined that some of its investments in pooled funds and in collective investments (funds) are investments in unconsolidated structured entities. The objectives include achieving medium to long-term capital growth. The investment strategy does not include the use of leverage.

These funds are managed by independent asset managers who apply various investment strategies to accomplish their respective investment objectives.

The change in fair value of each fund is included in the Statement of Comprehensive Income in 'Net fair value gains/(losses) on Financial assets at fair value through profit or loss'.

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting policy

The Scheme's investment strategy (business model objective) is determined by means of an allocation across different asset classes and grouping of financial assets 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 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.

Note

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

Non-current	**2023** **R**	**2022** **R**
Fair value at the beginning of the year	227,330,304	193,332,601
Additions	-	20,000,000
Disposals	(16,700,000)	-
Interest	2,687,756	1,706,459
Dividends	3,810,853	4,272,255
Management fees	(762,082)	(687,924)
Realised and unrealised gains	13,245,068	8,706,913
Fair value at the end of the year	**229,611,899**	**227,330,304**
The investment represents:		
Investments in Linked Life Policies	229,611,899	227,330,304
	229,611,899	**227,330,304**

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

	2023	2022
Current	R	R
Core Income Fund Collective Investment Scheme	36,230,254	10,061,612
	36,230,254	**10,061,612**

3. OTHER RECEIVABLES

Accounting policy

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

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

Impairment of other receivables

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

			Restated
Note		**2023**	**2022**
		R	**R**
Interest receivable		19,875	151,257
Sundry accounts receivable		25,989	37,408
		45,864	**188,665**

4. 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 on call and short notice; 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.

Note	**2023**	**2022**
	R	**R**
Current accounts	2,927,122	2,473,800
Money Market Collective Investment Scheme	10,252,995	40,687,040
	13,180,117	**43,160,840**

The weighted average effective interest rate on short-term bank deposits was 7.66% (2022: 4.85%) and on the Money Market Collective Investment Scheme was 9.10% (2022: 5.87%).

5. INSURANCE CONTRACT LIABILITY

2023	**Liability for remaining coverage (LRC)**		**Liability for incurred claims (LIC)**		
Insurance contracts issued	**Excluding loss component**	**Loss component**	**Present value of future cash flows**	**Risk adjustment**	**Total**
Net opening balance	(495,334)	-	6,865,007	167,922	6,537,595
Insurance service result	(159,184,288)	-	179,165,162	85,777	20,066,651
Insurance revenue	(159,184,288)	-	-	-	(159,184,288)
Insurance service expense	-	-	179,165,162	85,777	179,250,939
Incurred claims	-	-	165,211,061	-	165,211,061
Other directly attributable expenses	-	-	13,954,102	-	13,954,102
Changes to past service, i.e. changes in fulfilment cash flows relating to the LIC	-	-	-	85,777	85,777
Losses on onerous contracts and reversal of those losses	-	-	-	-	-
Total amounts recognised in comprehensive income	(159,184,288)	-	179,165,162	85,777	20,066,651
Total movement	**(159,679,622)**	**-**	**186,030,169**	**253,699**	**26,604,246**
Cash flows					
Contributions received	159,137,235		-	-	159,137,235
Claims and other directly attributable expenses paid	-		(179,547,630)	-	(179,547,630)
Total cash flows	**159,137,235**	**-**	**(179,547,630)**	**-**	**(20,410,395)**
Net closing balance	**(542,387)**	**-**	**6,482,540**	**253,699**	**6,193,852**

5. INSURANCE CONTRACT LIABILITY

2022	**Liability for remaining coverage (LRC)**		**Liability for incurred claims (LIC)**		
Insurance contracts issued	**Excluding loss component**	**Loss component**	**Present value of future cash flows**	**Risk adjustment**	**Total**
Net opening balance	(475,306)	-	5,641,050	95,399	5,261,143
Insurance service result	(175,086,735)	-	162,720,504	72,523	(12,293,708)
Insurance revenue	(175,086,735)	-	-	-	(175,086,735)
Insurance service expense	-	-	162,720,504	72,523	162,793,027
Incurred claims	-	-	149,028,252	-	149,028,252
Other directly attributable expenses	-	-	13,692,252		13,692,252
Changes to past service, i.e. changes in fulfilment cash flows relating to the LIC	-	-	-	72,523	72,523
Losses on onerous contracts and reversal of those losses	-	-	-	-	-
Total amounts recognised in comprehensive income	(175,086,735)	-	162,720,504	72,523	(12,293,708)
Total movement	**(175,562,041)**	**-**	**168,361,554**	**167,922**	**(7,032,565)**
Cash flows					
Contributions received	175,066,707	-	-	-	175,066,707
Claims and other directly attributable expenses paid	-	-	(161,496,547)	-	(161,496,547)
Total cash flows	**175,066,707**	**-**	**(161,496,547)**	**-**	**13,570,160**
Net closing balance	**(495,334)**	**-**	**6,865,007**	**167,922**	**6,537,595**

6. REINSURANCE CONTRACT ASSETS

	2023 R				2022 R			
	Remaining Coverage Component	Incurred claims for contracts under the PAA		Total	Remaining Coverage Component	Incurred claims for contracts under the PAA		Total
Healthcare Risk – Reinsurance contracts held		Present value of future cash flows	Risk adjustment for non-financial risk			Present value of future cash flows	Risk adjustment for non-financial risk	
Net opening balance	-	-	-	-	-	-	-	-
Net income from reinsurance contracts held	**3,093,036**	**(3,440,679)**	**-**	**(347,643)**	**2,160,298**	**(2,640,802)**	**-**	**(480,504)**
Reinsurance expenses	3,093,036	-	-	3,093,036	2,160,298	-	-	2,160,298
Claims recovered	-	(3,440,679)	-	(3,440,679)	-	(2,640,802)	-	(2,640,802)
Total amounts recognised in comprehensive income	3,093,036	(3,440,679)	-	(347,643)	2,160,298	(2,640,802)	-	(480,504)
Cash flows								
Premiums paid	(3,093,036)	-	-	(3,093,036)	(2,160,298)	-	-	(2,160,298)
Recoveries from reinsurance	-	3,440,679	-	3,440,679	-	2,640,802	-	2,640,802
Total cash flows	**(3,093,036)**	**3,440,679**	**-**	**347,643**	**(2,160,298)**	**2,640,802**	**-**	**480,504**
Net closing balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

7. TRADE AND OTHER PAYABLES

Accounting policy

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

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

Unallocated funds

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

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

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

Note	**2023**	**Restated 2022**
	R	**R**
Financial liabilities		
Balances due to related parties	1,262,431	1,170,193
Discovery Health (Pty) Ltd	1,256,831	1,170,193
Audit committee fees	5,600	-
Accruals	223,327	922,130
Audit fee accrual	574,962	310,263
Unallocated funds	51,913	50,120
Total arising from financial liabilities	**2,112,633**	**2,452,706**

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

8. INSURANCE REVENUE AND SERVICE EXPENSES

	2023 R	2022 R
Insurance revenue	159,184,288	175,086,735
Insurance service expenses		
Incurred claims	(165,211,061)	(149,028,252)
Third party claim recoveries	130,925	53,550
Other directly attributable expenses	(13,954,102)	(13,692,252)
Accredited managed care services (no risk transfer)	(4,406,862)	(4,325,167)
Accredited administration services	(9,547,240)	(9,367,085)
Amounts attributable to future members	989,471	(26,690,779)
Claims incurred and directly attributable expenses	(178,044,767)	(190,232,853)
Net income from risk transfer arrangements	347,643	480,504
Premiums paid	(3,093,036)	(2,160,298)
Amounts recovered from risk transfer arrangements	3,440,679	2,640,802
Total insurance service result	**(18,512,836)**	**(14,665,614)**

Included in other directly attributable expenses above

Accredited managed healthcare services (no risk transfer)

Disease management	1,410,080	1,383,827
Hospital pre-authorisation	1,366,467	1,341,254
Network management	1,189,845	1,167,569
Drug utilisation management	440,470	432,517
	4,406,862	**4,325,167**

Included in other directly attributable expenses above

ADMINISTRATION FEES

Accredited services

Member record management	984,389	965,671
Contribution management	865,080	848,540
Claims management	1,088,199	1,067,737
Financial management	35,324	34,650
Information management and data control	1,765,124	1,731,730
Customer services	4,809,124	4,718,757
	9,547,240	**9,367,085**

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

	2023 R	2022 R
9. INVESTMENT INCOME		
Interest earned	241,499	112,203
Interest on cash and cash equivalents	241,499	112,203
Income from investments at fair value through profit or loss	21,677,933	16,812,005
Interest income	5,331,265	4,464,716
Dividend income	3,810,853	4,272,255
Realised gains/(losses)	1,493,270	(3,115,155)
Unrealised gains	11,839,668	11,875,450
Investment manager fees	(797,123)	(685,261)
	21,919,432	**16,924,208**
10. SUNDRY INCOME		
Prescribed amounts written back	4,831	3,962
	4,831	**3,962**

11. OTHER OPERATING EXPENDITURE

Accounting policy

Other operating expenses are expensed as incurred.

Note	2023 R	2022 R
Administration services	733,876	719,732
Other services		
Internal audit services	146,343	143,495
Forensic investigations and recoveries	182,748	179,274
Governance and compliance	29,196	28,624
Additional services		
Quality management and monitoring services	137,331	134,832
Advanced data analytics	114,984	112,611
Digital service offering	42,173	41,429
Enhanced service offering	23,429	22,974
Enterprise risk management services	23,429	22,974
Legal services	6,849	6,779
Product innovation	27,394	26,740
Actuarial consulting fees	474,720	448,224
AGM cost	54,573	56,258
Association fees	62,338	62,032
Audit committee fees	37,800	61,000
Audit fees	574,962	311,569
Bank charges	77,931	78,927
Conferences and seminars	24,428	28,984
Council for Medical Schemes fees	147,517	153,071
Debt collecting fees	1,632	424
Fidelity guarantee and professional indemnity insurance	38,850	37,000
Investment consulting fees	275,000	345,000
Legal fees	93,393	416,356
Medical emergency call centre fees	17,043	15,831
Marketing expenses	182,160	253,460
Market research	400,000	-
Sundries	30,569	9,366
Trustee fees (Note 11.1)	184,635	140,442
	3,411,427	**3,137,676**

11. OTHER OPERATING EXPENDITURE (continued)

	2023	2022
11.1 Trustee fees	**R**	**R**
Mr M Wilson	51,500	124,692
- Base fee	16,800	63,600
- Retainer fee	13,500	-
- Attendance fee	21,200	59,100
- Re-imbursement	-	1,992
Mr P Barnard	133,135	15,750
- Base fee	56,000	15,750
- Attendance fee	63,135	-
- Workshop attendance	14,000	-
Total	**184,635**	**140,442**

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

2023	TFG Health	TFG Health Plus
In-hospital costs covered	100% Scheme rate at Network provider	100% Scheme rate
Chronic conditions	PMBs unlimited, subject to formulary for CDL conditions. Network provider.	PMBs unlimited, subject to formulary, non-PMB's limited and subject to Scheme
Primary care	Unlimited cover for medical appropriate consultations at Network provider	100% Scheme rate
Overall annual limit	No limit	No limit

	TFG Health R	TFG Health Plus R	TOTAL R
Insurance revenue	**51,980,783**	**107,203,505**	**159,184,288**
Insurance service expenses	**(62,863,632)**	**(115,822,962)**	**(178,686,593)**
Claims incurred	(52,427,076)	(109,343,305)	(161,770,380)
Third party claim recoveries	72,798	58,127	130,925
Accredited managed care services	(2,455,148)	(1,951,714)	(4,406,862)
Attributable expenses incurred	(5,325,273)	(4,221,967)	(9,547,240)
Net income on risk transfer arrangements	(2,728,933)	(364,103)	(3,093,036)
Insurance service result	**(10,882,849)**	**(8,619,457)**	**(19,502,305)**
Investment income	12,212,700	9,706,731	21,919,431
Net healthcare results	**1,329,851**	**1,087,274**	**2,417,125**
Other administration expenses	(1,900,409)	(1,511,018)	(3,411,427)
Other income	2,713	2,118	4,831
Net deficit for the year	**(567,845)**	**(421,626)**	**(989,471)**

The surplus/(deficit) per benefit option was compiled in terms of Circular 12 of 2024 and is not comparable with the Statement of Comprehensive Income.

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

2022	TFG Health	TFG Health Plus
In-hospital costs covered	100% Scheme rate at Network provider	100% Scheme rate
Chronic conditions	PMBs unlimited, subject to formulary for CDL conditions. Network provider.	PMBs unlimited, subject to formulary, non-PMB's limited and subject to Scheme
Primary care	Unlimited cover for medical appropriate consultations at Network provider	100% Scheme rate
Overall annual limit	No limit	No limit

	TFG Health R	TFG Health Plus R	TOTAL R
Insurance revenue	**53,766,968**	**121,319,767**	**175,086,735**
Insurance service expenses	**(51,210,078)**	**(110,976,373)**	**(162,186,450)**
Claims incurred	(44,379,645)	(104,648,606)	(149,028,251)
Third party claim recoveries	28,763	24,787	53,550
Accredited managed care services	(2,316,732)	(2,008,435)	(4,325,168)
Attributable expenses incurred	(5,022,967)	(4,344,118)	(9,367,084)
Net income on risk transfer arrangements	480,504	-	480,504
Insurance service result	**2,556,890**	**10,343,394**	**12,900,285**
Investment income	9,135,811	7,788,398	16,924,209
Net healthcare results	**11,692,701**	**18,131,792**	**29,824,493**
Other administration expenses	(1,680,684)	(1,456,992)	(3,137,676)
Other income	2,122	1,840	3,962
Net surplus for the year	**10,014,139**	**16,676,640**	**26,690,779**

The surplus/(deficit) per benefit option was compiled in terms of Circular 12 of 2024 and is not comparable with the Statement of Comprehensive Income.

13. EVENTS AFTER THE REPORTING DATE

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

14. RELATED PARTY TRANSACTIONS

Four trustees are appointed by the employer and four elected by the members of the Scheme.

Parties with significant influence over the Scheme:

Administrator and managed care organisation
Discovery Health (Pty) Ltd has significant influence over the Scheme as Discovery Health (Pty) Ltd participates in the Scheme's financial and operating policy decisions, but does not control the Scheme. Discovery Health (Pty) Ltd provides administration services. These transactions are done at arm's length.

Key management personnel:
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees and Principal Officer.

Close family members include close family members of the Board of Trustees and Principal Officer, and are also related parties.

Transactions with related parties

The following provides the total transaction amounts, which have been entered into with related parties for the relevant financial year.

Key management personnel (Board of Trustees and Principal Officer) and their close family members

	2023 R	2022 R
Statement of comprehensive income		
Insurance revenue	733,418	795,282
Claims incurred	395,412	445,479
Trustee remuneration	184,635	140,442

14. RELATED PARTY TRANSACTIONS (continued)

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

Transaction	Nature of transactions and terms and conditions thereof
Insurance revenue received	This constitutes the contributions paid by the related parties as members of the Scheme, in their individual capacity. All contributions were on the same terms as those applicable to other members.
Claims incurred	This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to other members.

Transactions with entities that have significant influence over the Scheme

	2023 R	2022 R
Discovery Health (Pty) Ltd - Administrator		
Statement of comprehensive income		
Administration fees paid	10,281,116	10,086,817
Medical emergency call centre fees (Note 11)	17,043	15,831
Discovery Health (Pty) Ltd - managed care organisation		
Statement of comprehensive income		
Managed care fees paid (Note 8)	4,406,862	4,325,167
Statement of financial position		
Balance due to Discovery Health (Pty) Ltd (Note 7)	1,256,831	1,170,193

The terms and conditions of the transactions with entities with significant influence over the Scheme were as follows:

Administration and managed care management service agreements
The administration and managed care agreements are entered into in terms of the Rules of the Scheme and in accordance with instructions given by the Board of Trustees. The agreement is automatically renewed each year, unless notification of termination is received or following the cancellation of the Administrator's accreditation or the issue of a lawful directive to this effect by the Council for Medical Schemes in terms of the Act. The Scheme and the Administrator are entitled to terminate the agreement by giving notice in writing of not less than 90 days and not more than 180 days. Outstanding balances bear no interest and are due within 7 days. Annual administration fee increases are negotiated by the Board of Trustees in accordance with the relevant terms of these agreements.

15. INSURANCE RISK MANAGEMENT REPORT

Nature and extent of risks arising from insurance contracts

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

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Scheme mitigates covered members and their dependants against the risk of loss arising as a result of the occurrence of a health event (i.e. an event relating to the health of the Scheme's beneficiary). As such, the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim.

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

The Scheme manages its insurance risk through benefit limits and sub-limits, application of clinical protocols, approval procedures for transactions that exceed set limits, pricing guidelines, pre-authorisation and case management, service provider profiling, and the regular monitoring of emerging issues.

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

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 by a change in any subset of the portfolio.

Factors that aggravate insurance risk include changes in membership distribution and major unanticipated demographic movements, adverse experience regarding the cost of prescribed minimum benefits and unusually adverse experience due to seasonal patterns.

Concentration of insurance risk

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

Age grouping	2023		2022	
(in years)	TFG Health	TFG Health Plus	TFG Health	TFG Health Plus
< 26	1,373	988	1,352	1,051
26 – 35	724	174	694	179
36 – 50	989	886	1,034	934
51 - 64	250	554	272	617
> 65	124	419	129	403
Total	**3,460**	**3,021**	**3,481**	**3,184**

15. INSURANCE RISK MANAGEMENT REPORT (continued)

Claims incurred for 2023 service year

Age grouping (in years)	Hospital R	Out of hospital R	Chronic R	Total R
< 26	17,650,948	11,372,870	439,977	29,463,795
26 – 35	9,371,263	4,818,590	294,171	14,484,024
36 – 50	23,526,434	17,724,274	2,387,060	43,637,767
51 - 64	20,058,627	14,091,156	2,064,818	36,214,602
> 65	21,194,540	11,903,070	2,081,224	35,178,834
Total	**91,801,812**	**59,909,960**	**7,267,249**	**158,979,022**

Claims incurred for 2022 service year

Age grouping (in years)	Hospital R	Out of hospital R	Chronic R	Total R
< 26	16,648,098	11,761,684	466,158	28,875,940
26 – 35	9,162,426	5,834,192	475,683	15,472,301
36 – 50	19,901,807	16,947,153	2,439,810	39,288,770
51 - 64	13,474,412	12,515,651	2,061,302	28,051,365
> 65	18,745,136	11,555,362	1,921,732	32,222,230
Total	**77,931,879**	**58,614,042**	**7,364,685**	**143,910,606**

Claims development

Claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within one year and the majority of cases within four months. At year end, a provision is made for those claims outstanding that are not yet reported at that date.

Liability for incurred claims

There are some sources of uncertainty that need to be considered in the estimate of the liability that the Scheme will ultimately pay for risk claims made under insurance contracts.

Changes in assumptions and sensitivities to changes in key variables

The table below outlines the sensitivity of 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. For each sensitivity illustrated, all other assumptions have been left unchanged.

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, assessment of changes to that variable may be required in the future.

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

Liability for incurred claims (continued)

The impact on the liability and reported income caused by changes in relevant risk variables:

	Increase in liability	Increase in liability 2023 R	Increase in liability 2022 R
In-hospital claims incurred	1% increase in claims costs	918,018	707,997
Chronic claims incurred	1% increase in claims costs	72,672	71,938
Out-of-hospital claims incurred	1% increase in claims costs	599,100	575,317

16. FINANCIAL RISK MANAGEMENT REPORT

Overview

The Scheme is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's financial performance.

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

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

The Audit Committee has been established by the Board of Trustees to assist in the implementation and monitoring of these risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Scheme, if a counterparty to an insurance contract or a financial instrument fails to meet its contractual obligations.

The Scheme’s principal financial assets exposed to credit risk include cash and cash equivalents, fair value through profit or loss investments and trade and other receivables. The Scheme’s credit risk is primarily attributable to its insurance and other receivables.

Other receivables

The main components of other receivables are in respect of:

- Interest receivable: and
- Sundry receivables.

16. FINANCIAL RISK MANAGEMENT REPORT (continued)

The Scheme manages credit risk by:

- Actively pursuing all contributions not received after 3 days of becoming due, as required by S26(7) of the Act;
- Monthly reconciliations between the Administrator and the Employer are discussed for possible suspensions of memberships;
- Ageing and pursuing arrear accounts on a monthly basis.

The Scheme establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

Investment transactions are limited to high credit quality financial institutions.

Annexure B of the Regulations to the Act prescribes the credit limits per institution, which reduces the individual risk per institution. The utilisation of these credit limits are regularly monitored.

Cash and cash equivalents

The Scheme has no significant concentration of credit risk. Cash transactions are limited to financial institutions with a high credit rating. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	Carrying amount	
		2023	2022
		R	R
Fair value through profit or loss investments - non current	2	229,611,899	227,330,304
Fair value through profit or loss investments - current	2	36,230,254	10,061,612
Trade and other receivables		1,489,626	773,364
Insurance receivables		1,443,762	584,699
Other receivables	3	45,864	188,665
Cash and equivalents	4	13,180,117	43,160,840
		280,511,896	**281,326,120**

16. FINANCIAL RISK MANAGEMENT REPORT (continued)

Insurance receivables

Insurance receivables are included in the insurance contract liability line in the Statement of Financial Position. The main components of insurance receivables are contribution receivables and member and service provider claims receivables.

Contribution receivables are collected by means of cash payments or debit orders.

The maximum credit exposure to claims receivables was:

Recoveries from members and suppliers	1,403,130	1,132,882
	1,403,130	**1,132,882**

Impairment losses

The ageing of insurance receivables at year end was:

	Gross 2023 R	Amounts not recoverable 2023 R	Gross 2022 R	Amounts not recoverable 2022 R
Not past due	70,848	-	528,480	-
Past due 3 - 30 days	18,378	-	29,838	-
Past due 31 - 60 days	812,147	-	26,382	-
Past due 61 days +	501,757	501,757	548,182	548,182
Total	**1,403,130**	**501,757**	**1,132,882**	**548,182**

The movement in the impairment allowance, for each class of insurance asset, during the year was as follows:

	Trade and other receivables			
	Insurance receivables		*Loans and receivables*	Total
	Contribution debtors	Member and service provider claims debtors		
	R	R	*R*	R
Balance as at 1 January 2022	**-**	**395,002**	**-**	**395,002**
Amounts utilised during the year	-	(65,061)	-	**(65,061)**
Increase in allowance	-	218,241	-	**218,241**
Balance as at 31 December 2022	**-**	**548,182**	**-**	**548,182**
Balance as at 1 January 2023	**-**	**548,182**	**-**	**548,182**
Amounts utilised during the year	-	(92,849)	-	**(92,849)**
Increase in allowance	-	46,425	-	**46,425**
Balance as at 31 December 2023	**-**	**501,757**	**-**	**501,757**

16. FINANCIAL RISK MANAGEMENT REPORT (continued)

Exposure to Banks

The table below shows the exposure limit and balance of cash or deposits held at five major counterparties at year end.

Counterparty	2023		2022	
	Exposure limit	Balance	Exposure limit	Balance
	R	R	R	R
ABSA	97,657,795	15,393,762	98,193,464	16,814,373
Rand Merchant Bank	97,657,795	13,525,893	98,193,464	14,286,899
Nedbank	97,657,795	16,774,850	98,193,464	19,806,251
Investec	97,657,795	1,302,029	98,193,464	782,867
Standard Bank	97,657,795	15,266,349	98,193,464	17,227,723

No exposure limits were exceeded during the reporting period and the Trustees do not expect any losses from non-performance of these counterparties.

Exposure limits were calculated as 35% of investable assets (2022: 35%).

Credit quality of financial assets and insurance receivables

The credit quality of financial assets that are neither past due nor impaired can be assessed by historical information about counterparty default rates:

	2023 R	2022 R
Insurance receivables		
Counterparties without external credit rating:		
Insurance revenue outstanding	542,387	495,334
Recoveries from members and suppliers	1,403,132	637,547

Contribution debtors
On analysing the credit quality of contribution debtors, the Scheme collected 99% of these amounts in January 2024 (2023: 99%). This indicates a high credit quality relating to these debtors.

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

Provider claim debtors
These debtors are the healthcare providers of the Scheme. The amounts due to the Scheme are offset against future payments to be made to these providers.

Cash and cash equivalents

Counterparties with external credit ratings:

Ba2 (Moody's)	**62,262,883**	**68,918,113**

16. FINANCIAL RISK MANAGEMENT REPORT (continued)

Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The availability of funding through liquid cash positions with various institutions ensures that the Scheme has the ability to fund day-to-day operations. With exception of the matter raised in note 18, the Scheme has complied with the requirements regarding the nature and categories of assets as prescribed by Section 35 and Regulation 30 of the Act.

A maturity analysis for financial liabilities, excluding insurance liabilities is provided below:

As at 31 December 2023	Less than 1 month R	Between 1 and 3 months R	Between 3 months and 1 year R
Liability for incurred claims	2,701,693	2,738,307	960,000
Trade and other payables (Note 7)	2,112,633	-	-

As at 31 December 2022	Less than 1 month R	Between 1 and 3 months R	Between 3 months and 1 year R
Liability for incurred claims	3,833,647	794,610	669,146
Trade and other payables (Note 7)	2,452,706	-	-

The contractual cash flows above equate the carrying amount of the assets and liabilities above.

Market risk

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

Currency risk
All of the Scheme's benefits are Rand-denominated and therefore the Scheme does not have significant currency risk.

Price risk
The Scheme is exposed to equity security price risk because of investments held by the Scheme. To manage its price risk arising from investments in equity securities, the Scheme diversifies its portfolio. Diversification of the Scheme's investments are done by the asset managers through the investments held in different investment portfolios.

	2023	2022
Equity exposure (Rand value)	156,527,150	158,810,290

A change of 5% in the equity market will have an effect of R7,826,358 (2022: R7,940,515) on the Scheme's reserves.

16. FINANCIAL RISK MANAGEMENT REPORT (continued)

Interest rate risk

The Scheme is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate investments within the Scheme's investment portfolio.

The Scheme's insurance liabilities are settled within one year and the Scheme does not discount insurance liabilities. Consequently, insurance liabilities do not expose the Scheme to interest rate risk.

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

As at 31 December 2023	Up to 1 month R	1 - 3 months R	3 - 12 months R	Total R
Cash and cash equivalents	13,180,117	-	-	13,180,117
Total	**13,180,117**	**-**	**-**	**13,180,117**

As at 31 December 2022	Up to 1 month R	1 - 3 months R	3 - 12 months R	Total R
Cash and cash equivalents	43,160,840	-	-	43,160,840
Total	**43,160,840**	**-**	**-**	**43,160,840**

The table below summarises the effective interest rate for monetary financial instruments:

	2023 %	2022 %
Cash and cash equivalents	7.66%	4.85%

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) accumulated funds and surplus or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Surplus or deficit		Accumulated funds	
	100bp Increase R	100bp Decrease R	100bp Increase R	100bp Decrease R
31 December 2023				
Cash and cash equivalents	131,801	(131,801)	131,801	(131,801)
Sensitivity (net)	**131,801**	**(131,801)**	**131,801**	**(131,801)**
31 December 2022				
Cash and cash equivalents	431,608	(431,608)	431,608	(431,608)
Sensitivity (net)	**431,608**	**(431,608)**	**431,608**	**(431,608)**

16. FINANCIAL RISK MANAGEMENT REPORT (continued)

Legal risk
Legal risk is the risk that the Scheme will be exposed to in respect of contractual obligations which have not been provided for. At 31 December 2023 the Scheme did not consider there to be any significant concentration of legal risk that had not been provided for.

Capital management
The Scheme is subject to the capital requirement imposed by Regulation 29(2) to the Act which requires a minimum solvency ratio of accumulated funds expressed as a percentage of gross contributions to be 25%.

The Scheme's objectives when managing capital are to maintain the capital requirements of the Act and to safeguard the Scheme's ability to continue as a going concern in order to provide benefits for its stakeholders.

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

	2023 R	2022 R
Total Insurance liability for future members per statement of financial position	270,761,649	271,521,639
Less: cumulative unrealised net gains on remeasurement to fair value of investments	(66,038,622)	(54,198,954)
Accumulated funds per Regulation 29	**204,723,027**	**217,322,685**
Insurance revenue	**159,184,288**	**175,086,735**
Solvency margin **= Accumulated funds/insurance revenue x 100%**	**128.61%**	**124.12%**

The required solvency has been maintained throughout the year.

The Scheme received approval from the Council for Medical Schemes to give members a Contribution holiday. This Contribution holiday took place in January 2023 whereby no contributions were collected for January 2023. The cost of the Contribution holiday was R14.9m and it directly impacted the Statement of Comprehensive Income. The lower annual contributions increased the solvency ratio for the current financial year. In the absence of the Contribution holiday the solvency ratio would have been 116.96%.

Fair value estimation

The carrying value less impairment of loans and other receivables and payables are assumed to approximate their fair values due to their short-term nature.

Continuous monitoring takes place to ensure that appropriate assets are held where the Scheme's liabilities are dependent upon the performance of investments and that a suitable match of assets exists for all liabilities.

16. FINANCIAL RISK MANAGEMENT REPORT (continued)

Breakdown of investments

The assets of the portfolio must be invested in accordance with Annexure B of the Regulations to the Act.

The investments for the purposes of the financial statements comprise of fair value through profit or loss investments and cash and cash equivalents.

Fair value through profit or loss investments: non-current
Non-current fair value through profit or loss investments comprise the following:

	2023 R	2022 R
Investments in Linked Life Policies	229,611,899	227,330,304
	229,611,899	**227,330,304**

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

The Scheme invested in an equity Linked Life Policy through Allan Gray Life Limited, Sanlam Ltd, Prescient Ltd and Old Mutual Ltd which at year-end amounted to 82% (2022: 81%) of the Scheme's assets. The objective with this investment is to maximise capital growth over a longer term.

Fair value through profit or loss investments: current
Current fair value through profit or loss investments comprise the following:

	2023 R	2022 R
Investment in Core Income Fund	36,230,254	10,061,612
	36,230,254	**10,061,612**

The Scheme invested in a Core Income Fund with Nedgroup investments as part of the Taquanta asset manager's portfolio.

Cash and cash equivalents
Cash and cash equivalents are made up of the following year end balances:

	2023 R	2022 R
Current accounts	2,927,122	2,473,800
Money market accounts	10,252,995	40,687,040
Total	**13,180,116**	**43,160,840**

16. FINANCIAL RISK MANAGEMENT REPORT (continued)

The following table compares the fair value and carrying amounts of financial assets and liabilities per class of financial assets and financial liabilities. The carrying amount equates the fair value.

	Financial assets and liabilities at amortised cost	Loans and receivables	Insurance receivables and payables	Fair value through profit or loss investments	Total carrying amount
	R	R	R	R	R
For the year ended 31 December 2023					
Fair value through profit or loss investments	-	-	-	265,842,153	**265,842,153**
Cash and cash equivalents	13,180,117	-	-	-	**13,180,117**
Other receivables	-	45,864	-	-	**45,864**
Trade and other payables	(2,112,633)	-	-	-	**(2,112,633)**
Insurance contract liabilities	-	-	(6,193,852)	-	**(6,193,852)**
	11,067,484	45,864	(6,193,852)	265,842,153	**270,761,649**
For the year ended 31 December 2022					
Fair value through profit or loss investments	-	-	-	237,391,916	**237,391,916**
Cash and cash equivalents	43,160,840	-	-	-	**43,160,840**
Other receivables	-	188,665	-	-	**188,665**
Trade and other payables	(2,452,706)	-	-	-	**(2,452,706)**
Insurance contract liabilities	-	-	(6,537,595)	-	**(6,537,595)**
	40,708,134	43,349,505	(6,537,595)	237,391,916	**271,751,120**

17. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Scheme 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 results. 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 Scheme estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Scheme uses information about past events, current conditions and forecasts of future conditions. The Scheme's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing, and probability of cash flows. The probability weighted average of the future cash flows is calculated using a deterministic scenario representing the probability weighted mean of a 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 Scheme estimates insurance liabilities in relation to claims incurred for healthcare contracts.

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

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

17. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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.

Valuation of financial instruments

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

- Level 1: Quoted market price (unadjusted in an active market for an identical instrument).
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Scheme's fair value through profit or loss investments are all categorised as Level 1 investments (2022: level 1).

Unconsolidated investment structures

The Scheme has involvement with an investment fund in which it invests but it does not consolidate. The investment fund meets the definition of a structured entity because:

- the voting rights in the fund is not dominant rights in deciding who controls it because they relate to administrative tasks only;
- each fund's activities are restricted by prospectus; and
- the fund has narrow and well-defined objectives to provide investment

18. NON-COMPLIANCE MATTERS

18.1 Contributions not received within three days of it becoming due

In terms of Section 26(7) of the Act, all contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due.

There were a small number of instances, during the year, where the Scheme received contributions after three days of becoming due, however, there are no contracts in place agreeing to this arrangement.

A detailed mandate is in place with the Administrator regarding the collection of these contributions.

18.2 Investment in participating employer and medical administrators

In terms of Section 35(8) of the Act, a medical scheme is prohibited from investing any of its assets in an employer who participates in that scheme or any medical scheme administrators.

At 31 December 2023 the Scheme held shares through linked life policies in The Foschini Group Limited to the value of R954,587 (2022: R644,845), in Momentum Metropolitan Holdings to the value of R1,432,811 (2022: R988,041), in Discovery Limited to the value of R951,829 (2022: R694,280) and in Sanlam Limited to the value of R1,687,718 (2022: R1,060,140).

Funds in this specific portfolio are structured at the sole discretion of the asset manager in a manner that maximizes returns. Therefore the Scheme does not make inputs into the structuring of the portfolio. The Scheme received exemption from this section of the Act until 30 November 2025 at which stage the Scheme will apply for a further exemption.

18.3 Claims not settled within 30 days

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. These were limited to more complex claims and management is committed to resolve these matters in a responsible manner and in the best interest of the member and the Scheme.

18.4 Investment in local equities

In terms of Regulation 30 and Annexure B a medical scheme is only allowed to invest up to 40% of investable assets in local equities. As 31 December 2023 the Scheme's equity holding exceeded this limit.

Regulation 30(3A) provides that assets in excess of the minimum specified in Regulation 30 may be allocated according to different percentages if a medical scheme provides the Registrar of Medical Schemes with a certified statement from a suitably qualified person. The Scheme provided such statement to the Registrar of Medical Schemes, and the Scheme is investing within the suggested percentages.

18.5 Sustainability of benefit options

In terms of section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. At 31 December 2023 the TFG Health option recorded an Insurance service result deficit of R10.9m (2022: Insurance service result surplus of R2.6m), and the TFG Health Plus option recorded an Insurance service result deficit of R8.6m (2022: Insurance service result surplus of R10.3m)

The deficits recorded were due to the contribution holiday that was implemented for January 2023. This contribution holiday was carefully planned and executed in line with the Scheme's strategy, and with the approval of the Council for Medical Schemes.

The Board of Trustees carefully monitors the Scheme's performance with the assistance of the Scheme's actuaries. The trustees are comfortable that the Scheme is in a sound financial position as at 31 December 2023.

19. COMMITMENTS AND OTHER CONTINGENT LIABILITIES

The Scheme does not have any commitments or contingent liabilities outstanding at 31 December 2023.

20. GOING CONCERN

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

- The reserve ratio at the end of the year was 128.61%.
- Available cash and investments at the end of the year amounted to R279,022,270.
- Actuarial forecasts over a five year period indicated that the Scheme will be a going concern.