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AECI MEDICAL AID SOCIETY

(Registration Number: 1005)

FINANCIAL STATEMENTS

31 December 2023

AECI MEDICAL AID SOCIETY

FINANCIAL STATEMENTS
for the year ended 31 December 2023

The reports and statements set out below comprise the financial statements presented to the members:

CONTENTS :	***Page***

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

1 DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

The AECI Medical Aid Society (the Scheme) is a not-for-profit restricted medical scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended.

1.2 Benefit options within the Scheme

The Scheme offers three benefit options to the employees and pensioner members of the employer group:
Comprehensive Option
Comprehensive Select Option (effective from 1 January 2023)
Value Option

The Scheme provides traditional medical aid benefits and does not offer a savings element.

1.3 Risk transfer arrangement during the year

ER 24 EMS Proprietary Limited
ER 24 EMS Proprietary Limited accepts the risk of providing members with ambulance services, including evacuations from accident scenes. The contract was terminated effective 31 December 2023.

2 Management

2.1 Board of Trustees

The Board of Trustees in office during the year under review and up to date of signing were:

Name	Designation	Re-Appointed/Re-Elected Date	Resignation date
GS Thompson	Chairperson	01 January 2019 01 January 2024	30 April 2024
LJ van der Walt	Trustee (Vice-Chairperson)	01 January 2019 01 January 2024	
GW Du Plessis	Trustee	01 January 2019 01 January 2024	
RA Madiba	Trustee	01 January 2024	
AM Myeza	Trustee	01 January 2019 01 January 2024	
CD Rilley	Trustee Alternate Trustee	01 January 2019 01 January 2024	
TJ Starke	Trustee	01 January 2019 01 January 2024	
AL Wille	Trustee	01 January 2024	
PH Breet	Alternate Trustee	01 January 2019 01 January 2024	
RP Hamilton	Alternate Trustee Trustee (Chairperson effective 01 May 2024)	20 June 2022 01 January 2024	31 December 2023
CL Koti	Alternate Trustee	01 January 2020	31 August 2023
MG Oosthuizen	Alternate Trustee Trustee	01 January 2019 01 January 2024 01 May 2024	30 April 2024
MI Selepe	Alternate Trustee	01 January 2024	
S Wade	Alternate Trustee	01 January 2019	31 December 2023
K Ramoupi	Alternate Trustee	01 May 2024	

2 MANAGEMENT (continued)

2.2 Principal Officer

Name and Physical Address	Postal Address
M Potgieter	
AECI Limited	
Building 24	P O Box 1101
The Woodlands Office Park	Florida Glen
Woodlands Drive	Gauteng
Woodmead	1708
Sandton	
2191	

2.3 Registered office address and postal address

Name and Physical Address	Postal Address
AECI Limited	
Building 24	P O Box 1101
The Woodlands Office Park	Florida Glen
Woodlands Drive	Gauteng
Woodmead	1708
Sandton	
2191	

2.4 Medical Scheme Administrator (the administrator)

Name and Physical Address	Postal Address
Medscheme Holdings Proprietary Limited, a subsidiary of Afrocentric Health (RF) Proprietary Limited	
37 Conrad Street	P O Box 1101
Florida North	Florida Glen
Roodepoort	Gauteng
1709	1708
Accreditation Number: MCO 21	

2.5 Managed Healthcare Services Providers

Name and Physical Address	Postal Address
Medscheme Holdings Proprietary Limited, a subsidiary of Afrocentric Health (RF) Proprietary Limited	
37 Conrad Street	P O Box 1101
Florida North	Florida Glen
Roodepoort	Gauteng
1709	1708
Accreditation Number: MCO 53	
Aid for Aids Management Proprietary Limited, a subsidiary of Afrocentric Health (RF) Proprietary Limited	
37 Conrad Street	P O Box 1101
Florida North	Florida Glen
Roodepoort	Gauteng
1709	1708
Accreditation number: MCO 94	

2 MANAGEMENT (continued)

2.6 Investment Managers

Name and Physical Address	Postal Address
M&G Investment Managers (South Africa) Proprietary Limited	
7th Floor	P O Box 44813
Protea Place	Claremont
40 Dreyer Street	Cape Town
Claremont	7735
Cape Town	
7708	
Financial service provider number: 45199	
Prescient Life (RF) Limited	
Prescient House	P O Box 31142
Westlake Business Park	Tokai
Otto Close	7966
Westlake	
7945	
Financial service provider number: 612	
Sanlam Collective Investments (RF) Proprietary Limited	
2 Strand Road	P O Box 30
Bellville	Sanlamhof
7530	7532
Sanlam Investment Management Proprietary Limited	
55 Willie van Schoor Avenue	Private Bag X8
Bellville	Tyger Valley
7530	7536
Financial service provider number: 579	

2.7 Investment Advisors

Name and Physical Address	Postal Address
Old Mutual Wealth Trust Company Proprietary Limited	
No 1 Mutual Place	P O Box 2444
2nd Floor	Saxonwold
107 Rivonia Road	2132
Sandton	
2196	
Financial service provider number: 18427	

2 MANAGEMENT (continued)

2.8 Actuaries

Name and Physical Address	Postal Address
Insight Actuarial Solutions (Pty) Ltd (Previously Insight Actuaries & Consultants)	
2nd Floor Gateway West Offices	Postnet Suite # 026
22 Magwa Crescent	Private Bag x159
Waterval City	Halfway House
Midrand	Midrand
2066	1685

2.9 External auditor

Name and Physical Address	Postal Address
KPMG Inc	
KPMG Crescent	Private Bag 9
85 Empire Road	Parkview
Parktown	2122
2193	

2.10 Internal auditor

Name and Physical Address	Postal Address
AfroCentric Health (RF) Proprietary Limited	
37 Conrad Street	P O Box 1101
Florida North	Florida Glen
Roodepoort	Gauteng
1709	1708

3 SUB-COMMITTEES

The following committees assist the trustees with their responsibilities and provide expert guidance where required:
- Audit and Risk Committee;
- Investment Committee; and
- Management and Advisory Committee.

These committees are mandated by the Trustees by means of written terms of reference as to its membership, authority and duties.

3.1 Audit and Risk Committee

An Audit and Risk Committee was established in accordance with the provisions of the Act. The Audit and Risk Committee consists of five members of which only two are members of the Board of Trustees. The Chairman of the Audit and Risk Committee is not an officer of the Scheme or its third party administrator.

The Audit and Risk Committee met on three occasions during the year as follows:
15 March 2023
5 April 2023
21 November 2023

The Principal Officer, the administrator and the external auditor are invited to all Audit and Risk Committee meetings and have unrestricted access to the Chairman of the Audit and Risk Committee.

3 SUB-COMMITTEES (continued)

3.1 Audit and Risk Committee (continued)

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

The Audit and Risk Committee comprised of:

Name	Designation	Appointed/Re-appointed date	Resignation date
T Jackson	Independent member/ Chairperson	01 January 2019/13 April 2021/12 April 2023	
C Govender	Independent member	01 January 2023	
M Dullabh	Independent member	01 January 2019	30 April 2024
AM Myeza	Trustee	01 May 2024	
MG Oosthuizen	Alternate Trustee Trustee	01 January 2019/ 01 January 2024 01 May 2024	 30 April 2024
GS Thompson	Trustee Independent member	01 January 2019/ 01 January 2024 01 May 2024	 30 April 2024

3.2 Investment Committee

The primary responsibility of the Investment Committee is to assist the Board of Trustees in implementing the investment strategy of the Scheme. The Investment Committee's mandate ensures that:

- the Scheme remains liquid;
- the investments are placed after consideration of the risk and returns of each asset;
- the investments are made in compliance with the regulations of the Act; and
- a risk assessment is performed regularly with feedback to the Board of Trustees with recommendations on the risks identified.

The Investment Committee met on four occasions during the year:
22 March 2023
07 June 2023
13 September 2023
15 November 2023

The Principal Officer, the administrator and the investment advisor are invited to all Investment Committee meetings and have unrestricted access to the Chairman of the Investment Committee.

The Investment Committee comprised of:

Name	Designation	Appointed/Re- appointed date	Resignation date
GS Thompson	Chairperson	01 January 2019	30 April 2024
PH Breet	Alternate Trustee	12 April 2022 01 January 2024	
RP Hamilton	Alternate Trustee Trustee	20 June 2022 01 January 2024	31 December 2023
TJ Starke	Trustee	01 January 2019 01 January 2024	

3 SUB-COMMITTEES (continued)

3.3 Management and Advisory Committee

The primary responsibility of the Management and Advisory Committee is to assist the Board of Trustees in dealing with operational and strategic aspects of the Scheme's management, unrelated to finances. The Management and Advisory Committee's mandate is to take the following decisions and action:

- approve or decline properly motivated applications for ex gratia assistance;
- approve or decline properly motivated applications for extension of benefits;
- approve or decline applications for additional/special dependants;
- take decisions and action as required to achieve the agreed objectives and levels of performance within the policies and strategies set by the Board of Trustees.

The Principal Officer, the administrator (if required) and other third party providers (if required) are invited to all Management and Advisory Committee meetings and have unrestricted access to the Chairman of the Management and Advisory Committee.

The Management and Advisory Committee comprised of:

Name	Designation	Appointed/Re- appointed date	Resignation date
GW Du Plessis	Chairperson	01 January 2019 01 January 2024	
RP Hamilton	Alternate Trustee Trustee	20 June 2022 01 January 2024	31 December 2023
MG Oosthuizen	Alternate Trustee Trustee	01 January 2019 01 January 2024 01 May 2024	30 April 2024
MI Selepe	Alternate Trustee	01 January 2024	
S Wade	Alternate Trustee	25 May 2021	31 December 2023
AL Wille	Trustee	01 January 2024	

4. INVESTMENT STRATEGY OF THE SCHEME

The investment strategy of the Scheme ensures that its accumulated funds are invested in accordance with the Act and the regulations thereto, and further takes into consideration constraints imposed by the Board of Trustees.

The Scheme invests its accumulated funds to ensure that it always has sufficient liquidity to meet its day to day commitments for healthcare and non-healthcare expenditure. Funds that are not immediately required to meet the Scheme’s short-term needs are invested in assets that are expected to achieve an investment return significantly better than the inflation rate, as measured by the consumer price index, over time. These assets comprise of listed equity shares, listed government and corporate bonds, cash and money market instruments. The investment return on listed equity shares is benchmarked against All Share Index and the investment return of the remaining investments is benchmarked against the BESA Total Return All Bond Index.

5 MANAGEMENT OF INSURANCE RISK

The primary insurance activity carried out by the Scheme assumes the risk arising from the health of the Scheme members and their dependants. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The principal risk is the frequency and severity of claims being greater than expected.

5 MANAGEMENT OF INSURANCE RISK (continued)

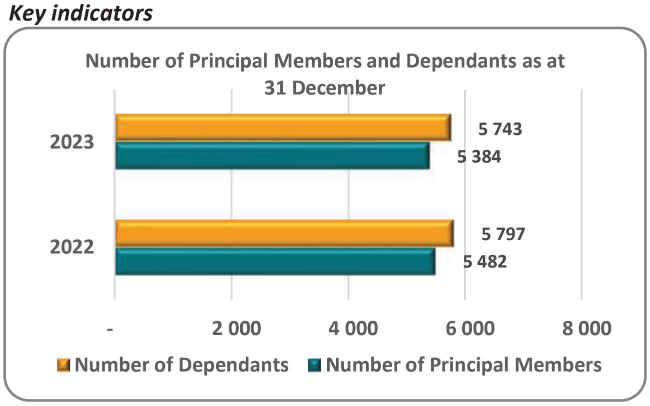
The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for claims, guidelines for pricing, pre-authorisation and case management, risk transfer arrangements and the monitoring of emerging issues.

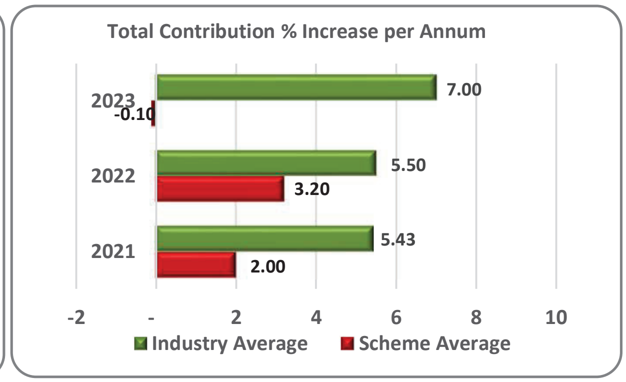
The Scheme uses several methods to assess and monitor insurance risk exposures both for individual and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for risk exposures.

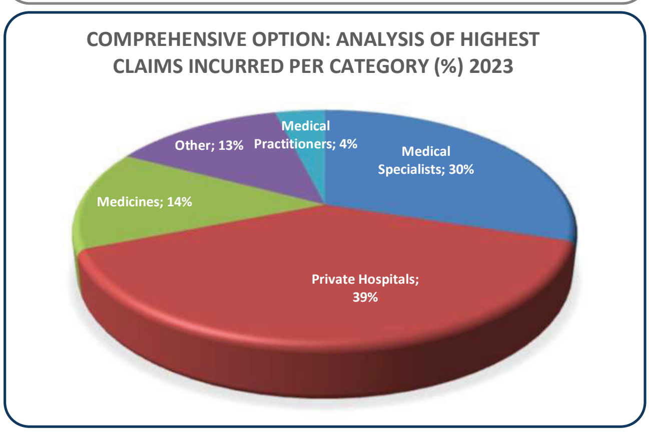
Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated with established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the financial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

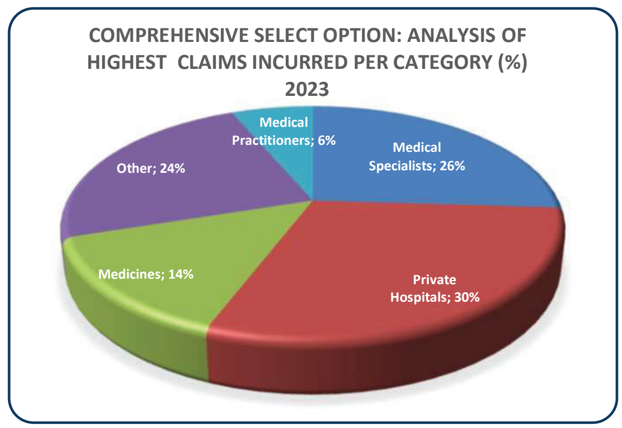
6 REVIEW OF THE YEAR'S ACTIVITIES

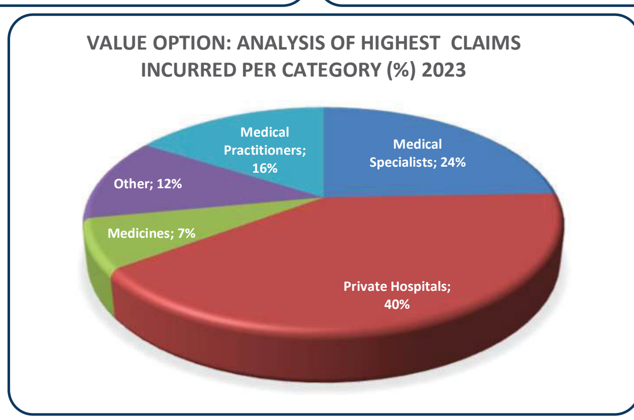
Key indicators











6 REVIEW OF THE YEAR'S ACTIVITIES (continued)

6.1 Results of operations

The results of the Scheme are set out in the attached financial statements. The Scheme reported a net expense of R2 311 651 (2022 restated* net income: R48 828 815) for the year ended 31 December 2023. The results of the Options are set out in note 16.

The Scheme implemented IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments effective 1 January 2023. Refer to note 26 to the financial statements for the impact to the financial statements.

6.2 Solvency ratio

In terms of Regulation 29(2) of the Act, the Scheme must maintain accumulated funds expressed as a percentage of risk contribution income for the financial year under review of not less than 25%.

	2023 R	2022 R Restated*
Total members' funds per the statement of financial position	622 127 599	624 439 250
Less: Revaluation reserve (Cumulative net gains on re-measurement to fair value of financial instruments included in accumulated funds)	(37 625 739)	(56 246 587)
Accumulated funds per Regulation 29	**584 501 860**	**568 192 663**
Risk contribution income (insurance revenue)	**411 536 877**	**406 062 412**
Solvency ratio	**142.03%**	**139.93%**

*Cumulative net gains on re-measurement to fair value of financial assets at fair value through profit or loss included in the accumulated funds are calculated as follows:

Balance at beginning of the year	56 246 587	82 412 672
Movement in unrealised gains on re-measurement to fair value of financial assets at fair value through profit or loss included in accumulated funds (note 12)	(18 620 848)	-
Unrealised fair value gains on revaluation of available-for-sale investments	-	17 630 838
Realised gains on disposal of available-for-sale investments	-	(43 796 923)
Balance as the end of the year	**37 625 739**	**56 246 587**

Unrealised net losses are ignored in the calculation of accumulated funds as per Circular 13 of 2001.

During 2023 the Scheme's actuaries prepared a Risk-Capital Based Solvency assessment to assess the Scheme's solvency requirements based on specific risk factors affecting the Scheme. The outcome of the assessment was that the Scheme's Risk-Based Capital Solvency requirement is between 47.9% and 53.8%.

6.3 Reserve accounts

Movements in the reserves are set out in the statement of changes in funds and reserves. There have been no unusual movements that the Board of Trustees believes should be brought to the attention of the members of the Scheme.

6.4 Liability for incurred claims

The basis for calculating the liability for incurred claims including the movements in the liability for incurred claims are set out in note 7.3 to the financial statements.

*Refer to note 26 to the financial statements.

6 REVIEW OF THE YEAR'S ACTIVITIES (continued)

6.5 Operational statistics

	2023				2022			
Details	Comprehensive Option	Comprehensive Select Option (effective 1 January 2023)	Value Option	Consolidated	Comprehensive Option Restated***	Comprehensive Select Option (effective 1 January 2023) Restated***	Value Option Restated***	Consolidated Restated***
Dependant ratio to members at 31 December (%)	87	125	140	107	86	n/a	141	106
Number of members at 31 December (n)	3 358	75	1 951	5 384	3 540	n/a	1 942	5 482
Number of dependants at 31 December (n)	2 908	94	2 741	5 743	3 058	n/a	2 739	5 797
Number of beneficiaries at 31 December (n)	6 266	169	4 692	11 127	6 598	n/a	4 681	11 279
Average number of members during the year* (n)	3 427	58	1 774	5 259	3 609	n/a	1 856	5 465
Average number of beneficiaries during the year* (n)	6 378	136	4 662	11 176	6 735	n/a	4 514	11 249
Average age of the beneficiaries at 31 December* (yrs)	50	29	27	40	49	n/a	25	39
Average insurance revenue per beneficiary per month* (R)	4 115	3 445	1 626	3 069	3 872	n/a	1 719	3 008
Average insurance service expense** per member per month (R)	9 133	7 131	2 685	6 935	8 378	n/a	2 543	6 396
Average insurance service expense** per beneficiary per month (R)	4 907	3 041	1 022	3 264	4 489	n/a	1 046	3 107
Average directly attributable expenses incurred per beneficiary per month (R)	88	70	69	29	112	n/a	83	100
Insurance service expense** as a percentage of insurance revenue (Claims ratio) (%)	117	86	58	104	113	n/a	56	100
Attributable expenses incurred as a percentage of insurance revenue (%)	2	2	4	3	3	n/a	5	3
Pensioner ratio (%) (> 65 years) at 31 December	53	9	2	34	54	n/a	2	35
Chronic Profile (%)	61	19	13	43	61	n/a	15	45
Average insurance liability for future members per member at 31 December (R)	n/c	n/c	n/c	115 551	n/c	n/a	n/c	103 647
Breakdown of total amount paid to the administrator and managed healthcare providers:								
- Administration fees (R)	8 248 301	139 526	4 670 541	13 058 368	10 195 997	n/a	5 243 044	15 439 041
- Fraud IT investigation fees (R)	312 512	5 290	176 966	494 768	533 813	n/a	-	533 813
- Accredited managed healthcare services (R)	4 112 000	69 601	2 843 849	7 025 450	5 743 580	n/a	2 241 931	7 985 511
Return on investments (%)	n/c	n/c	n/c	5	n/c	n/a	n/c	11

* Averages are calculated using the sum of the 12 months' actual membership divided by 12.
** Excludes amounts attributable to future members
n/c - not calculated
***Refer to note 26 to the financial statements.

Member: any person who has been enrolled or admitted as a main member or principal member.

Dependant: is the spouse or partner, dependant children or other members of the member's immediate family in respect of whom the member is liable for family care and support or any other person that, under the rules of the Scheme, is recognised as a dependant of such a member and is eligible for benefits under the rules of the Scheme.

Beneficiary: is a member and a person registered as a dependant of a member to the Scheme. Beneficiaries include both members as well as dependants.

7 ACTUARIAL SERVICES

The Scheme's actuaries have been consulted in the determination of the contribution, benefit levels and the outstanding claims provision.

8 SUBSEQUENT EVENTS

There have been no events that have occurred subsequent to the financial year-end that affect the financial statements which the Board of Trustees believes should be brought to the attention of the members of the Scheme.

9 GOING CONCERN STATEMENT

The financial statements have been prepared on the going concern basis. The trustees reviewed the going concern assessment taking the Scheme's financial position as at 31 December 2023, as well as the budget for the year ending 31 December 2024 into account. The Scheme reflected amounts attributable to future members of - R2 311 651 (2022 Restated* amounts attributable to future members: R48 828 815) for 2023 and budgeted amounts attributable to future members of - R22 861 221 for 2024. The insurance liability to future members as at 31 December 2023 was R622 127 599 with a solvency level of 142,03% (2022 Restated*: 139,93%).

Based on the above, the trustees considers that:

- The Scheme's assets currently exceeds its liabilities; and
- The Scheme will be able, in the ordinary course of the Scheme's business, to settle its liabilities as they arise in the foreseeable future.

Based on the assessment conducted, the Board of Trustees has no reason to believe that the Scheme would not be a going concern in the foreseeable future.

*Refer to note 26 to the financial statements.

10 INVESTMENTS IN AND LOANS TO EMPLOYERS OF MEMBERS OF THE SCHEME AND TO OTHER RELATED PARTIES

The Scheme holds no shares in AECI Limited and has not made loans to employers of the members of the Scheme and to other related parties.

11 RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in note 18 to the financial statements.

12 FRAUD MANAGEMENT

The Scheme has a zero tolerance policy against fraud, waste and abuse. The Scheme has ensured that both the Scheme Options have effective measures in place to detect, prevent and manage fraud, waste and abuse.

Medscheme Holdings Proprietary Limited’s forensic department has been appointed by the Scheme and use the FICO Insurance Fraud Manager (IFM) system. Fraud management within the healthcare industry is outdated and fragmented which has led to rapidly escalating instances of fraud. This currently represents a significant cost driver within a medical scheme’s expenditure. IFM is a robust solution that detects irregular claiming behaviour at the claim (pre-payment or quick post-payment) and provider (retrospective post-payment) levels. It uses an automated data driven approach that leverages proven, advanced analytic models and workflows that are integrated in purpose-built software to rapidly and effectively enhance a scheme’s ability to identify and address existing and emerging losses. Thus, by the use of this system, the Scheme is actively managing and preventing fraud, waste and abuse.

13 FIDELITY INSURANCE

The Scheme's Fidelity Insurance Policy was renewed in March 2023 to the value of R40 million with Lloyd's Syndicate 2987 (Brit) for 40%, Lloyd's Syndicate 1274 (Antares) for 8,3%, Lloyd's Syndicate 1618 (KI Insurance) for 10%, Compass Insurance Company Limited for 25% and Bryte Insurance Company Limited for 16,7%. The policy is underwritten by Camargue Underwriting Managers Proprietary Limited.

14 NON-COMPLIANCE

The following areas of non-compliance of the Act were identified during the course of the year:

14.1 Non-compliance with Section 35(8)(c) of the Act

Nature and cause of non-compliance
Per Section 35(8) of the Act states that:
(8) A medical scheme shall not invest any of its assets in the business of or grant loans to:
a) an employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme;
b) any other medical scheme;
c) any administrator; and
d) any person associated with any of the abovementioned.

The Scheme invests its assets in accordance with an Investment Policy. These assets are invested in a series of pooled and segregated investment vehicles each having a specific investment mandate, benchmark and chosen investment manager.

Some of these mandates may allow exposure to shares or bonds listed in the South African market. The investment manager has full discretion to choose a combination of shares and bonds that will best achieve the benchmark. The representatives of the Scheme have given discretionary powers in terms of the investment mandate, in accordance with Annexure B, to the underlying investment manager.

A number of bonds are held in ultimate holding companies of Scheme administrators.

Possible impact of non-compliance
For the current year, the Scheme holds no shares in ultimate holding companies of Scheme administrators, but do hold bonds in these entities which is prohibited in terms of Section 35(8)(c) of the Act.

	31 December 2023	
Company name	Shares R	Bonds R
Discovery Holdings Limited	-	199 387
Discovery Group Limited	-	410 883

By applying Section 35(8)(c) of the Act, the Scheme will not be able to invest in these companies. The diversification of opportunities is reduced and the Scheme will be forced to take on additional risk. This is not in the best interest of the members.

Corrective course of action adopted to ensure compliance, including timing of corrective action
The Scheme previously had an exemption from Section 35(8)(c) of the Act from the Council for Medical Schemes which lapsed on 30 August 2023. The Scheme has applied for a new exemption on 10 June 2024.

14 NON-COMPLIANCE WITH THE ACT (continued)

14.1 Non-compliance with Section 35(8)(c) of the Act (continued)

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

In terms of compliance to Annexure B of the Act, the Scheme does perform a comprehensive analysis of the total assets to monitor the Scheme's investments against limitations set out per Annexure B. When a non-compliance is identified, the Investment Committee will ensure that corrective action is taken. It would not be prudent to remove these investment opportunities from the scope of investments available to the underlying investment managers.

14.2 Claim payments not within 30 days of receipt by the Scheme

Nature and cause of non-compliance

The Act requires a medical scheme to pay to a member or a supplier of service within 30 days after the day on which the claim was received. The Scheme processes and pays the majority of all claims within 30 days from date of receipt. Situations beyond the control of the Scheme could result in claims being paid later than 30 days after receipt when for example further supporting information will be required.

Possible impact of non-compliance

These are isolated cases and have not resulted in a material gain or loss to the Scheme, inconvenience to members or healthcare service providers.

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

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

14.3 Contributions not paid within 3 days thereof becoming due

Nature and cause of non-compliance

Section 26(7) states that: "All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after the payment thereof becoming due". Certain contributions were submitted to the Scheme more than three days after the payment thereof became due. The Scheme does not hold any special contracts with members nor employer paypoints authorising such late payments.

During the reporting period the Scheme received 18 late payments from paypoints averaging R267 056. The majority of these payments were a few days late.

Possible impact of non-compliance

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

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

The Scheme's credit control policy ensures that losses to the Scheme are minimised. The Board of Trustees has reviewed the list of instances where contributions were submitted to the Scheme more than three days after the payment thereof became due and will contact the paypoints concerned to decrease instances in the future.

14 NON-COMPLIANCE WITH THE ACT (continued)

14.4 Scheme's option (Comprehensive Option) generating a net healthcare deficit

Nature and cause of non-compliance

Per Section 33(2) of the Act:

The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option:

a) includes the prescribed benefits;
b) shall be self-supporting in terms of membership and financial performance;
c) is financially sound; and
d) will not jeopardise the financial soundness of any existing benefit option within the medical scheme.

The results for the Comprehensive Option during the year were the following:

	2023 R	2022 R Restated*	Change R
Insurance service result (excluding amounts attributable to future members)	(60 403 551)	(49 623 433)	(10 780 118)
Net expense	(45 344 488)	(9 134 968)	(36 209 520)

Insurance revenue per average beneficiary per month (pabpm) for this option amounted to R4 115 (2022 restated*: R3 872) compared to an insurance service expense pabpm of R4 907 (2022 restated*: R3 264). Thus insurance service expense exceeded insurance revenue by R792 pabpm, contributing to the negative insurance service result.

The higher insurance service expense were mainly due to high cost claims, change in claiming patterns and change in case mix. The increase to the insurance revenue was lower to minimise the contribution increase to members and utilise some of the excess reserves. A negative insurance service result for the Comprehensive Option of R61 022 732 was budgeted for 2023.

Possible impact of non-compliance

The Comprehensive Option may be deemed as not self-supporting in terms of financial performance, nor financially sound.

The Scheme is financially sound and has a high level of reserves available to cover instances where deficits occurs. A negative insurance service result was budgeted for to minimise the contribution increase to members and utilise some of the excess reserves.

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

A negative insurance service result was budgeted for. The Trustees will continue to monitor the variances between the actual and budgeted net healthcare results, investigate any significant variances and take the necessary corrective actions.

The Scheme introduced a new option in 2023, the Comprehensive Select Option, which is an Efficiency Discount Option with negotiated tariffs and Hospital Networks. The introduction of the new option will assist in the management of the relevant healthcare expenditure. The Trustees have also considered the required increase in contributions and implemented minimum increases to tariffs and benefit limits for the 2024 financial year.

*Refer to note 26 to the financial statements.

15 GOVERNANCE AND COMPLIANCE

15.1 CMS routine inspection

During 2022 CMS conducted a routine inspection and the Scheme provided all the necessary documents and assistance. The Chairman of the Board of Trustees and the Principal Officer provided comments on draft findings. CMS communicated on 22 January 2024 that the final inspection report will be issued in due course.

15 GOVERNANCE AND COMPLIANCE (continued)

15.2 The Protection of Personal Information Act (POPIA)

POPIA (Act 4 of 2013) was promulgated on 17 June 2020 with an effective date of 1 July 2021. The Scheme and it's contracted service providers have been compliant with the requirements of POPIA from the effective date of 1 July 2021.

The Scheme will share member information with their contracted service providers in line with the POPIA act to ensure health care services to the members. During 2023, data were shared with ER 24 EMS Proprietary Limited and Insight Actuaries & Consultants. The Scheme has appointed a data officer who is responsible for the overseeing of the information shared and the monitoring of the compliance requirements of POPIA.

16 TRUSTEES AND SUB COMMITTEE MEETINGS ATTENDANCE

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

Name	Board of Trustees Meetings		Audit and Risk Committee Meetings		Investment Committee Meetings		Management and Advisory Committee Meetings	
Trustees	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
GS Thompson	6	6	2	1	4	4		
GW Du Plessis	6	6					1	1
AM Myeza	6	1						
CD Rilley - Resigned 31 December 2023 (Trustee) and re-appointed 01 January 2024 (Alternate)	6	5					1	1
TJ Starke	6	3			4	4		
LJ van der Walt	6	4						
PH Breet (Alternate)	6	5			4	3		
RP Hamilton - Resigned 31 December 2023 (Alternate) and appointed 1 January 2024 (Trustee)	6	6			4	3	1	1
CL Koti (Alternate) - Resigned 31 August 2023	6	2						
MG Oosthuizen (Alternate)	6	4	2	2			1	1
S Wade (Alternate) - Resigned 31 December 2023	6	6					1	1
Principal Officer								
M Potgieter (Principal Officer)	6	6	2	2	4	4	1	1
Audit and Risk Committee (Independent Members)								
T Jackson (Chairman)			2	2				
M Dullabh			2	1				
C Govender - Appointed 1 January 2023			2	2				

A - Total number of meetings members could attend
B - Number of meetings attended
* - Attendance of audit committee meetings by invitation

Rhonda Hamilton
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Louis van der Walt
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Mada Potgieter
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Chairperson **Trustee** **Principal Officer**

Board of Trustees meeting: 31 May 2024

The Board of Trustees is responsible for the preparation, integrity, and fair presentation of the financial statements of the Scheme, and to ensure that proper systems of internal control are implemented by or on behalf of the Scheme. The financial statements presented on pages 21 to 74 have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS® Accounting Standards) and in the manner required by the Medical Schemes Act 131 of 1998, as amended and include amounts based on judgements and estimates made by management.

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

The Board of Trustees is satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Scheme at 31 December 2023. The Board of Trustees also reviewed other information included in the financial statements and are responsible for both its accuracy and its consistency with the financial statements.

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

The Board of Trustees is responsible for ensuring that adequate accounting records are kept. The accounting records fairly present the financial position of the Scheme enabling the Board of Trustees to ensure that the financial statements comply with the relevant legislation.

With the assistance of the Administrator, the Scheme continues to operate in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute assurance, that all assets are safeguarded, all liabilities are recorded and that the risks facing the Scheme are being controlled.

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

The Scheme's external auditor, KPMG Inc., is responsible for auditing the financial statements in terms of International Standards on Auditing and their report is presented on pages 17 to 20. KPMG Inc. have unrestricted access to all financial records and related data, including minutes of all meetings of members, the Board of Trustees and committees of the Board. The Board of Trustees believes that all representations made to the external auditor during their audit were valid and appropriate.

The financial statements were approved by the Board of Trustees on 31 May 2024 and are signed on its behalf by:

Rhonda Hamilton	Louis van der Walt	Mada Potgieter
Signed by Rhonda Penny Hamilton, rhonda.hamilton@aeciworld.com	Signed by Louis van der Walt, louisjvanderwalt@gmail.com	Signed by Mada Potgieter, mada.potgieter@outlook.com
11/06/2024 13:45:36(UTC+02:00) SIGNIFLOW	11/06/2024 13:49:53(UTC+02:00) SIGNIFLOW	11/06/2024 13:16:27(UTC+02:00) SIGNIFLOW
Chairman	**Trustee**	**Principal Officer**

Board of Trustees meeting: 31 May 2024

AECI Medical Aid Society is committed to the principles and practice of responsibility, accountability, integrity, fairness and transparency in all dealings with its stakeholders. The Member Elected Trustees are proposed and elected by the members of the Scheme. The Employer Appointed Trustees are appointed by the employer.

Board of Trustees

The Board of Trustees meets regularly and monitors the performance of the Principal Officer, Administrator and other service providers. They address a range of key issues and ensure that discussions on items of policy, strategy and performance are critical, informed, constructive and ensure compliance with a recognised governance framework. The Scheme conducts its affairs accordingly to ethical values.

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

Risk Management and Internal Control

The Board of Trustees is accountable for the adoption of risk assessment, evaluation and management processes. Risks are reviewed and identified annually and appropriate strategies are implemented. These actions are monitored quarterly.

The Board of Trustees regularly monitors the performance of its third party Administrator and other providers to service level agreements. 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 the Scheme's assets. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

A formal internal audit function exists within the Administrator of the Scheme, with regular reporting to the Audit Committee. The Administrator of the Scheme is responsible for documenting and testing the disaster recovery procedures. The Board of Trustees regularly monitors the progress made by the Administrator in respect of its business continuity plan and disaster recovery plan.

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 controls and systems during the period under review.

Governance

In terms of good corporate governance practices, the Scheme complies with a recognised governance framework which includes regular monitoring of third party service providers and the management of internal controls and their effectiveness. Adoption and implementation of the Governance Compliance Instrument program framework that includes board self-assessments and sub-committee assessments and corrective actions if required.

Rhonda Hamilton
Signed by Rhonda Penny Hamilton, rhonda.hamilton@aeciworld.com
11/06/2024 13:45:41(UTC+02:00)
Chairman

Louis van der Walt
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Trustee

Mada Potgieter
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Principal Officer

Board of Trustees meeting: 31 May 2024

STATEMENT OF FINANCIAL POSITION
at 31 December 2023

MEDICAL AID SOCIETY

	Notes	31-Dec-23 R	31-Dec-22 R Restated*	01-Jan-22 R Restated*
ASSETS				
Non-current assets		**514 574 538**	**516 337 717**	**497 244 118**
Investments		**514 574 538**	**516 337 717**	**497 244 118**
Available-for-sale investments	2	-	516 337 717	497 244 118
Financial assets at fair value through profit or loss	3	514 574 538	-	-
Current assets		**136 257 245**	**139 744 713**	**129 423 184**
Cash and cash equivalents	4	130 084 962	134 850 585	126 411 386
Trade and other receivables	5	6 172 283	4 894 128	3 011 798
Total assets		**650 831 783**	**656 082 430**	**626 667 302**
FUNDS AND LIABILITIES				
Members' funds		**-**	**56 246 587**	**82 412 672**
Available-for-sale revaluation reserve		-	56 246 587	82 412 672
Non-current liabilities		**622 127 599**	**568 192 663**	**519 363 848**
Insurance liability to future members	6	622 127 599	568 192 663	519 363 848
Current liabilities		**28 704 184**	**31 643 180**	**24 890 782**
Insurance contract liabilities	7	27 707 740	30 845 364	24 059 132
Reinsurance contract liability	8	203 795	193 476	194 873
Trade and other payables	9	792 649	604 340	636 777
Total funds and liabilities		**650 831 783**	**656 082 430**	**626 667 302**

*Refer to note 26 relating to the restatement

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

AECI MEDICAL AID SOCIETY

	Notes	2023 R	2022 R Restated*
Insurance revenue		**411 536 877**	**406 062 412**
Insurance service expense		**(435 372 508)**	**(468 282 776)**
Claims incurred	**10.1**	(420 101 200)	(398 860 428)
Third party claim recoveries	**10.2**	119 079	895 383
Accredited management healthcare services	**10.3**	(7 025 450)	(7 985 511)
Attributable expenses incurred	**10.4**	(10 676 588)	(13 503 405)
Amounts attributable to future members	**10.5**	2 311 651	(48 828 815)
Net income from reinsurance contract held	**11**	**365 224**	**367 495**
Insurance service result		**(23 470 407)**	**(61 852 869)**
Other income		**34 506 491**	**72 043 161**
Investment income	**12**	34 137 954	71 427 931
Sundry income	**13**	368 537	615 230
Other expenditure		**(11 036 084)**	**(10 190 292)**
Administration fees and other operative expenses	**14**	(7 476 552)	(6 732 572)
Asset management fees	**15**	(3 559 532)	(3 457 720)
Net (expense)/income for the year		**-**	**-**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss		**-**	**(26 166 085)**
Unrealised fair value gains on revaluation of available-for-sale investments	**2**	-	17 630 838
Realised gains on disposal of available-for-sale investments	**12**	-	(43 796 923)
Total comprehensive income for the year		**-**	**(26 166 085)**

*Refer to note 26 relating to the restatement

	Notes	Accumulated funds	Available-for-sale revaluation reserve	Total members' funds
		R	R	R
		Restated*	Restated*	Restated*
Balance as at 1 January 2022		**518 820 392**	**82 412 672**	**601 233 064**
Adjustment on initial application of IFRS 17		543 456	-	543 456
Transition restatement: Transfer of accumulated funds to liability for future members		(519 363 848)	-	(519 363 848)
Restated balance as at 1 January 2022		**-**	**82 412 672**	**82 412 672**
Total comprehensive income		**-**	**(26 166 085)**	**(26 166 085)**
Unrealised fair value gains on available-for-sale investments	**2**	-	17 630 838	17 630 838
Realised gains on disposal of available-for-sale investments	**12**	-	(43 796 923)	(43 796 923)
Balance as at 31 December 2022		**-**	**56 246 587**	**56 246 587**
Balance as at 1 January 2023		**-**	**56 246 587**	**56 246 587**
Transfer of available-for-sale revalution reserve to accumulated funds		56 246 587	(56 246 587)	-
Transfer of accumulated funds to liability for future members		(56 246 587)	-	(56 246 587)
Restated balance as at 1 January 2023		-	-	-
Balance as at 31 December 2023		**-**	**-**	**-**

*Refer to note 26 relating to the restatement

	Notes	2023 R	2022 R Restated*
Cash flows from operating activities			
Cash receipts from members and providers		**411 767 680**	**405 990 161**
Cash receipts from members: Contributions		411 399 143	405 374 931
Cash receipts from members and providers: Other		368 537	615 230
Cash paid to members and providers		**(447 865 052)**	**(418 643 600)**
Cash paid to members and providers: Claims		(440 308 506)	(411 614 150)
Cash paid to providers: Non-healthcare expenditure		(7 556 546)	(7 029 450)
Net cash from operating activities		**(36 097 372)**	**(12 653 439)**
Cash inflow from investing activities		**31 331 749**	**21 092 638**
Additions of available-for-sale investments		-	(225 513 452)
Additions of financial assets at fair value through profit or loss		(181 056 087)	-
Disposals of available-for-sale investments		-	224 050 691
Disposals of financial assets at fair value through profit or loss		180 678 552	-
Interest received		21 265 143	9 356 148
Dividend income		13 737 979	16 390 357
Other: Investment management fees		(3 293 838)	(3 191 106)
Net increase in cash and cash equivalents		(4 765 623)	8 439 199
Cash and cash equivalents at the beginning of the year		134 850 585	126 411 386
Cash and cash equivalents at the end of the year	4	**130 084 962**	**134 850 585**

*Refer to note 26 relating to the restatement

1 MATERIAL ACCOUNTING POLICIES

The following are the material accounting policies applied in the preparation of these financial statements.

1.1 Basis of preparation

Compliance with IFRS® Accounting Standards

The financial statements of the Scheme have been prepared in accordance with IFRS® Accounting Standards and IFRIC® Interpretations applicable to schemes reporting under IFRS® Accounting Standards. The financial statements comply with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB). The financial statements are also prepared in accordance with the Medical Schemes Act 131 of 1998, as amended (MSA), which requires additional disclosures for registered medical schemes.

Historical cost

The financial statements have been prepared on the going concern principle and historical cost basis, except for the following:
- Certain financial assets and liabilities (including derivative instruments) – measured at fair value.
- Insurance and reinsurance assets and liabilities – measured in terms of IFRS 17 Insurance Contracts (IFRS 17) estimates.

Functional and presentation currency

These financial statements are presented in Rand, which is the Scheme's functional and presentation currency. All the financial information presented in Rand has been rounded to the nearest Rand.

Adoption of new and revised International Financial Reporting Standards (IFRS® Accounting Standards)

a ***New standards, amendments and interpretations issued and not yet effective in 2023 and relevant to the Scheme***

At the date of authorisation of these financial statements, the following amendment which is relevant to the Scheme, was issued but not yet effective.

IAS 1 ***Presentation of Financial Statements: Amendments***

Classification of Liabilities as Current or Non-current:
Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

The standard is effective for annual periods beginning on or after 1 January 2024. Early adoption is permitted.

b ***New standards, amendments and interpretations issued and effective in 2023 and adopted by the Scheme***

At the date of authorisation of these financial statements, the following standards and amendments which are relevant to the Scheme, were issued and effective, and have been adopted in the financial statements.

IAS 1 ***Presentation of Financial Statements: Amendments***

Disclosure of Accounting Policies:
The amendments require schemes to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

Adoption of new and revised International Financial Reporting Standards (IFRS® Accounting Standards) (continued)

b *New standards, amendments and interpretations issued and effective in 2023 and adopted by the Scheme (continued)*

IFRS 17 *Insurance Contracts*

The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the previous standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

The amendment was effective for annual periods on or after 1 January 2023 and applied retrospectively. The Scheme implemented the standard and details of the transition and restatement of the financial statements are included on Note 26.2.

IFRS 17 *Insurance Contracts: Amendments*

In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.

The standard was effective for annual periods on or after 1 January 2023 and applied retrospectively. The Scheme implemented the standard and details of the transition and restatement of the financial statements are included on Note 26.2.

IFRS 9 *Financial Instruments*

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace *IAS 39 Financial Instruments: Recognition and Measurement.*

This standard will have an impact on the Scheme, which will include changes in the measurement basis of the Scheme's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Scheme.

IFRS 4 provides a temporary exemption that permits, but does not require, the scheme to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

Adoption of new and revised International Financial Reporting Standards (IFRS® Accounting Standards) (continued)

b *New standards, amendments and interpretations issued and effective in 2023 and adopted by the Scheme (continued)*

IFRS 9 *Financial Instruments* (continued)

A scheme may apply the temporary exemption from IFRS 9 if, and only if:
- it has not previously applied any version of IFRS 9
- its activities are predominantly connected with insurance at its reporting date.

The Scheme met both the criteria and applied the exemption to defer the application of IFRS 9 to 1 January 2023.

The standard was effective for annual periods on or after 1 January 2023. The Scheme implemented the standard and details of the transition and restatement of the financial statements are included on Note 26.1.

IFRS 9 Financial Instruments: Amendments

Annual Improvements to IFRS® Accounting Standards 2018-2020: The amendment clarifies that for the purpose of performing the "10 per cent test" for derecognition of financial liabilities - in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The standard was effective for annual periods on or after 1 January 2023. The Scheme implemented the standard and details of the transition and restatement of the financial statements are included on Note 26.1.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.

The amendment was effective for annual periods beginning on or after 1 January 2023.

1.2 Significant judgements and estimates

Consistent with other IFRS® Accounting Standards, financial reporting under IFRS 17 is, to a larger extent, based on estimates, judgements and models rather than exact depictions. The IFRS® Accounting Standards Conceptual Framework establishes the concepts that underlie those estimates, judgements and models. Where an application of a particular standard requires judgements or provides options, it is expected that the preparers of financial information will choose among the alternatives in a way that achieves the objective of financial reporting i.e. to provide financial information about the reporting entity that is useful to the trustees, Council for Medical Schemes (CMS) and members.

In addition to the existing requirement in IFRS® Accounting Standards to disclose critical judgements made in applying accounting policies and major sources of estimation uncertainty, IFRS 17 requires the following specific disclosures with respect to contracts in the scope of the standard:

- The methods used to measure insurance contracts and the processes used for estimating inputs to those methods, including quantitative information about those inputs when practicable, and specifically approaches used to determine the risk adjustment for non-financial risk; and
- Any changes in the above method and process, together with an explanation of the reason for each change and the type of contracts affected.

If an entity uses a technique other than the confidence-level technique for determining the risk adjustment, it is required to disclose a translation of the result of that technique into a confidence level to allow users of financial statements to see how the entity’s own assessment of its risk aversion compares to that of other entities.

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

1 MATERIAL ACCOUNTING POLICIES (continued)

1.2 Significant judgements and estimates (continued)

1.2.1 Significant Judgements

a) *Assessment as to whether the Scheme is a mutual entity*

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

IFRS 3 defines a “mutual entity” as “An entity, other than an investor-owned entity, that provides dividends, lower costs or other economic benefits directly to its owners, members or participants. For example, a mutual insurance company, a credit union and a co-operative entity are all mutual entities.” IFRS 17 does not define a “mutual entity” however it provides a key characteristic of a mutual entity in the basis of conclusion to the standard. IFRS 17 paragraph BC265 explains that “a defining feature of an insurer that is a mutual entity is that the most residual interest of the entity is due to a policyholder and not a shareholder.” The MSA is not explicit that members (i.e. policyholders) hold a residual interest or are entitled to the residual interest upon the liquidation of the medical scheme. Section 64 of the MSA requires the medical scheme rules to be followed in the event of liquidation.

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

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

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

It is therefore expected that the remaining assets of the Scheme will be used to pay current and future members. Based on the above, the Scheme meets the definition of a mutual entity in IFRS® Accounting Standards. The Scheme has therefore developed an accounting policy in terms of the IFRS 17 guidance for mutual entities and the educational material as issued by the IASB and the Scheme recognises any cumulative profit or losses as part of the insurance liability attributable to future members (which forms part of the insurance contract liabilities on the face of the Statement of Financial Position).

Consequently the Statement of Profit or Loss and Other Comprehensive Income reflects no total comprehensive income for the year. The movement in the insurance liability attributable to future members is included in the insurance service expenses line.

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

Unit of account

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

1 MATERIAL ACCOUNTING POLICIES (continued)

1.2 Significant judgements and estimates (continued)

1.2.1 Significant Judgements (continued)

Unit of account (continued)

The above is demonstrated by the following:

- Hospital claims are managed on a scheme level.
- Chronic conditions are managed on a scheme level, i.e. no matter the option the member will have access to the chronic condition management benefit.
- Risk transfer arrangements are based on conditions and not on benefit options.
- Pricing and benefit option changes are determined at a scheme level to manage member migration between different benefit options to ensure each option is sustainable.
- Risk (utilisation and concentration) is managed holistically.

b) ***Risk adjustment – liability for incurred claims (LIC)***

The timing, frequency, severity and type of health events are uncertain, the ultimate insurance risk covered by a medical scheme can be defined as a single risk – that of providing cover for a health event that the member may incur. The risk under the insurance contracts issued by medical schemes can be expressed as the probability that an insured event ("health event") occurs, multiplied by the expected amount of the resulting claim.

The risk adjustment was calculated at the portfolio level as the Scheme does not have groups due to laws that constrain The Scheme's ability to set a price for different members. The confidence level method was used to derive the overall risk adjustment for non-financial risk. In the confidence level method, the risk adjustment is determined by applying a confidence level to run-off triangles used to calculate the LIC. The confidence level is set to 85%.

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

c) ***Risk adjustment - reinsurance contracts***

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Scheme to the reinsurer. The same methodology applies to the reinsurance contracts as for the insurance contracts with regards to the determination of the risk adjustment.

1.2.2 Significant estimates

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

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

For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to note 21.1.9

1 MATERIAL ACCOUNTING POLICIES (continued)

1.2 Significant judgements and estimates (continued)

1.2.2 Significant estimates (continued)

a) *Estimates of future cash flows to fulfil insurance contracts (continued)*

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

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

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

b) *Methods used to measure the insurance contracts*

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

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

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

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

1.3 Financial instruments

1.3.1 Per IAS 39 Financial Instruments: Recognition and measurement (up to 31 December 2022)

The Scheme classifies its financial assets into the following categories:
- Available-for-sale investments;
- Loans and receivables:
  - Cash and cash equivalents;
  - Trade and other receivables.
- Financial liabilities:
  - Trade and other payables.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

1.3.1 Per IAS 39 Financial Instruments: Recognition and measurement (up to 31 December 2022) (continued)

Measurement

Financial assets and liabilities are recognised on the Scheme`s statement of financial position when it becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value including transactions costs. Subsequent to initial recognition, these instruments are measured as set out below.

Available-for-sale investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale. The Scheme`s investment in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the available-for-sale reserve. When an investment is derecognised, the gain or loss accumulated in equity is recognised in profit and loss.

All purchases and sales of investments are recognised on the trade date, which is the date that the Scheme commits to purchase or sell the asset. The cost of purchases includes transaction costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Scheme's loans and receivables comprise cash and cash equivalents and trade and other

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term liquid investments, that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Cash and cash equivalents are recognised at carrying value which is deemed fair value.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, using the effective interest method. Financial liabilities at amortised cost includes trade and other payables.

Derecognition of financial assets and liabilities

The Scheme derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset. If the Scheme neither transfers nor retains substantially all the risks and the rewards of ownership and continues to control the transferred asset, the Scheme recognises its retained interest in the asset and an associated liability for amounts it may have to pay. Where the risks and rewards of the ownership of the financial asset are substantially retained, the financial asset continues to be recognised.

The Scheme derecognises a financial liability when the contractual obligations are discharged or expire.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

1.3.1 Per IAS 39 Financial Instruments: Recognition and measurement (up to 31 December 2022) (continued)

Offsetting financial instruments

Where current legally enforceable rights of offset exist for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

Impairment losses

a) Financial assets

The carrying amounts of the Scheme's financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. This can be caused by providers being liquidated or members deceased. If any such indication exists, the asset’s fair value is determined. An impairment loss is recognised whenever the carrying amount of an asset exceeds its fair value. Impairment losses are recognised in comprehensive income.

An impairment loss in respect of an available-for-sale investment are calculated by reference to its fair value. When a decline in the fair value of an investment has been recognised and there is objective evidence that the asset is impaired, the cumulative loss that had been accumulated in reserves is reclassified in the statement of comprehensive income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of comprehensive income is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in comprehensive income.

The Scheme first assesses whether objective evidence of impairment exists, individually for financial assets that are individually significant, such as healthcare service provider debtors. In the case of assets which are not individually significant, such as contribution debtors, financial assets are grouped on the basis of similar credit characteristics, such as asset type and past due status. These characteristics are used in the estimation of future cash flows recoverable.

The recoverable amount of the Scheme's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

Receivables with a short duration are not discounted. Provisions for the impairment losses are based on previous experience and calculated in terms of the policy laid down by the Board of Trustees.

Reversal of impairment

The impairment loss in respect of a receivable carried at amortised cost is reversed insofar as estimates change as a result of an event occurring after the impairment loss was recognised. The decrease in the impairment loss is reversed through comprehensive income.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss, but is recognised in other comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income, the impairment loss is reversed, with the amount of the reversal recognised in income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

1.3.2 Per IFRS 9 Financial Instruments (From 1 January 2023)

The Scheme classifies its financial assets into the following categories:
- Financial assets at fair value through profit or loss;
- Financial assets measured at amortised cost:
  - Cash and cash equivalents;
  - Trade and other receivables.
- Financial liabilities measured at amortised cost:
  - Trade and other payables.

Measurement

Financial instruments not measured at fair value through profit or loss are initially measured at fair value including transactions costs. Financial assets at fair value through profit or loss are measured at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, these instruments are measured as set out below.

Financial assets at fair value through profit or loss

With effect 01 January 2023, the available-for-sale financial assets have been reclassified as financial assets at fair value through profit or loss following the implementation of IFRS 9 which require the classification of financial assets to be determined on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A business model refers to how an entity manages its financial assets in order to generate cash flows by collecting contractual cash flows, selling financial assets or both. Financial assets are measured at fair value through other comprehensive income ("OCI") or at amortised cost if the objective of the business model is to achieve collecting contractual cash flows as well as selling financial assets and the assets' contractual cash flows represent the solely payments of principal and interest ("SPPI") test.

All purchases and sales of investments are recognised on the trade date, which is the date that the Scheme commits to purchase or sell the asset. The cost of purchases includes transaction costs. These are included in non-current assets unless the Trustees have the express opinion of holding the investment for less than 12 months from the statement of financial position date or unless they will need to be sold to raise operations capital in which case they are included in current assets.

These assets are subsequently measured at fair value and all fair value adjustments are recognised in the statement of profit or loss during the financial period.

Financial assets measured at amortised cost

Financial assets measured at amortised costs arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less provision for impairment.

Financial assets measured at amortised costs comprises of trade and other receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term liquid investments, that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Cash and cash equivalents are recognised at carrying value which is deemed fair value.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost, using the effective interest method.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

1.3.2 Per IFRS 9 Financial Instruments (From 1 January 2023) (continued)

Financial liabilities measured at amortised cost

Financial liabilities are subsequently measured at amortised cost, using the effective interest method. Financial liabilities at amortised cost includes trade and other payables.

Derecognition of financial assets and liabilities

The Scheme derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset. If the Scheme neither transfers nor retains substantially all the risks and the rewards of ownership and continues to control the transferred asset, the Scheme recognises its retained interest in the asset and an associated liability for amounts it may have to pay. Where the risks and rewards of the ownership of the financial asset are substantially retained, the financial asset continues to be recognised.

The Scheme derecognises a financial liability when the contractual obligations are discharged or expire.

Offsetting financial instruments

Where current legally enforceable rights of offset exist for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

Impairment losses

a) Trade receivables (does not include members that are in arrears)

The Scheme assesses on a forward-looking basis the expected credit losses associated with its trade and other receivables carried at amortised cost. For trade and other receivables, the Scheme applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Scheme's trade and other receivables do not contain a significant financing component and therefore the loss allowance is measured at initial recognition as the expected the credit losses ("ECLs")that result from all possible default events over the expected life of a financial instrument in accordance with IFRS 9. As a practical expedient, IFRS 9 allows a provision matrix to be used to estimate ECL for these financial instruments.

The provision matrix is based on historical observed default rates, adjusted for forward looking estimates. At every reporting date, the historical observed rates are updated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Scheme about the following events:

- significant financial difficulty of the healthcare service provider or member debtors;
- breach of contract, such as non-payment of member contributions when due and if these remain unpaid for extended periods;
- default or delinquency in payments due to healthcare service provider or other debtors;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from other Scheme assets since the initial recognition of those assets, although the decrease cannot yet be attributed to the individual financial assets in the Scheme;
- adverse changes in the payment status of members of the Scheme; or
- national or local economic conditions that correlate with non-payment of debtors contributions.

It is in respect of contributions receivable, member and service provider debit balances recoverable by management. The Scheme utilises readily available economic index, healthcare inflation, national credit rating and unemployment indicators as a basis for determining the future information such as consumer price expectations of the observable data.

If it is determined that a possible impairment loss will be incurred on loans and receivables measured at amortised cost, the amount of the loss is measured as the difference between the present value of the cash flows due under the contract and the present value of the cash flows that the entity expects to receive. These losses are recognised at initial recognition in profit or loss and reflected in an allowance account.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

1.3.2 Per IFRS 9 Financial Instruments (From 1 January 2023) (continued)

Reversal of impairment

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed directly to profit or loss.

1.4 Insurance contracts

1.4.1 Insurance contracts

Identification of insurance contracts

The contracts issued by medical schemes (the issuer) indemnify covered members (the policyholder) and their covered dependants against the risk of loss arising from the occurrence of a health event (insured event). The timing, frequency and severity of the health event covered is uncertain. These contracts fall under the scope of IFRS 17.

Whilst the timing, frequency, severity and type of health events are uncertain, the ultimate insurance risk covered by a medical scheme can be defined as a single risk – that of providing cover for a health event that the member may incur. The risk under the insurance contracts issued by medical schemes can be expressed as the probability that an insured event (“health event”) occurs, multiplied by the expected amount of the resulting claim.

Level of aggregation

The Scheme as a whole was identified as a portfolio. All contracts issued by a Scheme are subject to similar risks and managed together. As the Act specifically constrains the entity’s practical ability to set a different price or level of benefits for members with different characteristics the scheme as whole was also identified as the group. The Scheme assesses if the group as whole is onerous or profitable. If the group is onerous, no further liability is recognised as a liability to future members is recognised (as the Scheme is regarded as a mutual entity for accounting purposes).

Recognition and derecognition

Insurance contracts issued shall be recognised from the earliest of the following:

- The beginning of the coverage period;
- The date when the first payment from a policyholder becomes due; and
- For onerous contracts, when the contracts become 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).

Premium allocation approach (PAA)

The contract boundary for contracts issued does not exceed 12 months and consequently the scheme elected to apply the PAA.

The classification of medical schemes as mutual entities does not impact the extent of insurance cover/ insurance contract services to be provided by the medical scheme in terms of the member contracts and therefore the PAA is still applicable.

In applying the PAA, the Scheme chose to recognise any insurance acquisition cash flows as expenses when it incurs those costs.

Insurance contract liabilities

The carrying amount of the group of insurance contracts issued at each reporting date is the sum of:

- The LFRC; and
- The LIC, comprising the FCF related to past service allocated to the group at reporting date.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.4 Insurance contracts (continued)

1.4.1 Insurance contracts (continued)

Liability for incurred claims

The Scheme measures the liability for incurred claims as the fulfilment cash flows relating to incurred claims. The future cash flows are not adjusted for the time value of money and the effect of financial risk as these cash flows are expected to be paid in one year or less from the date the claims are incurred.

Liability for remaining coverage

As the coverage period and the financial year for a medical scheme is the same, there would be no liability for remaining coverage at the year-end reporting date, assuming that the actual cash collected for contributions equals the contributions recognised.

The estimate of the future cash flows in terms of the liability for incurred claims is adjusted to reflect the compensation that the Scheme requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk.

The Scheme shall apply judgement when determining an appropriate estimation technique for the risk adjustment for non-financial risk and consider whether the technique provides concise and informative disclosure so that users of financial statements can benchmark the performance against the performance of other medical schemes.

The Scheme presents insurance service expense in profit or loss insurance service expenses comprising incurred claims (excluding repayments of investment components) and other incurred insurance service expenses.

1.4.2 *Insurance revenue*

Insurance revenue for the period is the amount of expected premium receipts (excluding the PMSA) allocated to the period. The scheme allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

1.4.3 *Insurance service expenses*

The Scheme presents insurance service expense in profit or loss in insurance service expenses comprising incurred claims (excluding repayments of investment components) and other incurred insurance service expenses.

1.5 Reinsurance contract

Contracts entered into by the Scheme with third party service providers under which the Scheme is compensated for losses/claims (through the provision of services to members) on one or more contracts issued by the Scheme and that meet the classification requirements of insurance contracts are classified as reinsurance contracts held. Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts held. Reinsurance contract premiums/fees are recognised as an expense over the indemnity period.

Reinsurance contract claims and benefits reimbursed are presented in the statement of profit or loss and other comprehensive income and statement of financial position on a gross basis. Similar to the insurance contracts, reinsurance contracts held are also accounting for using the premium allocation approach as these contracts have a boundary of one year or less.

Amounts recoverable under reinsurance contracts held are estimated in a manner consistent with the insurance contracts.

Amounts recoverable under reinsurance contracts held are assessed for non-performance at each reporting date, however this is normally not significant.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.6 Reimbursements from the Road Accident Fund (RAF)

The Scheme grants assistance to its members in defraying expenditure incurred in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act No. 56 of 1996, as amended. If the member is reimbursed by the RAF, they are obliged in terms of the Scheme Rules to cede that payment to the Scheme to the extent that they have already been compensated.

A reimbursement from the RAF is a possible asset that arises from claims submitted to the RAF and whose existence 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. If it has become reasonably certain that an inflow of economic benefits will arise, an asset will be recorded and the related income will be recognised in the financial statements.

Receivables from the RAF are still assessed for possible impairment despite the RAF's notification of payment of the claim.

1.7 Investment income

Investment income comprises dividends, interest on call and current accounts and realised gains on available-for-sale investments/financial assets held at fair value through profit or loss.

Dividend income from available-for-sale investments/financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of net investment income when the Scheme’s right to receive payments is established.

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

Realised gains on available-for-sale investments and financial assets at fair value through profit and loss arising from the sale of the investments and are recognised in profit or loss.

		2023 R	2022 R Restated*
2	**AVAILABLE-FOR-SALE INVESTMENTS**		
	Fair value at the beginning of the year	**516 337 717**	**497 244 118**
	Transfer to financial assets at fair value through profit and loss	(516 337 717)	-
	Pooled Funds	**-**	**18 338 011**
	Additions	-	91 271 983
	Disposals	-	(72 933 972)
	Segregated Funds	**-**	**(16 875 250)**
	Additions	-	134 241 469
	Disposals	-	(151 116 719)
	Unrealised gains recognised in Other Comprehensive Income	-	17 630 838
	Fair value at the end of the year	**-**	**516 337 717**
	The Scheme has invested in the following investments:		
	Equity	-	354 425 493
	Bonds	-	117 261 431
	Money market instruments	-	44 650 793
		-	**516 337 717**

The fair values of the investments are based on portfolio market values as at the reporting date. A register of investments is available for inspection at the registered office of the Scheme.

		2023 R	2022 R Restated*
3	**FINANCIAL ASSETS AT FAIR VALUE THOUGH PROFIT OR LOSS**		
	Fair value at the beginning of the year	**-**	**-**
	Transfer to financial assets at fair value through profit and loss	516 337 717	
	Pooled Funds	**2 391 251**	**-**
	Additions	2 391 251	-
	Disposals	-	-
	Segregated Funds	**(2 013 716)**	**-**
	Additions	178 664 836	-
	Disposals	(180 678 552)	-
	Realised gains on disposal of financial assets at fair value through profit or loss	16 480 134	
	Unrealised fair value loss adjustments in investments	(18 620 848)	-
	Fair value at the end of the year	**514 574 538**	**-**
	The Scheme has invested in the following investments:		
	Equity	352 855 974	-
	Bonds	125 824 087	-
	Money market instruments	35 894 477	-
		514 574 538	**-**

The fair values of the investments are based on portfolio market values as at the reporting date. A register of investments is available for inspection at the registered office of the Scheme.

*Refer to note 26 relating to the restatement

		2023 R	2022 R Restated*
4	**CASH AND CASH EQUIVALENTS**		
	Call accounts	37 731 265	44 731 448
	Current account	709 688	1 171 628
	Fixed deposits	91 644 009	88 947 509
		130 084 962	**134 850 585**
	The weighted average effective interest rate was:		
	Call accounts	10.3%	5.3%
	Fixed deposits	9.1%	5.8%

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

5	**TRADE AND OTHER RECEIVABLES**		
	Prepaid expenses	74 713	72 104
	Accrued investment income	6 097 570	4 822 024
		6 172 283	**4 894 128**

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

6	**INSURANCE LIABILITY TO FUTURE MEMBERS**		
	Opening balance as at 1 January	568 192 663	519 363 848
	Transfer of available-for-sale revaluation reserve	56 246 587	-
	Movement in insurance liability to future members	(2 311 651)	48 828 815
		622 127 599	**568 192 663**

*Refer to note 26 relating to the restatement

7 INSURANCE CONTRACT LIABILITIES

2023

	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC) Best Estimate	Risk Adjustment	Total
	R	R	R	R
Opening balance insurance contract assets	(1 435 595)	(938 498)	-	(2 374 093)
Opening balance insurance contract liabilities	789 655	30 204 790	2 225 012	33 219 457
Net opening balance as at 1 January 2023	**(645 940)**	**29 266 292**	**2 225 012**	**30 845 364**
Changes in the statement of comprehensive income				
Insurance revenue	**(411 536 877)**	**-**	**-**	**(411 536 877)**
Insurance revenue from contracts measured under the Premium Allocation Approach	(411 536 877)	-	-	(411 536 877)
Insurance service expenses	**-**	**438 079 877**	**(395 718)**	**437 684 159**
Incurred claims and other insurance services expenses	-	437 701 112	-	437 701 112
Adjustments to liabilities for incurred claims	-	378 765	(395 718)	(16 953)
Total changes in the statement of comprehensive income	**(411 536 877)**	**438 079 877**	**(395 718)**	**26 147 282**
Cash flows				
Contributions received	411 399 143	-	-	411 399 143
Claims and other insurance expenses paid	-	(440 684 049)	-	(440 684 049)
Total cash flows	**411 399 143**	**(440 684 049)**	**-**	**(29 284 906)**
Net closing balance as at 31 December 2023	**(783 674)**	**26 662 120**	**1 829 294**	**27 707 740**
Closing balance insurance contract assets (Note 7.1)	(1 071 995)	(1 070 544)	-	(2 142 539)
Closing balance insurance contract liabilities (Note 7.2)	288 321	27 732 664	1 829 294	29 850 279
Net closing balance as at 31 December 2023	**(783 674)**	**26 662 120**	**1 829 294**	**27 707 740**
2022 Restated*				
Opening balance insurance contract assets	(1 071 523)	(899 844)	-	(1 971 367)
Opening balance insurance contract liabilities	1 113 064	22 905 368	2 012 067	26 030 499
Net opening balance as at 1 January 2022	**41 541**	**22 005 524**	**2 012 067**	**24 059 132**
Changes in the statement of comprehensive income				
Insurance revenue	**(406 062 412)**	**-**	**-**	**(406 062 412)**
Insurance revenue from contracts measured under the Premium Allocation Approach	(406 062 412)	-	-	(406 062 412)
Insurance service expenses	**-**	**419 241 016**	**212 945**	**419 453 961**
Incurred claims and other insurance services expenses	-	416 064 258	-	416 064 258
Adjustments to liabilities for incurred claims	-	3 176 758	212 945	3 389 703
Total changes in the statement of comprehensive income	**(406 062 412)**	**419 241 016**	**212 945**	**13 391 549**
Cash flows				
Contributions received	405 374 931	-	-	405 374 931
Claims and other insurance expenses paid	-	(411 980 248)	-	(411 980 248)
Total cash flows	**405 374 931**	**(411 980 248)**	**-**	**(6 605 317)**
Net closing balance as at 31 December 2022	**(645 940)**	**29 266 292**	**2 225 012**	**30 845 364**
Closing balance insurance contract assets (Note 7.1)	(1 435 595)	(938 498)	-	(2 374 093)
Closing balance insurance contract liabilities (Note 7.2)	789 655	30 204 790	2 225 012	33 219 457
Net closing balance as at 31 December 2022	**(645 940)**	**29 266 292**	**2 225 012**	**30 845 364**

*Refer to note 26 relating to the restatement

	2023 R	2022 R Restated*

7 INSURANCE CONTRACT LIABILITIES (continued)

7.1 INSURANCE CONTRACT ASSETS

	2023 R	2022 R Restated*
Contributions outstanding	1 071 995	1 435 595
Provider debt outstanding	586 791	436 058
Recoveries from members for co-payments outstanding	483 753	502 440
Closing balance insurance contract assets	**2 142 539**	**2 374 093**

The carrying amounts of insurance contract assets approximate their fair values due to the short-term maturities of these assets.

7.2 INSURANCE CONTRACT LIABILITIES

	2023 R	2022 R Restated*
Contributions received in advance	187 843	215 723
Provision for impairment losses on healthcare receivables: Contributions	100 478	573 932
Liability for incurred claims (Best estimate) (Note 7.3)	23 200 000	22 821 235
Provision for impairment losses on healthcare receivables: Members and vendors	714 625	718 630
Recoveries from members for co-payments received in advance	22 786	23 008
Reported claims not yet paid	3 795 253	6 641 917
Liability for incurred claims (Risk adjustment) (Note 7.3)	1 829 294	2 225 012
Closing balance insurance contract liabilities	**29 850 279**	**33 219 457**

The carrying amounts of insurance contract liabilities approximate their fair values due to the short-term maturities of these liabilities.

Reported claims not yet paid	2023 R	2022 R Restated*
Balance at beginning of year	6 641 917	2 487 282
Claims assessed	420 118 153	395 470 725
Claims refunded to members and vendors	(422 964 817)	(391 316 090)
	3 795 253	**6 641 917**

The balance at end of year comprises processed claims which were paid in the following year.

*Refer to note 26 relating to the restatement

7 INSURANCE CONTRACT LIABILITIES (continued)

7.3 LIABILITY FOR INCURRED CLAIMS

	2023 Not covered by risk transfer arrangement R	2022 Not covered by risk transfer arrangement R Restated*
Liability for incurred claims (Best estimate)	23 200 000	22 821 235
Liability for incurred claims (Risk adjustment)	1 829 294	2 225 012
	25 029 294	**25 046 247**

Analysis of movement in liability for incurred claims

Balance at beginning of year	**25 046 247**	**21 656 544**
Payments in respect of prior year	(18 005 929)	(20 792 017)
Over changes that relate to past service (note 10.1)	7 040 318	864 527
Adjustment for current year	17 988 976	24 181 720
Balance at end of year	**25 029 294**	**25 046 247**

*Refer to note 26 relating to the restatement

Process used to determine the liability for incurred claims

The process used to determine the liability for incurred claims is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are data based on recent claims history, applying detailed studies, which includes information such as claims settlement patterns and changes in the nature of members according to gender and age, which is carried out annually. There is more emphasis on current trends and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

Each notified claim is assessed on a separate case by case basis taking into account scheme specifics such as the concentration of risk, demographic and geographical location of members to the claim circumstances, information available from managed care services costs and historical evidence of the size of similar claims. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provision estimation difficulties also differ by category of claims (i.e. in-hospital, out-of-hospital and chronic benefits) due to differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The cost of the liability for incurred claims is estimated using a range of statistical methods by the Scheme's actuary. These methods extrapolate the development of paid and incurred claims, average cost per claims and ultimate claim numbers for each benefit year based upon observed development of earlier years and expected loss ratios. Run-off tables are used in situations where it takes time after the treatment date until the full extent of the claims to be paid is known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in the known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

The methodology used varies by benefit period considered, categories of claims and observed historical claims development. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future.

7 INSURANCE CONTRACT LIABILITIES (continued)

7.3 LIABILITY FOR INCURRED CLAIMS (continued)

Process used to determine the liability for incurred claims (continued)

There are reasons why this may not be the case, which insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the recording of claims paid and incurred;
- economic, legal, political and social trends (resulting in different than expected levels of inflation and/or minimum medical benefits to be provided);
- changes in composition of members and their dependants, and
- random fluctuations, including the impact of large losses.

Changes in assumptions and sensitivities to reasonable possible changes in key variables

The assumptions that have the greatest effect on the measurement of the liability for incurred claims are the expected claims ratios for the most recent benefit years for the in-hospital, out-of-hospital and chronic categories of claims. These are used for assessing the liability for incurred claims for the 2023 and 2022 benefit years and is consistent with prior years provisions reported.

At year-end the process used to calculate the liability for incurred claims includes the evaluation of claims paid during the first two months subsequent to year-end in respect of 2023 treatment claims as well as the determination of key variables and assumptions most likely to result in a reliable estimate of the liability for incurred claims.

The most significant key variables and assumptions used in determining the liability for incurred claims are:

- the previous experience in claims processing patterns; and
- average claims paid in the run-off period to March each year based on historical data.

The table on the next page outlines the sensitivity of the liability for incurred claims to movements in the significant key variables and assumptions. It should be noted that this is a subjective approach with no correlations between the key variables.

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 in the future may be required.

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

Based on the previous financial year's experience, 98.8% of the previous financial year's claims are paid by February the following year. The number on the next page assumes a change in the provision pattern by 10%. The effect on the liability for incurred claims for the 2023 financial year-end and available funds are set out on the next page:

7 INSURANCE CONTRACT LIABILITY (continued)

7.3 LIABILITY FOR INCURRED CLAIMS (continued)

Changes in assumptions and sensitivities to reasonable possible changes in key variables (continued)

	Change in variable %	Change in liability 2023 R	Change in liability 2022 R Restated*
- Processing patterns	10%	2 502 929	2 504 625
- Average claims paid in run off period*	10%	1 221 622	1 222 450

* Run-off period indicates the average period between receiving a valid claim and the actual date of payment.

Effect on solvency and accumulated funds	2023	2022 Restated*
Solvency Ratio		
Solvency ratio as at 31 December	142.03%	139.93%
Decrease in solvency ratio due to change in processing pattern	(0.61%)	(0.62%)
Decrease in solvency ratio due to change in average claims paid in run-off period	(0.30%)	(0.30%)
Accumulated Funds		
Accumulated funds as at 31 December	584 501 860	568 192 663
Decrease in accumulated funds due to change in processing pattern	(2 502 929)	(2 504 625)
Decrease in accumulated funds due to change in average claims paid in run-off period	(1 221 622)	(1 222 450)

Assumptions used in the calculation of liability for incurred claims for Covid-19 vaccines

The latest information available from EVDS is considered in the calculation of the liability for incurred claims for Covid-19 vaccines. Assuming that vaccines claims are for the Pfizer vaccine, the average cost per vaccine is R354.75 coupled with R80.50 for the administration cost. This places the outstanding vaccine liability estimate at Rnil (2022 restated*: R1 621 235).

*Refer to note 26 relating to the restatement

8 REINSURANCE CONTRACT LIABILITY

2023	Liability for remaining coverage (LRC) R	Liability for incurred claims (LIC) R	Total R
Reinsurance contract liability	193 476	-	193 476
Net opening balance as at 1 January 2023	**193 476**	**-**	**193 476**
Changes in the statement of comprehensive income			
Allocation of reinsurance contract fees paid	**2 464 203**		**2 464 203**
Amounts recoverable from reinsurer	**-**	**(2 829 427)**	**(2 829 427)**
Recoveries for incurred claims and other insurance service expenses	-	(2 829 427)	(2 829 427)
Total changes in the statement of comprehensive income	**2 464 203**	**(2 829 427)**	**(365 224)**
Cash flows			
Premiums paid	(2 453 884)	-	(2 453 884)
Amounts received		2 829 427	2 829 427
Total cash flows	**(2 453 884)**	**2 829 427**	**375 543**
Net closing balance as at 31 December 2023	**203 795**	**-**	**203 795**
Reinsurance contract liability (Note 8.1)	**203 795**	**-**	203 795
Net closing balance as at 31 December 2023	**203 795**	**-**	**203 795**
2022 Restated*			
Reinsurance contract liability	194 873	-	194 873
Net opening balance as at 1 January 2022	**194 873**	**-**	**194 873**
Changes in the statement of comprehensive income			
Allocation of reinsurance contract fees paid	**2 314 127**		**2 314 127**
Amounts recoverable from reinsurer	**-**	**(2 681 622)**	**(2 681 622)**
Recoveries for incurred claims and other insurance service expenses	-	(2 681 622)	(2 681 622)
Total changes in the statement of comprehensive income	**2 314 127**	**(2 681 622)**	**(367 495)**
Cash flows			
Premiums paid	(2 315 524)	-	(2 315 524)
Amounts received		2 681 622	2 681 622
Total cash flows	**(2 315 524)**	**2 681 622**	**366 098**
Net closing balance as at 31 December 2022	**193 476**	**-**	**193 476**
Reinsurance contract liability (Note 8.1)	**193 476**	**-**	193 476
Net closing balance as at 31 December 2022	**193 476**	**-**	**193 476**

*Refer to note 26 relating to the restatement

	2023 R	2022 R Restated*

8 REINSURANCE CONTRACT LIABILITY (continued)

8.1 REINSURANCE CONTRACT LIABILITY

	2023 R	2022 R Restated*
Reinsurance contract liability		
Provision for ER 24 EMS Proprietary Limited capitation fees	203 795	193 476
Liability for incurred claims (Best estimate and risk adjustment)	-	-
Closing balance reinsurance contract liability (Note 8)	**203 795**	**193 476**

Assumptions used in the calculation of liability for incurred claims for the reinsurance contract liability

ER 24 EMS Proprietary Limited

The calculation of liability for incurred claims for ER 24 EMS Proprietary Limited for the reinsurance contract held was provided to the Scheme but was deemed not significant by the Board of Trustees.

The contract was terminated effective 31 December 2023.

9 TRADE AND OTHER PAYABLES

	2023 R	2022 R Restated*
Audit fees accrual	643 768	354 390
Administration fees payable	106 567	112 621
Accredited managed healthcare services payable	700	43 628
Accredited managed healthcare services: HIV management	-	16
Cash management fees	41 578	42 357
Fraud IT investigation fees accrual	-	39 861
Tender costs accrual	-	11 431
Unknown deposits	36	36
	792 649	**604 340**

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

10 INSURANCE SERVICE EXPENSE

10.1 CLAIMS INCURRED

	2023 R	2022 R Restated*
Claims incurred excluding claims in respect of reinsurance contracts held		
Current year claims	420 118 153	395 470 725
Movement in liability for incurred claims	(16 953)	3 389 703
Over changes that relate to past service (note 7.3)	(7 040 318)	(864 527)
Adjustment for current year	7 023 365	4 254 230
	420 101 200	**398 860 428**

10.2 THIRD PARTY CLAIMS RECOVERIES

	2023 R	2022 R Restated*
Third party claim recoveries	**119 079**	**895 383**

*Refer to note 26 relating to the restatement

	2023 R	2022 R Restated*
10 INSURANCE SERVICE EXPENSE (continued)		
10.3 ACCREDITED MANAGED HEALTHCARE SERVICES		
Hospital benefit management	3 475 398	3 260 778
Pharmacy benefit management	1 182 677	1 308 865
Network management	810 800	1 089 304
Disease management	1 318 718	651 353
HIV/aids management	36 043	836 664
Beneficiary Risk Management programme	-	689 155
Dental benefit management	201 814	149 392
	7 025 450	**7 985 511**
10.4 ATTRIBUTABLE EXPENSES INCURRED		
Administration fees (Accredited administration services: Medscheme Holdings Proprietary Limited)	10 635 099	13 098 489
Claims management	2 316 074	2 853 301
Contribution management	1 377 300	1 696 598
Customer services	3 224 313	3 970 793
Financial Management	1 405 886	1 731 283
Information management and data control	1 322 728	1 628 734
Member record management	988 798	1 217 780
RAF administration and legal fees	41 489	404 916
	10 676 588	**13 503 405**
10.5 AMOUNTS ATTRIBUTABLE TO FUTURE MEMBERS		
Net expense/(income) for the year	2 311 651	(48 828 815)
	2 311 651	**(48 828 815)**
11 NET INCOME FROM REINSURANCE CONTRACT HELD		
Claims incurred in respect of reinsurance contract		
Reinsurance contract held fees paid	(2 464 203)	(2 314 127)
ER 24 EMS Proprietary Limited	(2 464 203)	(2 314 127)
Recoveries from reinsurance contract held	2 829 427	2 681 622
ER 24 EMS Proprietary Limited	2 829 427	2 681 622
Net income	**365 224**	**367 495**

ER 24 EMS Proprietary Limited

ER 24 EMS Proprietary Limited provides ambulance services, including evacuations from accident scenes to the members of the scheme. An amount of R37.85 (2022: R35.29) is paid per member per month in respect of these services. The contract was terminated as at 31 December 2023.

*Refer to note 26 relating to the restatement

		2023 R	2022 R Restated*
12	**INVESTMENT INCOME**		
	Income on available-for-sale investments	**-**	**20 922 616**
	Dividend income	-	16 390 357
	Interest income	-	4 532 259
	Income on cash and cash equivalents	**9 784 829**	**6 708 392**
	Interest on current account	92 285	67 643
	Interest on fixed deposits	7 102 785	4 599 053
	Interest on call accounts	2 589 759	2 041 696
	Income on financial assets at fair value through profit or loss	**26 493 839**	**-**
	Dividend income	13 737 979	-
	Interest income	12 755 860	-
	Realised gains on disposal of available-for-sale investments	-	43 796 923
	Realised gains on disposal of financial assets at fair value through profit or loss	16 480 134	-
	Net fair value losses on financial assets at fair value through profit or loss	(18 620 848)	-
		34 137 954	**71 427 931**
13	**SUNDRY INCOME**		
	Fraud recoveries	368 537	615 230
		368 537	**615 230**

*Refer to note 26 relating to the restatement

		2023 R	2022 R Restated*
14	**ADMINISTRATION FEES AND OTHER OPERATIVE EXPENSES**		
	Other administration services provided by accredited administrator (Medscheme Holdings Proprietary Limited)	2 918 037	2 874 365
	Digital capabilities	519 736	-
	Governance and compliance services	825 081	1 013 434
	Internal audit services	1 078 452	1 327 118
	Fraud IT investigation fees	494 768	533 813
	Association fees	266 758	245 847
	Audit fees	844 242	490 059
	Current year accrual	839 642	545 215
	Prior year under/(over) accrued	4 600	(55 156)
	Bank charges	175 178	197 351
	Board of Healthcare Funders subscription	86 889	94 696
	Consulting fees	608 292	478 786
	Debt collection fees	239	-
	Fidelity guarantee and professional indemnity insurance premium	66 730	66 731
	Governance Compliance Instrument	6 762	6 138
	Marketing fees and promotions	600 709	-
	Meeting expenses	20 248	19 358
	Member communication	101 798	155 205
	Postage, printing and stationery	56 391	7 762
	Principal Officer remuneration and office costs	1 619 614	1 501 245
	Principal Officer travel and other considerations	13 591	19 209
	Scheme expenses	35 243	1 500
	Scheme rule amendments	17 435	-
	Tender costs	-	535 462
	Travel costs: Other	-	5 417
**	Trustees' reimbursement (travelling and training)	38 396	33 441
		7 476 552	**6 732 572**
**	**Trustees' reimbursement (travelling and training)**		
	GW du Plessis	1 000	-
	S Wade (Alternate)	37 396	33 441
		38 396	**33 441**
15	**ASSET MANAGEMENT FEES**		
	Investment management fees	3 293 838	3 191 106
	Cash management fees	265 694	266 614
		3 559 532	**3 457 720**

*Refer to note 26 relating to the restatement

16 RESULTS FROM OPERATIONS PER BENEFIT OPTION

The Scheme is arranged, for management purposes, into three benefit options as follow:
- Comprehensive Option (Option 303): Option offering comprehensive benefits, and
- Comprehensive Select Option (Option 466): Efficiency Discount Option with negotiated tariffs and Hospital Networks, and
- Value Option (Option 460): Low cost option designed for members that previously had not been on a medical scheme.

Basis of allocation of statement of comprehensive income line items
Non-healthcare costs are allocated on the basis of members per option divisible by total members on the Scheme.

2023	Comprehensive Option R	Comprehensive Select Option R	Value Option R	Other R	Total R
Insurance revenue	314 934 575	5 621 775	90 980 527	-	411 536 877
Insurance service expense	(375 571 092)	(4 962 928)	(57 150 139)	2 311 651	(435 372 508)
Net income from reinsurance contract held	232 966	2 970	129 288	-	365 224
Insurance service result	**(60 403 551)**	**661 817**	**33 959 676**	**2 311 651**	**(23 470 407)**
Other income	**22 027 591**	**299 390**	**12 179 510**	**-**	**34 506 491**
Investment income	21 738 383	299 256	12 100 315	-	34 137 954
Sundry income	289 208	134	79 195	-	368 537
Other expenditure	**(6 968 528)**	**(118 464)**	**(3 949 092)**	**-**	**(11 036 084)**
Administration fees and other operative expenses	(4 719 967)	(80 490)	(2 676 095)	-	(7 476 552)
Asset management fees	(2 248 561)	(37 974)	(1 272 997)	-	(3 559 532)
Net income/(expense) for the year	**(45 344 488)**	**842 743**	**42 190 094**	**2 311 651**	**-**
Number of members	3 358	75	1 951		5 384
Number of dependants	2 908	94	2 741		5 743

2022	Comprehensive Option R Restated*	Comprehensive Select Option R Restated*	Value Option R Restated*	Other R Restated*	Total R Restated*
Insurance revenue	312 952 872	-	93 109 540	-	406 062 412
Insurance service expense	(362 819 414)	-	(56 634 547)	(48 828 815)	(468 282 776)
Net income from reinsurance contract held	243 109	-	124 386	-	367 495
Insurance service result	**(49 623 433)**	**-**	**36 599 379**	**(48 828 815)**	**(61 852 869)**
Other income	**47 370 552**	**-**	**24 672 609**	**-**	**72 043 161**
Investment income	46 834 266	-	24 593 665	-	71 427 931
Sundry income	536 286	-	78 944	-	615 230
Other expenditure	**(6 882 087)**	**-**	**(3 308 205)**	**-**	**(10 190 292)**
Administration fees and other operative expenses	(4 598 426)	-	(2 134 146)	-	(6 732 572)
Asset management fees	(2 283 661)	-	(1 174 059)	-	(3 457 720)
Net income/(expense) for the year	**(9 134 968)**	**-**	**57 963 783**	**(48 828 815)**	**-**
Number of members	3 540	-	1 942		5 482
Number of dependants	3 058	-	2 739		5 797

*Refer to note 26 relating to the restatement

17 CONTINGENT ASSETS

The Scheme grants assistance to its members in defraying expenditure incurred in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act No. 56 of 1996, as amended. If the member is reimbursed by the RAF, they are obliged in terms of the Scheme Rules to cede that payment to the Scheme to the extent that they have already been compensated.

17 CONTINGENT ASSETS (continued)

A reimbursement from the RAF is a possible asset that arises from claims submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the Scheme. If it has become reasonably certain that an inflow of economic benefits will arise, an asset will be recorded and the related income will be recognised in the financial statements.

At year-end the Scheme had a claim against the RAF for R9 258 217 (2022: R9 988 549). The claim represents benefits paid by the Scheme in respect of medical expenses of its members resulting from motor vehicle accidents. The members have ceded their claims against the RAF to the Scheme. The recoverability of the claim is subject to the outcome of litigation and the liquidity of the RAF.

18 RELATED PARTY TRANSACTIONS

Parties with significant influence over the Scheme

(a) The administrator, managed healthcare services provider (2023: All Options 2022: Comprehensive Option) and its related associates

Pharmacy Direct Proprietary Limited, Klinikka Proprietary Limited, The Cheese Has Moved Proprietary Limited and AfroCentric Health (RF) Proprietary Limited are subsidiaries of ACT Healthcare Assets Proprietary Limited. Pharmacy Direct Proprietary Limited provides premier courier pharmacy services. Klinikka Proprietary Limited provides individualised evidence based multidisciplinary treatment to manage musculoskeletal disorders, a treatment approach to back and neck conditions. The Cheese Has Moved Proprietary Limited is an integrated marketing business, which specialises in direct marketing and advertising.

Medscheme Holdings Proprietary Limited and Aid for Aids Management Proprietary Limited are both subsidiaries of AfroCentric Health (RF) Proprietary Limited. Medscheme Holdings Proprietary Limited, (Administrator and managed healthcare services provider), provide significant input to the Scheme, in order to assist with the financial reporting and operating decisions of the Scheme, but do not control the Scheme.

	2023 R	2022 R Restated*
Statement of comprehensive income	**(21 825 257)**	**(22 486 767)**
Medscheme Holdings Proprietary Limited	(20 063 238)	(21 036 702)
Administrator fees (Accredited administration services) (note 10.4)	(10 635 099)	(13 098 489)
Other administration services provided by accredited administrator (note 14)	(2 918 037)	(2 874 365)
Accredited managed healthcare services (no transfer of risk)	(6 510 102)	(5 063 848)
The Cheese Has Moved Proprietary Limited	(671 602)	(155 205)
Member communication	(99 671)	(155 205)
Marketing fees and promotions	(571 931)	-
Aid for Aids Management Proprietary Limited	-	(679 733)
Accredited managed healthcare services (no transfer of risk): HIV/aids management	-	(679 733)
Pharmacy Direct Proprietary Limited	(618 598)	(293 338)
Courier pharmacy services (claims incurred)	(618 598)	(293 338)
Klinikka Proprietary Limited	(471 819)	(321 789)
- DBC Document Based Care (provider of the Back and Neck Rehabilitation programme) (claims incurred)	(471 819)	(321 789)

*Refer to note 26 relating to the restatement

18 RELATED PARTY TRANSACTIONS (continued)

Parties with significant influence over the Scheme (continued)

(a) The administrator, managed healthcare services provider (2023: All Options 2022: Comprehensive Option) and its related associates (continued)

	2023 R	2022 R Restated*
Statement of financial position	**(116 500)**	**(199 564)**
Medscheme Holdings Proprietary Limited/Aid for Aids Management Proprietary Limited	(107 267)	(196 126)
Administration fees payable (note 9)	(106 567)	(112 621)
Fraud IT investigation fees accrual (note 9)	-	(39 861)
Accredited managed healthcare services: HIV management (note 9)	-	(16)
Accredited managed healthcare services payable (note 9)	(700)	(43 628)
Pharmacy Direct Proprietary Limited	(9 233)	(3 438)
Courier pharmacy services (reported claims not yet paid)	(9 233)	(3 438)

*Refer to note 26 relating to the restatement

Terms and conditions of administration agreement (All Options)

The agreement between Medscheme Holdings Proprietary Limited and the Scheme is an agreement whereby Medscheme Holdings Proprietary Limited administers the Scheme in terms of the Rules of the Scheme and in accordance with instructions given by the Board of Trustees of the Scheme.

The orginal agreement came into effect on 1 August 1998 and after the tender process in 2022, the agreement was renewed effective 1 January 2023. The agreement shall be for an initial period of three years with effect from 1 January 2023 until 31 December 2025, unless terminated earlier. At the end of the initial period the agreement shall be renewed annually by mutual agreement between parties, failing which it shall terminate at the end of the initial or any renewed period. The agreement may be terminated with 3 calendar months notice by both parties. .

Terms and conditions of accredited managed healthcare services agreement

2022: Comprehensive Option

The agreement between Medscheme Holdings Proprietary Limited and the Scheme is an agreement whereby Medscheme Holdings Proprietary Limited renders accredited managed healthcare services to the Scheme for the Comprehensive Option in accordance with instructions given by the Board of Trustees of the Scheme. The agreement came into effect on 1 January 2004 and will run until notice is given. The Scheme has the right to terminate the agreement on 90 days notice.

The agreement was terminated as at 31 December 2022.

2023: All Options

The agreement between Medscheme Holdings Proprietary Limited and the Scheme is an agreement whereby Medscheme Holdings Proprietary Limited renders accredited managed healthcare services to the Scheme in accordance with instructions given by the Board of Trustees of the Scheme. The agreement came into effect on 1 January 2023 and shall be for an initial period of three years with effect from 1 January 2023 until 31 December 2025, unless terminated earlier. At the end of the initial period the agreement shall be renewed annually by mutual agreement between parties, failing which it shall terminate at the end of the initial or any renewed period. The agreement may be terminated with 6 calendar months notice.

18 RELATED PARTY TRANSACTIONS (continued)

Parties with significant influence over the Scheme (continued)

(a) The administrator, managed healthcare services provider (2023: All Options 2022: Comprehensive Option) and its related associates (continued)

Terms and conditions of accredited managed healthcare services agreement: HIV management (Comprehensive Option)

The agreement between Aid for Aids Management Proprietary Limited and the Scheme is an agreement whereby Aid for Aids Management Proprietary Limited provides managed healthcare services for HIV to the Scheme for the Comprehensive Option in accordance with instructions given by the Board of Trustees. The agreement came into effect on 1 January 2004 and will run until notice is given. The Scheme has the right to terminate the agreement on 90 days notice.

The agreement was terminated as at 31 December 2022.

(b) Managed healthcare services provider (2022: Value Option) and its related associates

Universal Care Proprietary Limited is contracted to the Scheme for providing managed healthcare services and associated claims management.

	2023 R	2022 R
Statement of comprehensive income		
Universal Care Proprietary Limited	(515 348)	(2 241 930)
Accredited managed healthcare services	(515 348)	(2 241 930)

Terms and conditions of accredited managed healthcare services agreement (2022: Value Option)

The agreement between Universal Care Proprietary Limited and the Scheme was an agreement whereby Universal Care Proprietary Limited rendered managed healthcare services for the Value Option in accordance with the contractual agreement between the Scheme and Universal Care Proprietary Limited. The agreement came into effect on 1 January 2013. The agreement was terminated effective 31 December 2022.

(c) The employer

AECI Limited appoints 50% of the Board of Trustees, as they participate in the financial and operating decisions of the Scheme, but do not control the Scheme. Apart from the monthly payment of contributions, there were no transactions during the current and previous year between the Scheme and the employer. No balances are due to the employer by the Scheme in the current and previous year.

Terms and conditions of agreement

The employer deducts the monthly Scheme contributions from the members' monthly salaries and pays it over to the Scheme. None of the companies in the AECI Group were party to or had interest in any of the Scheme's agreements in existence during the current or previous year.

(d) Key management personnel and their close family members

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

18 RELATED PARTY TRANSACTIONS (continued)

Parties with significant influence over the Scheme (continued)

(d) Key management personnel and their close family members (continued)

	2023 R	2022 R
Statement of comprehensive income	**(1 464 141)**	**(1 181 406)**
Trustees, their dependants and close family	169 064	339 048
Risk contributions billed in terms of the Scheme's rules	1 463 496	1 411 146
Risk claims processed in terms of the Scheme's rules	(1 256 036)	(1 038 657)
Trustees' reimbursement (travelling and training) (note 14)	(38 396)	(33 441)
Principal Officer, dependants and close family members	(1 633 205)	(1 520 454)
Principal Officer remuneration and office costs (note 14)	(1 619 614)	(1 501 245)
Principal Officer travel and other considerations (note 14)	(13 591)	(19 209)

* The Principal Officer is not an employee of AECI Limited and thus not a member of the Scheme.

Statement of financial position

No balances are due to/by the Trustees in the current and previous year.

(a) Contributions received

This constitutes the contributions paid by the related party as a member of the Scheme in their individual capacity. All contributions were at the same terms as applicable to all members of the Scheme.

(b) 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 all members of the Scheme.

(c) Contribution debtors

This constitutes contributions that are payable in arrears as stipulated in the rules of the scheme. No impairment provisions have been deducted from these balances.

(d) Contributions received in advance

This constitutes contributions received in advance and amounts owing to the related parties to which the parties have a right. No interest is applied to these balances. The amounts would need to be refunded to the member on demand or when the member exits the Scheme.

(e) Administration fees

Fees paid to the Administrator on the same basis as applicable in terms of the administration services as per the agreement.

(f) Accredited managed healthcare services

Fees paid to the Administrator for rendering accredited managed healthcare services to the Scheme.

(g) Accredited managed healthcare services (HIV management)

Fees paid to the administrator for rendering HIV managed healthcare services to the Scheme.

18 RELATED PARTY TRANSACTIONS (continued)

Parties with significant influence over the Scheme (continued)

(h) Fraud investigation fees

Fees paid to the Administrator for costs incurred relating to the investigation and reporting of possible fraudulent activities by suppliers and members of the Scheme.

(i) Consideration paid

Expenses paid on behalf of the Board of Trustees and Principal Officer constitutes consideration for travel expenses and training.

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

The Scheme has made the certain judgments that have the most significant effect on the amounts recognised in the financial statements. Refer to note 1.2.

20 MEDICAL INSURANCE RISK MANAGEMENT

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

Risk management objectives and policies for mitigating insurance risk

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

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

The Scheme uses several methods to assess and monitor 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 severity of claims is greater than expected. Medical insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

20 MEDICAL INSURANCE RISK MANAGEMENT (continued)

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

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

Benefits and associated contributions are calculated taking into account the Scheme's risk concentrations, changes in utilisation based on historical data and inflationary increases. Disclosure regarding the sensitivity of claims to changes in key variables is shown in note 7.3 of the financial statements. The Scheme considers its risk to be concentrated in the following areas:

20.1 ***Hospital benefits***

Medical inflation has a ripple effect on the private hospital cost which could increase exponentially over time. Hospital claims represent a key risk factor to the Scheme and the actual claims incurred in respect of hospital costs for any benefit year, could be adversely worse than the expectation.

20.2 ***Medicine claims***

Medicine claims are effected by continued legislative changes and there is a risk that the actual claims incurred, as a result, may increase or decrease medicine costs worse or less than expected.

All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal. Management information including contribution income and claims ratios, solvency ratios, established targets and member age profiles are reviewed monthly.

20.3 ***Claims development***

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

20.4 ***Reinsurance contract held***

The Scheme entered into a reinsurance contract held with ER 24 EMS Proprietary Limited to provide the members with ambulance services. According to the terms of the agreement, the supplier provide certain minimum benefits to Scheme members as and when required by the members. This contract provides for the transfer of risk from the Scheme to the company concerned for the provision for certain services in return for a premium payable per member. The Scheme does, however, remain liable to its members if the supplier fails to meet its obligations. The Scheme terminated the agreement effective 31 December 2023.

a) Quantitative risk factors

The effect of the changes in the risk areas identified are set out below. Each change in the criteria represents the impact on the 2024 budget that was approved by the Board of Trustees:

20 MEDICAL INSURANCE RISK MANAGEMENT (continued)

20.4 *Reinsurance contract held (continued)*

a) Quantitative risk factors (continued)

	2023			2022		
	Total approved budget for risk area in 2024	**Sensitivity 1**	**Sensitivity 2**	**Total approved budget for risk area in 2023**	**Sensitivity 1**	**Sensitivity 2**
Impact of increased utilisation on the approved budget						
(a) Acute Medicine	30 428 160			27 792 010		
Increased utilisation		+ 1%	+ 2%		+ 1%	+ 2%
Effect of increased utilisation		304 281	608 562		277 920	555 840
Impact on solvency (%)		(0,1%)	(0,1%)		(0,1%)	(0,1%)
(b) Chronic Medicine	26 890 634			27 615 681		
Increased utilisation		+ 1%	+ 2%		+ 1%	+ 2%
Effect of increased utilisation		268 906	537 812		276 157	552 314
Impact on solvency (%)		(0,1%)	(0,1%)		(0,1%)	(0,1%)
(c) In Hospital	308 144 235			282 725 635		
Increased utilisation		+ 1%	+ 2%		+ 1%	+ 2%
Effect of increased utilisation		3 081 442	6 162 884		2 827 356	5 654 712
Impact on solvency (%)		(0,7%)	(1,5%)		(0,7%)	(1,3%)
(d) Out of hospital -Pathology and Radiology	17 145 196			17 187 247		
Increased utilisation		+ 1%	+ 2%		+ 1%	+ 2%
Effect of increased utilisation		171 452	342 904		171 872	297 143
Impact on solvency (%)		0%	(0,1%)		0%	(0,1%)
(e) Out of hospital - other	86 893 705			80 653 623		
Increased utilisation		+ 1%	+ 2%		+ 1%	+ 2%
Effect of increased utilisation		868 937	1 737 874		806 537	1 493 064
Impact on solvency (%)		(0,2%)	(0,4%)		(0,2%)	(0,4%)

The most significant risk mitigation tools of the Scheme is however its reserve base. The current solvency ratio of 142,03% (2022 restated*: 139,93%) is sufficient for the Scheme to continue as a going concern. The current solvency ratio is higher than the statutory requirement of 25%.

*Refer to note 26 relating to the restatement

b) Qualitative risk factors

The Board of Trustees regularly performs a risk assessment of the Scheme. The process involves the identification of all risks the Scheme is exposed to, as well as, the rating of the different risks identified. The Trustees are allocated specific risks to address. The process and the risks were considered and the Board of Trustees believes that all risks are adequately managed. The key risks identified at the last assessment were as follows:

- the sustainability and profitability of the Scheme;
- reliance on the Administrator;
- changes in legislation; and
- fraud, corruption and collusion by members and healthcare professionals.

21 FINANCIAL RISK MANAGEMENT

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

Risk management and investment decisions are made under the guidance and policies approved by the Board of Trustees. The Board of Trustees identifies, evaluates and economically hedges (where appropriate) financial risks associated with the Scheme's investment portfolio.

The Scheme's risk management policies are established to identify and analyse the risks faced by the Scheme, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities. The Scheme, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Trustees oversees how management monitors compliance with the Scheme's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Scheme. The Board of Trustees is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

21.1 Financial risk factors

21.1.1 *Credit risk*

Credit risk is the risk of financial loss to the Scheme if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Scheme's principal financial assets are cash and cash equivalents, trade and other receivables and financial assets held at fair value through profit or loss. The Scheme's credit risk is primarily attributable to its trade and other receivables.

Funds are invested at various institutions after taking the following criteria into account:
- The Scheme's mandate requirements;
- Regulations as per the Medical Schemes Act 131 of 1998, as amended;
- Credit ratings of the various institutions; and
- Interest rates offered by the institutions.

The ratings per institutions are noted in the mandates and do vary, but largely a minimum rating of "Aa1" as per Moody's Investors Services Inc. (Moody's) is applied.

Credit risk is contained by adhering to the Medical Schemes Act 131 of 1998, as amended, by not investing more than 35% in large banks and 10% for the smaller banks. The net qualifying capital and reserves are monitored on a monthly basis to determine the split between large and small banks.

The Scheme limits its exposure to credit risk by only investing in liquid securities with medium grade moderate risk financial institutions. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution. Given these high credit ratings, management does not expect any financial institution to fail to meet its obligations.

Insurance contracts
Included in the insurance contract liabilities are insurance receivables totalling R2 142 539 (2022: R2 374 093), Note 7, which is the maximum exposure that the entity has to credit risk for insurance contracts issued.

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

21.1.1 *Credit risk (continued)*

Reinsurance contracts
The Scheme does not have significant credit risk arising from reinsurance contract assets, refer to Note 8.

The above is managed by applying the approved credit control policy. Members are either suspended or terminated for outstanding contributions. The application thereof assists in that the Scheme's financial risk is managed. The procedures as set out in the policy are communicated to both the member and payroll departments prior to suspension or termination of members.

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:

	Carrying Amount	
	2023	**2022**
	R	**R**
		Restated*
Available-for-sale investments	-	516 337 717
Financial assets at fair value through profit or loss	514 574 538	-
Cash and cash equivalents	130 084 962	134 850 585
Trade and other receivables	6 172 283	4 894 128
	650 831 783	**656 082 430**

A breakdown of the credit risk in relation to impairment and ageing is set out below. The receivables under past due not impaired, excludes receivables against which a provision for impairment was calculated. From past experience the policy that is applied, was determined by the Scheme, in terms of which certain past due receivables do not need to be impaired:

			Past due not impaired		
	Fully performing	**Current**	**30 to 60 days**	**> 61 days**	**Total**
	R	**R**	**R**	**R**	**R**
2023					
Trade and other receivables	6 172 283	-	-	-	6 172 283
	6 172 283	**-**	**-**	**-**	**6 172 283**
2022 Restated*					
Trade and other receivables	4 894 128	-	-	-	4 894 128
	4 894 128	**-**	**-**	**-**	**4 894 128**

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

	2023	**2022**
	R	**R**
Balance at the beginning of the year	(1 292 562)	(1 269 696)
Amount recognised through statement of comprehensive income	477 459	(22 866)
Balance at the end of the year	**(815 103)**	**(1 292 562)**

*Refer to note 26 relating to the restatement

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

21.1.2 *Interest rate risk*

The Scheme's investment contracts during the year under review included holding investments in interest bearing instruments. The Scheme's investments were therefore exposed to changes in the market interest rates. This risk is managed by maintaining an appropriate mix between fixed and floating rate deposits within the market.

The table below summarises the Scheme's exposure to interest rate risks. Included in the table are the Scheme's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	≤ 1 month R	1 month - 5 years R	Non – interest bearing R	Total R
2023				
Financial assets at fair value through profit or loss	35 894 477	125 824 087	352 855 974	514 574 538
Equities	-	-	352 855 974	352 855 974
Bonds	-	125 824 087	-	125 824 087
Money Market	35 894 477	-	-	35 894 477
Current assets	56 584 962	73 500 000	6 172 283	136 257 245
Cash and cash equivalents	56 584 962	73 500 000	-	130 084 962
Trade and other receivables	-	-	6 172 283	6 172 283
Current liabilities	-	-	(28 704 184)	(28 704 184)
Insurance contract liabilities	-	-	(27 707 740)	(27 707 740)
Reinsurance contract liability			(203 795)	(203 795)
Trade and other payables	-	-	(792 649)	(792 649)
	92 479 439	**199 324 087**	**330 324 073**	**622 127 599**
2022 Restated*				
Available-for-sale investments	44 650 793	117 261 431	354 425 493	516 337 717
Equities	-	-	354 425 493	354 425 493
Bonds	-	117 261 431	-	117 261 431
Money Market	44 650 793	-	-	44 650 793
Current assets	56 350 585	78 500 000	4 894 128	139 744 713
Cash and cash equivalents	56 350 585	78 500 000	-	134 850 585
Trade and other receivables	-	-	4 894 128	4 894 128
Current liabilities	-	-	(31 643 180)	(31 643 180)
Insurance contract liabilities	-	-	(30 845 364)	(30 845 364)
Reinsurance contract liability			(193 476)	(193 476)
Trade and other payables	-	-	(604 340)	(604 340)
	101 001 378	**195 761 431**	**327 676 441**	**624 439 250**

Interest rate risk sensitivities refer to note 21.1.4

*Refer to note 26 relating to the restatement

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

21.1.3 *Liquidity risk*

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Scheme has the ability to fund its day-to-day operations. The Scheme has complied with the requirements regarding the nature and categories of assets as prescribed by section 35 in Regulation 30 of the Medical Schemes Act 131 of 1998, as amended, except for Regulation 35(8)(c). The Scheme previously had an exemption for the non-compliance which lapsed on 30 August 2023. The Scheme has applied for a new exemption on 10 June 2024.

The Scheme ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below summarises the Scheme's exposure to liquidity risk. Included in the table are the Scheme's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual reprising or maturity dates.

Liquidity Analysis	Up to 1 month R	1 – 3 months R	4 – 12 months R	Total R
2023				
Assets				
Non-Current Assets	**514 574 538**	**-**	**-**	**514 574 538**
Financial assets at fair value through profit or loss	514 574 538	-	-	514 574 538
Current Assets	**62 757 245**	**17 000 000**	**56 500 000**	**136 257 245**
Cash and cash equivalents	56 584 962	17 000 000	56 500 000	130 084 962
Trade and other receivables	6 172 283	-	-	6 172 283
Total Assets	**577 331 783**	**17 000 000**	**56 500 000**	**650 831 783**
Liabilities				
Current Liabilities	**21 195 397**	**4 004 687**	**3 504 100**	**28 704 184**
Insurance contract liabilities	20 198 953	4 004 687	3 504 100	27 707 740
Reinsurance contract liability	203 795	-	-	203 795
Trade and other payables	792 649	-	-	792 649
Net Liquidity Gap Analysis	**556 136 386**	**12 995 313**	**52 995 900**	**622 127 599**

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

21.1.3 *Liquidity risk (continued)*

Liquidity Analysis	**Up to 1 month** R	**1 – 3 months** R	**4 – 12 months** R	**Total** R
2022 Restated*				
Assets				
Non-Current Assets	**516 337 717**	**-**	**-**	**516 337 717**
Available-for-sale investments	516 337 717	-	-	516 337 717
Current Assets	**61 244 713**	**14 000 000**	**64 500 000**	**139 744 713**
Cash and cash equivalents	56 350 585	14 000 000	64 500 000	134 850 585
Trade and other receivables	4 894 128	-	-	4 894 128
Total Assets	**577 582 430**	**14 000 000**	**64 500 000**	**656 082 430**
Liabilities				
Current Liabilities	**24 796 810**	**3 651 398**	**3 194 972**	**31 643 180**
Insurance contract liabilities	23 998 994	3 651 398	3 194 972	30 845 364
Reinsurance contract liability	193 476			193 476
Trade and other payables	604 340	-	-	604 340
Net Liquidity Gap Analysis	**552 785 620**	**10 348 602**	**61 305 028**	**624 439 250**

*Refer to note 26 relating to the restatement

21.1.4 *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 holding of 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.

All the Scheme's benefits are rand denominated and therefore the Scheme does not have significant net currency risk.

Price risk: The Scheme is exposed to equity securities price risk because of investments held by the Scheme and classified as available-for-sale. To manage its price risk arising from investments, the Scheme diversifies its portfolio via the asset managers in accordance with the mandate set by the Scheme.

The different aspects of market risk applicable to the Scheme are demonstrated as follow:

- Interest rate risk: Refer to "Sensitivity analysis: Cash"
- Interest rate risk and price risk: Refer to "Sensitivity analysis: Bonds"
- Price risk: Refer to "Sensitivity analysis: Equities"

All the Scheme's equity investments are listed on the JSE. Bonds are listed on the Bond Exchange of South Africa (BESA) and cash is held with institutions that have a rating between "Aaa - A".

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

21.1.4 *Market risk*

The concentration as well as the sensitivities and impact on profit of loss and equities are summarised below:

Asset allocation of the Scheme

Asset Class	December 2023		December 2022	
	R	%	R	%
Cash	165 979 439	25.7%	179 501 378	27.6%
Bonds	125 824 087	19.5%	117 261 431	18.0%
Equity	352 855 974	54.7%	354 425 493	54.4%
Total	**644 659 500**	**100.0%**	**651 188 302**	**100.0%**

Asset manager allocation

Manager	Mandate	Investment Vehicle	2023		2022	
			R	%	R	%
Old Mutual Wealth Trust Company Proprietary Limited	Liquidity / Cash	Segregated	127 382 186	19.8%	131 970 167	20.3%
Prescient Management Company (RF) Proprietary Limited	Fixed Interest	Pooled	87 036 218	13.5%	83 843 798	12.9%
Sanlam Collective Investments (RF) Proprietary Limited	Fixed Interest	Pooled	80 455 369	12.5%	78 655 795	12.1%
Sanlam Investment Management Proprietary Limited	Equity Portfolio	Segregated	153 979 341	23.9%	156 974 751	24.1%
M&G Investment Managers (South Africa) Proprietary Limited	Equity Portfolio	Segregated	195 806 386	30.4%	199 743 790	30.7%
Total			**644 659 500**	**100.0%**	**651 188 301**	**100.0%**

The Scheme has obtained a statement from its independent actuary in terms of Regulation 30(3A) of the Medical Schemes Act 131 of 1998, as amended, certifying that the deviation from the asset allocation prescribed by Annexure B as at 31 December 2023 is appropriate and that the Scheme is in full compliance with Regulation 30(2) of the Medical Schemes Act 131 of 1998, as amended.

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

21.1.4 *Market risk (continued)*

Consolidated instrument analysis per asset class

Top 5 Holdings	2023		2022	
Asset class and company name	Ratings (long term)	% of Portfolio	Ratings (long term)	% of Portfolio
Cash				
Nedbank Limited	Aa1.za	7.71%	Aa1.za	7.35%
Investec Bank Limited	Aa1.za	6.99%	Aa1.za	7.21%
The Standard Bank of South Africa Limited	Aa1.za	4.72%	Aa1.za	6.34%
Absa Bank Limited	Aa1.za	3.70%	Aa1.za	4.12%
FirstRand Bank Limited	Aa1.za	2.09%	Aa1.za	2.27%
Bonds				
RSA Bond		6.01%		4.78%
FirstRand Bank Limited		2.81%		3.01%
Nedbank Limited		2.62%		2.03%
The Standard Bank of South Africa Limited		2.31%		2.05%
The Standard Bank Group Limited		1.09%		1.04%
Property				
NEPI Rockcastle Public Listed Company		0.29%		*
Growthpoint Properties Limited		0.19%		0.26%
Hammerson PLC		0.13%		*
SA Corporate Real Estate Fund		0.13%		0.11%
Accelerate Property Fund Limited		0.08%		*
Redifine Properties Limited		*		0.05%
Amber House Fund 5 (RF) Limited		*		0.05%
Amber House Fund 1 (RF) Limited		*		0.05%
Equity				
Naspers Limited		4.76%		4.97%
Absa Group Limited		3.18%		3.09%
British American Tobacco Public Listed Company		2.98%		*
FirstRand Bank Limited		2.91%		*
Compagnie Fin Richemont SA		2.69%		*
Prosus NV		*		4.36%
MTN Group Limited		*		3.31%
Standard Bank Group Limited		*		3.25%

* The % holdings in these companies were not in the Top 5 Holdings.

Sensitivity analysis: Cash

Basis:

The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of interest (see adjacent table). i.e. +1% suggests the closing market value could have been R167 515 859 if the interest had been higher by 1% during 2023 as compared to the actual interest rate. A one percent increase or decrease in the interest at the reporting date would have increased or decreased cash by R1 536 420 (2022 R1 706 398).

% Change	Return of Index	Adjusted Closing Value - Rand	Difference - Rand
2%	10.03%	169 052 281	3 072 842
1%	9.03%	167 515 859	1 536 420
0%	8.03%	165 979 439	-
(1%)	7.03%	164 443 019	(1 536 420)
(2%)	6.03%	162 906 597	(3 072 842)

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

21.1.4 *Market risk* (continued)

Sensitivity analysis: Bonds

Basis:

The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of investment performance (see table below). i.e. +1% suggests the closing market value could have been R126 971 070 if the investment performance had been higher by 1% during 2023 as compared to the market investment performance. A one percent increase or decrease in the investment return at the reporting date would have increased or decreased bonds by R1 146 983 (2022 R1 124 709).

% Change	Return of Index	Adjusted Closing Value - Rand	Difference - Rand
2%	11.70%	128 118 054	2 293 967
1%	10.70%	126 971 070	1 146 983
0%	9.70%	125 824 087	-
(1%)	8.70%	124 677 104	(1 146 983)
(2%)	7.70%	123 530 120	(2 293 967)

Sensitivity analysis: Equity

Basis:

The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of investment performance (see adjacent table). i.e. +2% suggests the closing market value could have been R359 315 580 if the investment performance had been higher by 2% during 2023 as compared to the market investment performance.

% Change	Return of Index	Adjusted Closing Value - Rand	Difference - Rand
4%	13.25%	365 775 186	12 919 212
2%	11.25%	359 315 580	6 459 606
0%	9.25%	352 855 974	-
(2%)	7.25%	346 396 368	(6 459 606)
(4%)	5.25%	339 936 762	(12 919 212)

All equity investments are listed on the JSE. A two percent increase or decrease in the investment return at the reporting date would have increased or decreased equity by R6 459 606 (2022 R6 483 581).

The change will have an impact on the revaluation reserve.

The benchmarks used are the following:
- Cash (STeFI Composite Index)
- Bonds (All Bond Index)
- Equity (All Share Index)

The 0% line reflects the actual closing value of the respective asset classes. The adjusted closing values are a reflection of the sensitivity of the return around the index. For the less volatile indices; Cash and bonds, a sensitivity of 1% and 2% is used and for the more volatile indices, i.e. equity, a sensitivity of 2% and 4% is used.

National Long-term Credit Ratings as per Moody's:

Aaa.za: Issuers or issues rated Aaa demonstrate the strongest creditworthiness relative to other domestic issuers.
Aa.za: Issuers or issues rated Aa demonstrate very strong creditworthiness relative to other domestic issuers.
A.za: Issuers or issues rated A present above-average creditworthiness relative to other domestic issuers.

Note: Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aaa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking at the lower end of that generic rating category.

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

21.1.5 *Investment risk and investment return*

Seeking higher investment returns is typically associated with taking additional risk through exposure to asset classes such as equities and bonds where the capital is at risk. Additional investment risk is typically associated with higher variability in asset prices. Also, the extent to which actual investment returns differ from expected returns is greater.

21.1.6 *Capital adequacy risk*

This represents the risk that there are not sufficient reserves to provide for adverse variations on future investment and claims experience. At the year-end the solvency ratio computed in terms of the Registrar of Medical Schemes' formula was 142.03% (Restated* 2022: 139.93%). The Trustees believe that this cover is appropriate for the Scheme's needs.

The Board of Trustees' policy is to maintain a strong capital base so as to maintain member and market confidence and to sustain future development of the business. The Board of Trustees monitors the return on capital. During 2023 the Scheme's actuaries prepared a Risk-Capital Based Solvency assessment to assess the Scheme's solvency requirements based on specific risk factors affecting the Scheme. The outcome of the assessment was that the Scheme's Risk-Based Capital Solvency requirement is between 47.9% and 53.8%. The Board's target is a solvency of no less than 60%.

There were no changes in the Scheme's approach to capital management during the year. The Scheme is subject to externally imposed capital requirements by the Council for Medical Schemes and the Medical Schemes Act 131 of 1998, as amended.

*Refer to note 26 relating to the restatement

21.1.7 *Legal risk*

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

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

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

	Financial assets measured at amortised cost		Available-for-sale financial assets and financial assets at fair value through profit or loss	Financial liabilities measured at amortised cost	Insurance contract assets and liabilities	Total carrying amount
	R		R	R	R	R
2023						
Investments	-		514 574 538	-	-	514 574 538
Financial assets at fair value through profit or loss	-		514 574 538	-	-	514 574 538
Cash and cash equivalents	130 084 962		-	-	-	130 084 962
Trade and other receivables	6 172 283	*	-	-		6 172 283
Insurance contract liabilities	-		-	-	(27 707 740)	(27 707 740)
Reinsurance contract liability	-		-	-	(203 795)	(203 795)
Trade and other payables				(792 649)		(792 649)
	136 257 245		**514 574 538**	**(792 649)**	**(27 911 535)**	**622 127 599**

* Non-financial asset included: Prepaid expense (relating to Fidelity insurance and Council for Medical Schemes levy) R74 713.

	Financial assets measured at amortised cost		Available-for-sale financial assets and financial assets at fair value through profit or loss	Financial liabilities measured at amortised cost	Insurance contract assets and liabilities	Total carrying amount
2022 Restated*						
Investments	-		516 337 717	-	-	516 337 717
Available-for-sale investments	-		516 337 717	-	-	516 337 717
Cash and cash equivalents	134 850 585		-	-	-	134 850 585
Trade and other receivables	4 894 128	*	-	-	-	4 894 128
Insurance contract liabilities	-		-	-	(30 845 364)	(30 845 364)
Reinsurance contract liability	-		-	-	(193 476)	(193 476)
Trade and other payables				(604 340)	-	(604 340)
	139 744 713		**516 337 717**	**(604 340)**	**(31 038 840)**	**624 439 250**

* Non-financial asset included: Prepaid expense (relating to Fidelity insurance and Council for Medical Schemes levy) R74 035.

The carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair values.

*Refer to note 26 relating to the restatement

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

21.1.9 *Sensitivity analysis to insurance risk variables*

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

	2023			2022		
	Impact on SOCI R	Impact on LIC R	Impact on SOCI R	LIC as at 31 December R Restated*	Impact on LIC R Restated*	Impact on SOCI R Restated*
Insurance contract liabilities						
Net insurance contract liabilities	27 707 740	-	-	30 845 364	-	-
Unpaid claims and expenses - 5% increase						
Insurance contract liabilities (before mutualisation)	-	1 385 387	1 385 387	-	1 542 268	1 542 268
Insurance contract liabilities (after mutualisation)	-	-	-	-	-	-
Expense - 5% increase						
Insurance service expense	(435 372 508)	-	-	(468 282 776)	-	-
Insurance service expense (before mutualisation)	-	(21 768 625)	(21 768 625)	-	(23 414 139)	(23 414 139)
Insurance service expense (after mutualisation)	-	-	-	-	-	-

*Refer to note 26 relating to the restatement

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

21.1.10 ***Fair value of financial instruments***

a) Valuation techniques and assumptions for the purposes of measuring fair value

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

b. Fair value measurements (fair value hierarchy)

A fair value hierarchy reflects the significance of the inputs used to make the measurements.

Level 1 fair value measurement represents those instruments which are measured using unadjusted quoted prices in active market for identical instruments. The predominance of market inputs is actively quoted and can be validated through external sources or reliably interpolated if less observable.

At 31 December 2023, all investments are classified as Level 1 assets. Fair value measurements classified as Level 1 include exchange traded prices of fixed maturities, equity securities and derivative contracts.

Unit linked funds usually have a published price used for the previous day's transactions. Where the valuation of the instrument of the Scheme is based on these observable unit prices with no significant unobservable inputs and there are sufficient transactions to meet the definition of a quoted price in an active market, it is likely to be classified as Level 1. However, if an insurer calculates the liability without reference to the published price, it will fall into Level 2 or 3. Where the valuation of the liability incorporates significant inputs influenced by management's assumptions, such as tax adjustments not reflected in the observable price or underlying assets and liabilities, this is likely to be a Level 3 classification.

Listed debt securities such as Government securities and Corporate bonds may be classified as Level 1 or 2 depending on trade frequency and data availability.

At 31 December 2023, no investments were classified as Level 2.

Level 3 fair value measurements apply inputs which are not based on observable market data. Private equity securities usually are priced based on unobservable market data and are not easily tradable and are therefore likely to be classified as Level 3.

At 31 December 2023, no investments were classified as Level 3.

Fair value of the Scheme's financial assets are measured at fair value on a recurring basis

Some of the Scheme's financial assets that are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

21 FINANCIAL RISK MANAGEMENT (continued)

21.1 Financial risk factors (continued)

21.1.10 *Fair value of financial instruments (continued)*

Financial assets	Fair Value as at 31 December		Fair value hierarchy	Valuation technique(s) and key inputs(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2023 R	2022 R				
Assets						
Non-current Assets						
Available-for-sale investments	-	516 337 717	Level 1	prices in active market	None	None
Financial assets at fair value through profit or loss	514 574 538	-	Level 1	Quoted bid prices in active market	None	None

21.1.11 *Unconsolidated investment structures*

The Scheme's exposure as at 31 December 2023 was:

Fund Name	Investment in Fund 2023 R	Portfolio Holdings 2023 R	Scheme Exposure 2023 %
Sanlam Active Income Fund	80 455 369	1 200 000 000	7%
Prescient Specialist Income Fund	87 036 218	4 387 176 600	2%
	167 491 587	**5 587 176 600**	**3%**

22 SUBSEQUENT EVENTS

There have been no events that have occurred subsequent to the financial year-end that affect the financial statements which the Board of Trustees believes should be brought to the attention of the members of the Scheme.

23 COMMITMENTS AND OTHER CONTINGENT LIABILITIES

The Scheme did not have any commitments or other contingent liabilities outstanding as at 31 December 2023 and 2022.

24 GOING CONCERN STATEMENT

The financial statements have been prepared on the going concern basis. The trustees reviewed the going concern assessment taking the Scheme's financial position as at 31 December 2023, as well as the budget for the year ending 31 December 2024 into account. The Scheme reflected amounts attributable to future members of - R2 311 651 (2022 Restated* amounts attributable to future members: R48 828 815) for 2023 and budgeted amounts attributable to future members of - R22 861 221 for 2024. The insurance liability to future members as at 31 December 2023 was R622 127 599 with a solvency level of 142,03% (2022 Restated*: 139,93%).

Based on the above, the trustees considers that:
- The Scheme's assets currently exceeds its liabilities; and
- The Scheme will be able, in the ordinary course of the Scheme's business, to settle its liabilities as they arise in the foreseeable future.

Based on the assessment conducted, the Board of Trustees has no reason to believe that the Scheme would not be a going concern in the foreseeable future.

*Refer to note 26 relating to the restatement

25 NON-COMPLIANCE WITH THE ACT

The following areas of non-compliance of the Act were identified during the course of the year:

25.1 Non-compliance with Section 35(8)(c) of the Act

Nature and cause of non-compliance
Per Section 35(8) of the Act states that:
(8) A medical scheme shall not invest any of its assets in the business of or grant loans to:
a) an employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme;
b) any other medical scheme;
c) any administrator; and
d) any person associated with any of the abovementioned.

The Scheme invests its assets in accordance with an Investment Policy. These assets are invested in a series of pooled and segregated investment vehicles each having a specific investment mandate, benchmark and chosen investment manager.

Some of these mandates may allow exposure to shares or bonds listed in the South African market. The investment manager has full discretion to choose a combination of shares and bonds that will best achieve the benchmark. The representatives of the Scheme have given discretionary powers in terms of the investment mandate, in accordance with Annexure B, to the underlying investment manager.

A number of bonds are held in ultimate holding companies of Scheme administrators.

Possible impact of non-compliance
For the current year, the Scheme holds no shares in ultimate holding companies of Scheme administrators, but do hold bonds in these entities which is prohibited in terms of Section 35(8)(c) of the Act.

	31 December 2023	
Company name	Shares R	Bonds R
Discovery Holdings Limited	-	199 387
Discovery Group Limited	-	410 883

By applying Section 35(8)(c) of the Act, the Scheme will not be able to invest in these companies. The diversification of opportunities is reduced and the Scheme will be forced to take on additional risk. This is not in the best interest of the members.

Corrective course of action adopted to ensure compliance, including timing of corrective action
The Scheme previously had an exemption from Section 35(8)(c) of the Act from the Council for Medical Schemes which lapsed on 30 August 2023. The Scheme has applied for a new exemption on 10 June 2024.

In terms of compliance to Annexure B of the Act, the Scheme does perform a comprehensive analysis of the total assets to monitor the Scheme's investments against limitations set out per Annexure B. When a non-compliance is identified, the Investment Committee will ensure that corrective action is taken. It would not be prudent to remove these investment opportunities from the scope of investments available to the underlying investment managers.

25 NON-COMPLIANCE WITH THE ACT (continued)

25.2 Claim payments not within 30 days of receipt by the Scheme

Nature and cause of non-compliance

The Act requires a medical scheme to pay to a member or a supplier of service within 30 days after the day on which the claim was received. The Scheme processes and pays the majority of all claims within 30 days from date of receipt. Situations beyond the control of the Scheme could result in claims being paid later than 30 days after receipt when for example further supporting information will be required.

Possible impact of non-compliance

These are isolated cases and have not resulted in a material gain or loss to the Scheme, inconvenience to members or healthcare service providers.

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

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

25.3 Contributions not paid within 3 days thereof becoming due

Nature and cause of non-compliance

Section 26(7) states that: "All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after the payment thereof becoming due". Certain contributions were submitted to the Scheme more than three days after the payment thereof became due. The Scheme does not hold any special contracts with members nor employer paypoints authorising such late payments.

During the reporting period the Scheme received 18 late payments from paypoints averaging R267 056. The majority of these payments were a few days late.

Possible impact of non-compliance

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

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

The Scheme's credit control policy ensures that losses to the Scheme are minimised. The Board of Trustees has reviewed the list of instances where contributions were submitted to the Scheme more than three days after the payment thereof became due and will contact the paypoints concerned to decrease instances in the future.

25.4 Scheme's option (Comprehensive Option) generating a net healthcare deficit

Nature and cause of non-compliance

Per Section 33(2) of the Act:

The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option:

a) includes the prescribed benefits;

b) shall be self-supporting in terms of membership and financial performance;

c) is financially sound; and

d) will not jeopardise the financial soundness of any existing benefit option within the medical scheme.

25 NON-COMPLIANCE WITH THE ACT (continued)

25.4 Scheme's option (Comprehensive Option) generating a net healthcare deficit (continued)

Nature and cause of non-compliance (continued)
The results for the Comprehensive Option during the year were the following:

	2023 R	2022 R Restated*	Change R
Insurance service result (excluding amounts attributable to future	(60 403 551)	(49 623 433)	(10 780 118)
Net expense	(45 344 488)	(9 134 968)	(36 209 520)

Insurance revenue per average beneficiary per month (pabpm) for this option amounted to R4 115 (2022 restated*: R3 872) compared to an insurance service expense pabpm of R4 907 (2022 restated*: R3 264). Thus insurance service expense exceeded insurance revenue by R792 pabpm, contributing to the negative insurance service result.

The higher insurance service expense were mainly due to high cost claims, change in claiming patterns and change in case mix. The increase to the insurance revenue was lower to minimise the contribution increase to members and utilise some of the excess reserves. A negative insurance service result for the Comprehensive Option of R61 022 732 was budgeted for 2023.

Possible impact of non-compliance
The Comprehensive Option may be deemed as not self-supporting in terms of financial performance, nor financially sound.

The Scheme is financially sound and has a high level of reserves available to cover instances where deficits occurs. A negative insurance service result was budgeted for to minimise the contribution increase to members and utilise some of the excess reserves.

Corrective course of action adopted to ensure compliance, including timing of corrective action
A negative insurance service result was budgeted for. The Trustees will continue to monitor the variances between the actual and budgeted net healthcare results, investigate any significant variances and take the necessary corrective actions.

The Scheme introduced a new option in 2023, the Comprehensive Select Option, which is an Efficiency Discount Option with negotiated tariffs and Hospital Networks. The introduction of the new option will assist in the management of the relevant healthcare expenditure. The Trustees have also considered the required increase in contributions and implemented minimum increases to tariffs and benefit limits for the 2024 financial year.

*Refer to note 26 relating to the restatement

26 IMPLEMENTATION OF NEW STANDARDS

26.1 IFRS 9 Financial instruments

IFRS 9 Financial instruments became effective 1 January 2023. The Scheme previously classified investments as available-for-sale investments in terms of IAS 39, which are now classified as financial assets at fair value through profit or loss with the adoption of IFRS 9. The adoption of IFRS 9 has further resulted in the available-for-sale reserve being reclassified to Accumulated Funds. IFRS 9 permits entities to apply the change in the accounting policy prospectively and this option has been adopted by the Scheme.

26 IMPLEMENTATION OF NEW STANDARDS (continued)

26.1 IFRS 9 Financial instruments (continued)

	Carrying amount 31-Dec-22 R	Reclassification R	Carrying amount 01-Jan-23 R
Impact on Assets			
Available-for-sale investments	516 337 717	(516 337 717)	-
Financial assets held at fair value through profit or loss	-	516 337 717	516 337 717
Net impact	**516 337 717**	**-**	**516 337 717**
Impact on Member's Funds			
Available-for-sale revaluation reserve	56 246 587	(56 246 587)	-
Insurance liability to future members	-	56 246 587	56 246 587
Net impact	**56 246 587**	**-**	**56 246 587**

26.2 IFRS 17 Insurance Contracts and mutual entity considerations

Change in accounting policies as a result of the adoption of IFRS 17 have been applied using the full retrospective approach. Based on the requirements of IFRS 17, the Scheme was identified a mutual entity which is different to the accounting under IFRS 4.

As the Scheme is in a surplus position, it recognised a liability in its statement of financial position to provide coverage to future members. This liability is in essence incurred because the Scheme is obliged to:
- provide coverage to that member;
- pay incurred claims of that member; or
- provide coverage to future members.

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

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

The impact on opening equity of the Scheme as a result of IFRS 17 was R543 456 on 1 January 2022. The impact on insurance liabilities was R543 456.

	2023 R	2022 R	2021 R
Statement of comprehensive income	Restated	Restated	Restated
Net income/(expense) before adjustments for the year	(8 520 313)	55 783 518	60 103 807
Risk adjustment current year	(1 829 294)	(2 225 012)	(2 012 067)
Reverse risk adjustment for the previous year	2 225 012	2 012 067	-
Best estimate adjustment for the current year	1 626 709	(4 186 235)	2 555 523
Reverse risk best estimate adjustment for the previous year	4 186 235	(2 555 523)	-
Net income/(expense) for the year	**(2 311 651)**	**48 828 815**	**60 647 263**
Impact on insurance liability to future members			
Net movement of adjustments	6 208 662	(6 954 703)	543 456
Liability for incurred claims			
Prior liability for incurred claims	24 826 709	18 635 000	22 200 000
Increase/(decrease) in best estimate provision	(1 626 709)	4 186 235	(2 555 523)
Increase in risk adjustment provision	1 829 294	2 225 012	2 012 067
Balance at the end of the year	**25 029 294**	**25 046 247**	**21 656 544**