



Annual General Meeting

Time: 09:30

Date: Tuesday, 25 June 2024

**Venue: Hybrid Platform - Via
Microsoft Teams and Excellence
Meeting Room, Building 24,
Woodlands Office Park**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF MEMBERS WILL BE HELD ON TUESDAY 25 JUNE 2024 AT 09H30 VIA A HYBRID PLATFORM AT THE AECI OFFICES, EXCELLENCE MEETING ROOM, BUILDING 24, WOODLANDS OFFICE PARK AND MICROSOFT TEAMS

A G E N D A

1. Notice of Meeting
2. Adoption of the Agenda
3. Confirmation of the Minutes of the Annual General Meeting held on 20 June 2023
4. Adoption of the Annual Financial Statements for year ended 31 December 2023
5. Confirmation of Trustees
6. Confirmation of Audit Committee
7. Appointment of External Auditors
8. General

Notice of any motion to be placed before the Annual General Meeting must reach the Principal Officer's office, Ms M Potgieter, mada@aecimedicalaidsociety.co.za by no later than 19 June 2024.

By order of the Board of Trustees

A member is entitled to appoint a proxy. A proxy form is enclosed.

In keeping with the Society rules (26.1.2), highlights of the financial results of the Society are included with this notice. A full set of the Audited Annual Financial Statements will be available at the Annual General Meeting, on the AECI Medical Aid Society website www.aecimedicalaidsociety.co.za or on request from the AECI Medical Aid Society Call Centre, telephone number 086 000 2103.



MINUTES OF ANNUAL GENERAL MEETING HELD AT 09:30 ON TUESDAY, 20 JUNE 2023 VIA A HYBRID PLATFORM AT AECI OFFICES, WOODLANDS AND MICROSOFT TEAMS

PRESENT

Mr G S Thompson	Chairperson
Members personally present	9
Members present by proxy	25

Upon invitation from the Society

Ms M Potgieter – Principal Officer

Ms H Modise – Fund Manager - Medscheme

Ms L Chetty – Assistant Fund Manager and Scheme Coordinator - Medscheme

Ms E Spann – Senior Finance Manager - Medscheme

Ms N Viljoen – Client Liaison Manager - Medscheme

1. **WELCOME**

The Chairperson welcomed all members present to the Annual General Meeting of the AECI Medical Aid Society. There being a quorum, the Chairperson declared the meeting duly constituted.

The Chairperson advised that any attendees who were not members of the AECI Medical Aid Society had no voting or speaking rights.

The Chairperson asked all members attending via Microsoft Teams to make use of the “raise your hand” icon should they have any questions or to record their votes.

2. **NOTICE OF MEETING AND ADOPTION OF THE AGENDA**

The members **CONFIRMED** that the notice of the meeting had been duly circulated and was taken as read.

The agenda was adopted by the members without any additional items.

3. **CONFIRMATION OF THE MINUTES OF THE ANNUAL GENERAL MEETING HELD ON 21 JUNE 2022**

The Chairperson **CONFIRMED** that the minutes of the Annual General Meeting held on 21 June 2022 had been circulated with the notice of the meeting, and the minutes were taken as read and reviewed.

The attending members unanimously **APPROVED** the Minutes of the Annual General Meeting held on 21 June 2022 to be a true record of the proceedings.

4. **ADOPTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

The Chairperson confirmed that the summarised Audited Financial Statements for the year ended 31 December 2022, as incorporated in the Annual Report, had been distributed to all members together with the notice of the meeting 14 (fourteen) days prior to the meeting, as required by the Scheme Rules, and that a full set was available on the AECI Medical Aid Society's website on www.aecimedicalaidsociety.co.za, or on request from the AECI Medical Aid Society Call Centre, telephone number, 086 000 2103.

There being no queries or questions on the Financial Statements, the Chairperson moved that the Scheme's Audited Financial Statements for the year ended 31 December 2022, be approved. The motion was **CARRIED** unanimously.

5. **CONFIRMATION OF TRUSTEES**

The Chairperson confirmed that the Trustees and Principal Officer in office as at the date of the Annual General Meeting were as follows:

EMPLOYER APPOINTED

Graham Thompson (Chairperson)
Mfundo Myeza
Trevor Starke

ALTERNATE EMPLOYER APPOINTED

Chuma Lungile Koti
Mizpah Oosthuizen
Rhonda Hamilton

MEMBER ELECTED

Louis van der Walt (Vice-Chairperson)
Colin Rilley
Gys du Plessis

ALTERNATE MEMBER ELECTED

Pieter Breet
Stuart Wade

Principal Officer: Mada Potgieter

6. **CONFIRMATION OF AUDIT COMMITTEE**

The Chairperson confirmed that the Audit Committee members in office as at the date of the Annual General Meeting were as follows:

Trevor Jackson
Mukti Dullabh
Graham Thompson
Mizpah Oosthuizen
Chantal Govender

Chairperson (Independent)
Independent
Trustee
Alternate Trustee
Independent

No objections were received from the members concerning the constitution of the Board of Trustees and Audit Committee.

7. **APPOINTMENT OF EXTERNAL AUDITORS**

The Chairperson advised that in terms of the Rules of the Society, the members of the Society were required to appoint the external auditors for the ensuing year at the Annual General Meeting.

The Board of Trustees had proposed that KPMG be reappointed for the ensuing year as the external auditors for the Society.

The motion, on being put to the meeting, was **CARRIED** unanimously.

8. **GENERAL**

The Chairperson confirmed that in accordance with the Rules of the Society, notice of any motion to be placed before the Annual General Meeting, should have reached the office of the Principal Officer by 12 June 2023.

No motions had been received by the office of the Principal Officer. It was noted that members were given the opportunity to submit any questions to the Trustees prior to the meeting and no questions were received from members.

9. **CONCLUSION**

The Chairperson thanked everyone for their participation and attendance at the meeting. There being no further business for discussion, the meeting was duly concluded at 09h42.

SIGNED AS A TRUE RECORD

CHAIRPERSON

This document contains highlights of the Scheme's results for the year ended 31 December 2023. The financial information has been extracted from and is in agreement with the Audited Financial Statements audited by KPMG Inc. The 2023 Audited Financial Statements are available on the AECI Medical Aid Society member portal on www.aecimedicalaidsociety.co.za or alternatively by calling 086 000 2103.

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 The Woodlands Office Park Woodlands Drive Woodmead Sandton 2191	P O Box 1101 Florida Glen Gauteng 1708

2.3 Registered office address and postal address

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

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 Florida North Roodepoort 1709 Accreditation Number: MCO 21	P O Box 1101 Florida Glen Gauteng 1708

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

2 MANAGEMENT (continued)

2.6 Investment Managers

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

2.7 Investment Advisors

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

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 22 Magwa Crescent Waterval City Midrand 2066	Postnet Suite # 026 Private Bag x159 Halfway House Midrand 1685

2.9 External auditor

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

2.10 Internal auditor

Name and Physical Address	Postal Address
AfroCentric Health (RF) Proprietary Limited 37 Conrad Street Florida North Roodepoort 1709	P O Box 1101 Florida Glen Gauteng 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	01 January 2019/ 01 January 2024	30 April 2024
	Trustee	01 May 2024	
GS Thompson	Trustee	01 January 2019/ 01 January 2024	30 April 2024
	Independent member	01 May 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	20 June 2022	31 December 2023
	Trustee	01 January 2024	
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)

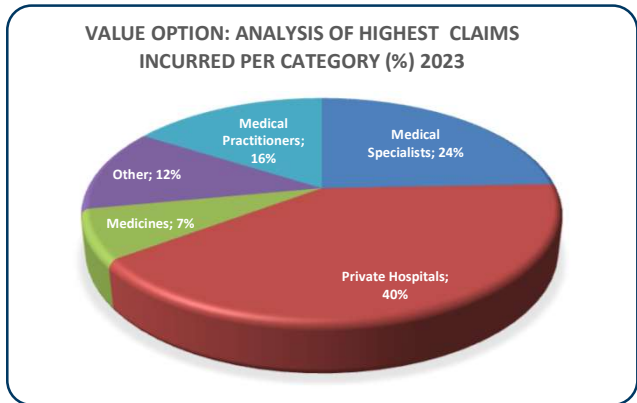
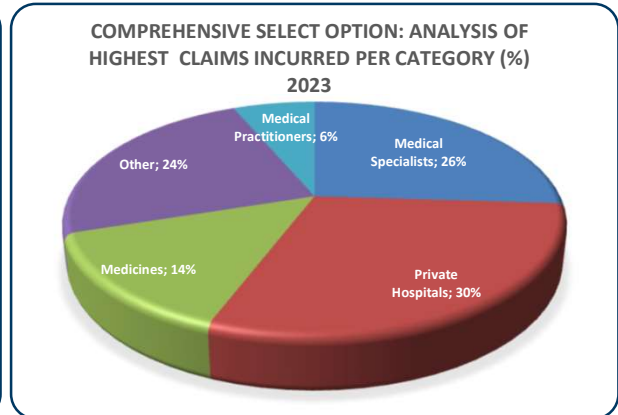
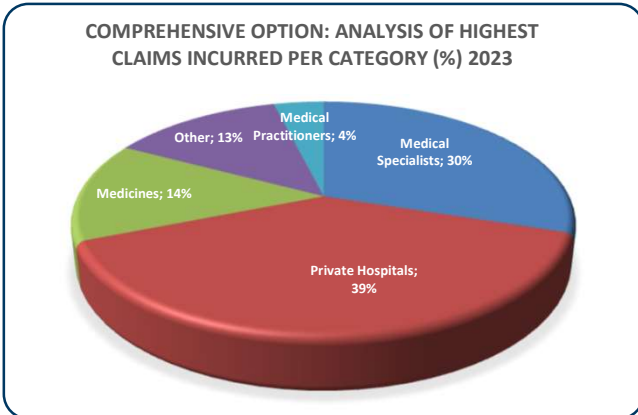
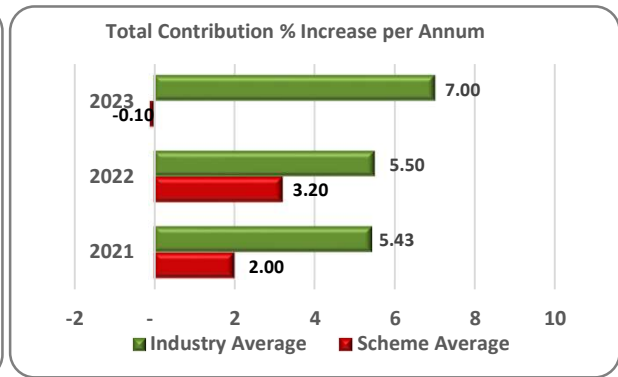
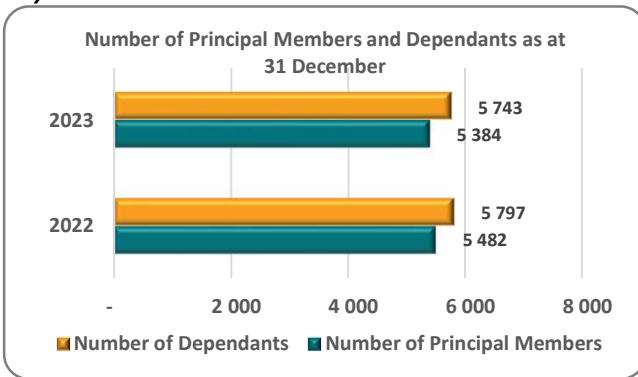
The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for claims, guidelines for pricing, pre-authorisation and case management, risk transfer arrangements and the monitoring of emerging issues.

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	2022
	R	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

Details	2023				2022			
	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.

Company name	31 December 2023	
	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 its 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	
	A	B	A	B	A	B	A	B
Trustees								
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

STATEMENT OF FINANCIAL POSITION

at 31 December 2023

	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

	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

STATEMENT OF CHANGES IN FUNDS AND RESERVES

for the year ended 31 December 2023

	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 revaluation 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

STATEMENT OF CASH FLOWS
for the year ended 31 December 2023

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