ANGLOVAAL
GROUP MEDICAL SCHEME

NOTICE OF THE ANNUAL GENERAL MEETING

TO BE HELD ON 24 MAY 2024 AT 10H00 AT

THE OFFICES OF AVI LTD,

2 HARRIES ROAD, ILLOVO, SANDTON

NOTICE OF THE
ANNUAL GENERAL MEETING OF THE
ANGLOVAAL GROUP MEDICAL SCHEME

The 27th Annual General Meeting of the members of the Anglovaal Group Medical Scheme will take place at 10h00 on 24 May 2024 at the offices of AVI Ltd, 2 Harries Road, Illovo, Sandton.

A quorum for the meeting will be fifteen members of the Scheme, present in person (which includes being present by means of such electronic or other communication facility or media as permits all persons participating in the meeting to communicate with each other simultaneously and instantaneously and persons so participating shall be deemed to be present at such meeting).

Attached please find your copy of the Agenda, the Annual Financial Statements (incorporating the Auditors' Report and the Trustees' Annual Report), and a Proxy Form. AVI reserves the right to refuse entry to any person or to ask any person to leave the premises.

Notice of any motions to be placed before the Annual General Meeting must reach the Principal Officer by no later than 12h00 on 17 May 2024. Such motions must be lodged with or posted to:

The Principal Officer c/o Nadine Naidoo
Anglovaal Group Medical Scheme,
AGM Motions,
P O Box 652509, Benmore, 2010 or
1 Discovery Place, Sandton or
fax to (011) 539-1018 or
email to avgmsagm@discovery.co.za

Please note that you will be required to produce your membership card and identity document when registering for the AGM.

AGENDA

Annual General Meeting of the Anglovaal Group Medical Scheme to be held on 24 May 2024 at 10h00 at the offices of AVI Ltd, 2 Harries Road, Illovo, Sandton.

1. Welcome and additions to the agenda
2. Apologies
3. Minutes of the previous meeting
4. Report of the Board of Trustees
5. Annual Financial Statements
6. Appointment of the Trustees
7. Appointment of the auditors
8. Submitted motions
9. General
10. Close

MINUTES OF THE ANNUAL GENERAL MEETING OF THE MEMBERS OF THE ANGLOVAAL GROUP MEDICAL SCHEME HELD ON 24 MAY 2023 AT 10H00 AT THE OFFICES OF AVI LIMITED, 2 HARRIES ROAD, ILLOVO, AND ELECTRONICALLY BY MS TEAMS (IN ACCORDANCE WITH THE SCHEME RULES)

PRESENT

M Koursaris	(Chairman, Trustee and member)
V Crystal	(Principal Officer and member)
I Masike	(Trustee and member)
G Bergman	(Trustee)
H de Groot	(Trustee and member) (MS Teams)
D Erskine	(Trustee and member)
A Mills	(Trustee and member)
S du Plessis	(Member)
J Cranke	(Member)
T Vadi	(Member)
T Ngwenya	(Member)
C Coetzee	(Member)
M Wright	(Member)
C Ogle	(Member)
T Mazibuko	(Member)
X Nkosi	(Member)
M Stevenson	(Member)
J Devar	(Member)
Y Ntoto	(Member)
S Scheepers	(Member)

IN ATTENDANCE

A Rogers	(Discovery Health) (MS Teams)
M Buckingham	(Discovery Health)
S Matabane	(CMS)

APOLOGIES

None

1. WELCOME

Mr Koursaris introduced himself as the Chairman of the Board of Trustees and welcomed all present to the Scheme's 26th Annual General Meeting.

With proper notice having been given and a quorum of at least 15 members being present, the meeting was declared properly constituted.

2. APOLOGIES

There were no apologies.

3. MINUTES OF THE PREVIOUS MEETING

The Chairman took the members through the minutes of the Annual General Meeting held on 27th of May 2022, and the minutes were approved without changes.

4. REPORT OF THE BOARD OF TRUSTEES

The Chairman referred to pages 51 to 59 of the AGM pack, which contained the report of the Board of Trustees included in the 2022 Annual Financial Statements.

He reported that the Scheme remained a going concern, notwithstanding a greater than budgeted net deficit of R16,28 million after investment income, and lower than budgeted solvency level of 75.7%, against the required statutory solvency level of 25%. As at 31 December 2022 the Scheme's total investments and operating cash stood at R202,62 million and membership had contracted during 2022 by approximately 3%.

The Chairman also drew attention to item 9 of the report and note 22 of the financial statements where the non-compliance matters were outlined and stated that, as advised in previous years, none of these issues were material to the continued operations of the Scheme or its sustainability and arose largely as a result of the highly regulated environment in which the Scheme operates.

The Chairman confirmed that the Trustees were satisfied with the results of the year-end audit. The report of the Board of Trustees, included in the Annual Financial Statements for the period ending 31 December 2022, was approved.

5. ANNUAL FINANICAL STATEMENTS

The Chairman referred to the Annual Financial Statements for the period under review and advised that the Scheme's financial administrator was present to answer questions from the floor. Copies of the audited Annual Financial Statements were also made available at the meeting.

With no questions being raised, the Annual Financial Statements for the period ending 31 December 2022 were approved.

6. APPOINTMENT OF THE AUDITORS

The recommendation from the Board of Trustees to reappoint PwC as the Scheme's external auditor was approved. The Chairman thanked PwC for their services over the past year.

7. SUBMITTED MOTIONS

The Chairman informed the members that one submitted motion was received from Mr. Ian Benfield. The full motion was read as follows:

"That a committee be established to evaluate the efficacy and cost of administrating the Members' Savings Accounts with a view to discontinuing the current claim procedure and replacing it with a simple process whereby fixed monthly medical allowances are paid to members, provided such an arrangement can be structured in accordance with statutory requirement."

Before putting the motion to the members, the Chairman advised that neither the Medical Schemes Act, the Regulations nor the Scheme Rules contemplated a scenario where the medical savings portion of a member's contribution could be paid by the Scheme to the member until the member left the Scheme. Furthermore, the medical savings account formed part of the member's total contribution, and is required to be administered and reported on by the Scheme in accordance with the Act, the Regulations and the Scheme Rules. It was therefore not possible, and would be in conflict with the provisions of the Act relating to the conduct and business of the medical scheme, for the Scheme to pay monthly medical allowances to members, to be administered outside the Scheme. Therefore, neither the Board of Trustees nor any sub-committee established for purposes of considering the motion would be authorized to replace the current medical savings account with a fixed monthly medical allowance paid to members as contemplated in the motion.

The Chairman further advised that the efficacy and cost of administering the medical savings accounts had previously, one more than one occasion, been considered by the Board of Trustees. A material hurdle that was identified was the question of how members could be assured that they were being charged appropriately by service providers if claims paid directly by members were not scrutinized by the Scheme as part of its normal claims administration process. After investigation it was confirmed by the Scheme administrators that, whilst claims could still be submitted to the Scheme, only the portions to be paid from risk would be scrutinized and members would be responsible for ensuring that the portions to be paid out of their own pocket, were correct. If not, members would be responsible for raising queries directly with the service provider and the Scheme administrators would no longer provide this assistance, which may result in members paying claims in excess of agreed tariffs.

The Chairman further advised that should the Scheme elect to remove the medical savings account, there would be no obligation on the participating employers to separately pay this amount to the members as part of their remuneration packages or post-retirement medical scheme contribution obligations.

The Chairman noted that currently no final decision had been made by the

Board of Trustees on the retention or removal of the medical savings account but that this remains on the agenda for ongoing review and consideration.

The motion was opened for debate and questions. No questions were raised. Before the Chairman put the motion to the vote and in view of what had been said earlier in the meeting about the lack of authority of the Board or a sub-committee to pay fixed monthly medical allowances in place of the medical savings account, the Chairman moved for an amendment of the motion to read as follows:

"That a committee be established to evaluate the efficacy and cost of administrating the Members' Savings Account."

The amendment was put to the vote and approved by the members on a show of hands. The Chairman then put the amended motion to the vote. The amended motion failed to achieve a vote of the majority of members present in the meeting and the motion was not passed.

9. GENERAL

9.1 Complaints or disputes

The Chairman advised that, as required by the Council for Medical Schemes, members were informed that any member complaints or disputes may be lodged with the Scheme in writing. Should the complaint not be resolved to the member's satisfaction, the Principal Officer would appoint a Disputes Committee and convene a meeting of this Committee to hear and resolve the complaint. The Disputes Committee would consist of three Scheme members, who are not Trustees, employees of Discovery Health, or officers of the Scheme. One of the three members would be a person with legal expertise. Members would have the right to appeal the decision of the Disputes Committee to the Council for Medical Schemes.

10. CLOSING

In conclusion the Chairman thanked everyone present for their attendance and time. He also extended thanks to the Board of Trustees, the Principal Officer, the members of the Audit and Investment Committee, the administrator (Discovery Health), as well as the independent service providers, Insight Actuaries and Consultants, for their services during this period.

There being no further matters to discuss, the meeting was closed.

Minutes accepted

____________________ _______________

M. Koursaris DATE

CHAIRMAN

ANGLOVAAL GROUP MEDICAL SCHEME

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2023

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

FINANCIAL STATEMENTS
for the year ended 31 December 2023

CONTENTS **Pages**

Trustees' responsibility and approval	2
Statement of corporate governance by the Board of Trustees	3
Independent auditor's report	4 - 8
Statement of financial position	9
Statement of comprehensive income	10
Statement of cash flows	11
Notes to the financial statements	12 - 55
Report of the Board of Trustees	56 - 63

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

FINANCIAL STATEMENTS
for the year ended 31 December 2023

TRUSTEES' RESPONSIBILITY AND APPROVAL

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

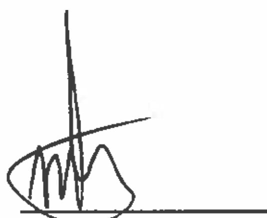
The Trustees are also responsible for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk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

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

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

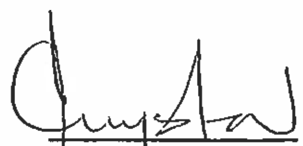
Approval of the financial statements

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



CHAIRMAN

TRUSTEE



PRINCIPAL OFFICER

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

FINANCIAL STATEMENTS
for the year ended 31 December 2023

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

The Anglovaal Group Medical Scheme is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Trustees are either appointed by the respective employers or elected by the members of the Scheme. The Scheme adopts good corporate governance practices in all aspects.

THE BOARD OF TRUSTEES

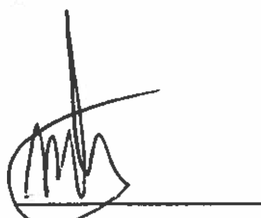
The Trustees meet regularly and monitor the performance of the Administrator and other service providers. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

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

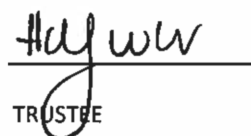
INTERNAL CONTROL

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

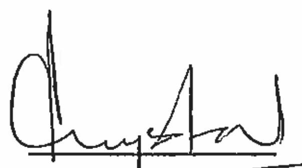
No event or item has come to the attention of the Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



CHAIRMAN



TRUSTEE



PRINCIPAL OFFICER

23 April 2024

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Notes	2023 R	2022 R Restated	1 January 2022 R Restated
ASSETS				
Non-current assets		185,935,034	176,326,519	182,748,119
Financial assets at fair value through profit or loss	2	185,935,034	176,326,519	182,748,119
Current assets		15,581,122	26,599,218	19,398,288
Financial assets at amortised cost	3	238,592	304,112	219,166
Cash and cash equivalents	4	15,342,530	26,295,106	19,179,122
TOTAL ASSETS		**201,516,156**	**202,925,737**	**202,146,407**
LIABILITIES				
Non-current liabilities				
Insurance liability for future members	5.2	165,927,152	174,054,278	172,993,601
Current liabilities		35,589,004	28,871,459	29,152,806
Insurance liability for future members	5.2	3,183,494	-	-
Insurance contract liabilities	5.1	30,790,530	28,160,779	28,806,452
Financial liabilities at amortised cost	7	1,614,980	710,680	346,354
TOTAL LIABILITIES		**201,516,156**	**202,925,737**	**202,146,407**

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

STATEMENT OF COMPREHENSIVE INCOME
as at 31 December 2023

	Notes	2023 R	Restated 2022 R
Insurance revenue	8	123,222,832	116,605,181
Insurance service expense	8	(136,368,092)	(129,030,794)
Net expense from reinsurance contracts held	8	(3,383)	(150)
Reinsurance expense		(1,500,372)	(1,569,733)
Reinsurance income		1,496,989	1,569,583
Insurance service result		**(13,148,643)**	**(12,425,763)**
Interest from financial assets not measured at fair value through profit and loss	9	1,049,593	814,237
Fair value gains from investments held at fair value through profit or loss	9	13,879,559	9,149,264
Fair value gains from investments held at fair value through profit or loss - realised gains	9	2,257,417	6,310,500
Net investment income		**17,186,569**	**16,274,001**
Net healthcare result		**4,037,926**	**3,848,238**
Asset management fees		(1,528,461)	(1,881,364)
Other operating expenses	10	(2,509,465)	(1,966,874)
Net result for the year		**0**	**0**
Total comprehensive income for the year		**-**	**-**
In terms of IFRS 17 and Mutual Entity disclosures, all surpluses or deficits are allocated to Insurance service expenses. The amounts allocated were as follow:		(4,943,632)	1,060,677

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

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		154,685,119	146,313,461
Cash receipts from members – gross contributions	5.1	154,308,505	146,179,707
Cash receipts from members and providers – other		376,614	133,754
Cash paid to providers, employees and members		(171,751,642)	(159,916,084)
Cash paid to providers and members – claims	5.1	(166,698,880)	(154,837,993)
Cash paid to providers – non-healthcare expenditure		(1,980,613)	(1,725,618)
Cash paid to providers – reinsurance expense	6	(1,500,372)	(1,569,733)
Cash paid to members – savings plan refunds	5.1	(1,571,777)	(1,782,740)
Net cash used in operating activities		**(17,066,523)**	**(13,602,623)**
Cash generated from operations			
Interest received		1,113,947	718,607
Net cash used in operations		**(15,952,576)**	**(12,884,016)**
Proceeds on disposal of investments	2	5,000,000	20,000,000
Net cash from investing activities		**5,000,000**	**20,000,000**
Net (decrease)/increase in cash and cash equivalents		**(10,952,576)**	**7,115,984**
Cash and cash equivalents at beginning of the year		**26,295,106**	**19,179,122**
Cash and cash equivalents at end of the year	4	**15,342,530**	**26,295,106**

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

GENERAL INFORMATION

Anglovaal Group Medical Scheme (the Scheme) offers the insurance of hospital, chronic illness and day-to-day benefits and is administered by Discovery Health (Pty) Ltd, a wholly owned subsidiary of Discovery Limited, listed on the JSE Limited.

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

1.1 BASIS OF PREPARATION

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

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

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

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

1.2 IMPLEMENTATION OF NEW STANDARDS

New standards, amendments and interpretations not yet effective in 2023 relevant to the Scheme:

Title	Effective date
Amendments to IAS 1- Non-current liabilities with covenants - These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 Jan 2024
Narrow scope amendments to IAS 1 'Presentation of Financial statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - The amendments aim to improve accounting policy disclosures and to help users of the Financial statements to distinguish changes in accounting policies from changes in accounting estimates. **The scheme discloses the accounting policy for each note as well as the critical judgements and estimates applicable to the individual financial statement line items.** **The standard has no further impact on the Scheme.**	1 Jan 2024

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

1.2 IMPLEMENTATION OF NEW STANDARDS (continued)

New standards, amendments and interpretations not yet effective in 2023 relevant to the Scheme:

Title	Effective date
Amendments to IAS 21 Lack of Exchangeability (Amendments to IAS 21) - An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. This amendment has no further impact on the Scheme.	1 Jan 2025

Implementation of IFRS 17 *Insurance contracts*

Introduction

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

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

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

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

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

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

1.2 IMPLEMENTATION OF NEW STANDARDS (continued)

Implementation of IFRS 17 *Insurance contracts* (continued)

Transition to IFRS 17

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

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

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

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

Impact of transition to IFRS 17

The Scheme considered its substantive rights and obligations arising from its insurance contracts in applying IFRS 17.

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

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

The PMSA is a non-distinct investment component with the balances included in the total Insurance contract liabilities in the Scheme’s Statement of financial position.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

1.2 IMPLEMENTATION OF NEW STANDARDS (continued)

Implementation of IFRS 17 *Insurance contracts* (continued)

Impact of transition to IFRS 17 (continued)

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

	R
Accumulated funds as at 31 December 2021	
Audited and previously reported	**173,009,463**
IFRS 17 adjustment	
Adjustment as a result of the risk adjustment for non financial risk on insurance contracts	(115,862)
Adjustment as a result of the revision to the best estimate liability of claims incurred but not yet reported	100,000
Liability for future members as at 31 December 2021	**172,993,601**
Accumulated funds as at 31 December 2021	
Audited and previously reported	**171,387,625**
IFRS 17 adjustment	
Adjustment as a result of the risk adjustment for non financial risk on insurance contracts	(349,486)
Adjustment as a result of the revision to the best estimate liability of claims incurred but not yet reported	3,016,139
Liability for future members as at 31 December 2022	**174,054,278**

Change in accounting policy due to IFRS 17 implementation

Classification of contribution receivables

The Scheme has accounted for all contribution debtors that relate to insurance services already rendered in the Liability for Remaining Coverage (LRC) at year end.

Contributions received in advance and where no insurance service has yet been provided is accounted for in the LRC.

Classification of expenditure/income outstanding at year end that meet the definition of financial liabilities or financial assets

Where expenditure/income outstanding at year end meet the definition of financial liabilities or financial assets, the Scheme has an accounting policy choice to either include the payable/receivables in the insurance contract liabilities or to recognise it as a separate IFRS 9 liability/asset such as trade and other payables/receivables. The Scheme has chosen to include these payables in the insurance contract liabilities.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

1.3 SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the application of the Scheme's accounting policies, which are described below and in the notes, the Board of Trustees is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Following are the significant judgements, apart from those involving estimations (which are dealt with separately below), that have been made in the process of applying the Scheme's accounting policies and that have the most significant effect on the amounts recognised in the Financial statements.

Significant judgements

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 of the Scheme as a whole due to the holistic pricing methodologies and risk management strategy that manages the risk on a scheme level.

The above is demonstrated by the following:
- Hospital claims are managed on a scheme level.
- Chronic conditions are managed on a scheme level and all members have access to the chronic condition management benefit.
- Risk transfer arrangements are based on conditions and include all beneficiaries.
- Risk (utilisation and concentration) is managed holistically.

Risk adjustments - Liability for incurred claims (LIC)

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Scheme requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Scheme fulfils insurance contracts. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Scheme’s degree of risk aversion. The Scheme estimates an adjustment for non-financial risk separately from all other estimates.

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 75%.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

1.3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Significant judgements (continued)

Risk adjustments - Liability for incurred claims (LIC)(continued)

The Scheme will present the changes in the risk adjustment for non-financial risk in the insurance service result.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed during the transition to IFRS 17.

Risk adjustments - risk transfer arrangements

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 risk transfer agreements as for the insurance contracts with regards to the determination of the risk adjustment.

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.

IFRS 3 defined 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 Act 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 Act 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 Act 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.

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 are included in the insurance service expenses line.

1.3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Significant judgements (continued)

Assessment as to whether the Scheme is a mutual entity (continued)

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

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" (IFRS 17.2). Therefore, based on customary business practices, the remaining assets of a 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.

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 profits or losses as part of the Liability attributable to future members (which forms part of the Insurance contract liabilities on the face of the Statement of financial position).

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE Financial statements
as at 31 December 2023

1.3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

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.

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

Estimates of future cash flows to fulfil insurance contracts

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

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

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

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE Financial statements
as at 31 December 2023

1.3 SIGNIFICANT JUDGEMENTS AND ESTIMATES

Methods used to measure the insurance contracts

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

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

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

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.
- Changes in the prescribed minimum benefits.

1.4 INSURANCE CONTRACTS SCOPE AND GROUPING

Definition and classification

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

1.4 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Separating components within insurance contracts

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

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

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

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

Level of aggregation

The level of aggregation has a significant impact on accounting for the insurance contract, including the measurement of insurance contracts and the extent of offsetting or cross subsidisation to determine onerous contracts. A portfolio comprises contracts subject to similar risks and managed together. These are then divided into groups depending on their level of profitability. Once the group of insurance contracts has been established, it becomes the unit of account.

The contracts issued by the Scheme are subject to similar risks and managed together thus falling into the same portfolio with no further disaggregation into groups. The level of aggregation is assessed to be at a Scheme level.

Contract boundary

The Scheme uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

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

- the Scheme has the practical ability to reassess the risks of the portfolio of insurance contracts and set a price or level of benefits that fully reflects the risks of that portfolio; and
- the pricing of contributions related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

1.4 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Contract boundary (continued)

In assessing the practical ability to reprice, risks transferred from the member to the Scheme are considered; other risks, such as lapse or surrender and expense risk, are not included.

Cash flows outside the insurance contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

The Scheme has assessed its portfolio of insurance contracts to have a contract boundary of one year, which coincides with the Scheme's financial year.

Recognition and derecognition

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

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

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

Initial and subsequent measurement

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

For insurance contracts issued, on initial recognition, the Scheme measures the LRC at the amount of contributions received.

The carrying amount of the group of insurance contracts issued at each reporting period is the sum of:
- the LRC decreased by any investment component paid or transferred to the LIC; and
- the LIC, comprising the fulfilment cashflows related to past service allocated to the group at the reporting date.

1.4 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Initial and subsequent measurement (continued)

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- increased for contributions received in the period;
- decreased by any investment component paid or transferred to the LIC; and
- decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

For insurance contracts issued at each of the subsequent reporting dates the LIC is:

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

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

Onerous contract assessment

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

Insurance revenue

As the Scheme provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Scheme expects to be entitled to in exchange for those services.

For the group of insurance contracts measured under the PAA, the Scheme recognises insurance revenue based on the passage of time over the coverage period of the group of contracts.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE Financial statements
as at 31 December 2023

1.4 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Insurance Service Expenses

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

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

Cash flows that are not directly attributable to a group of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

Other incurred directly attributable insurance service expenses include:

Accredited managed care healthcare services (no risk transfer)

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

Accredited administration services

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

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

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE Financial statements
as at 31 December 2023

1.5 RISK TRANSFER ARRANGEMENTS (RE-INSURANCE)

Definition

Risk transfer arrangements are contractual arrangements entered into by the Scheme with a provider. The provider is paid a fixed fee per member to cover the risk of the number of incidents that occur during a specified period and the cost of providing the service. Risk transfer arrangements do not reduce the Scheme's primary obligations to its members and their dependents.

Unit of account

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

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

Recognition and derecognition

The reinsurance contract held that covers the losses of separate insurance contracts on a proportionate basis is recognised at the later of:
- the beginning of the coverage period of the group; or
- the initial recognition of any underlying insurance contract.

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

Initial and subsequent measurement

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

For reinsurance contracts held, on initial recognition, the Scheme measures the remaining coverage at the amount of ceding contributions paid.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE Financial statements
as at 31 December 2023

1.5 RISK TRANSFER ARRANGEMENTS (RE-INSURANCE) (continued)

Initial and subsequent measurement (continued)

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

Subsequent measurement of the remaining coverage for reinsurance contracts held is:
- increased for ceding contributions paid in the period; and
- decreased for the amounts of ceding contributions recognised as reinsurance expenses for the services received in the period.

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

Contract boundary

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

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

Net income/(expense) from reinsurance contracts held

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

Reinsurance expenses consist of:
- reinsurance expenses;
- effect of changes in risk of reinsurer non-performance.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding contributions the Scheme expects to pay in exchange for those services.

For groups of reinsurance contracts held measured under the PAA, the Scheme recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE Financial statements
as at 31 December 2023

1.6 CLASSIFICATION, RECOGNITION, PRESENTATION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

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

Derecognition of financial assets and liabilities
The Scheme derecognises a financial asset when the contractual rights to the asset expire, where there is a transfer of the contractual rights that comprise the asset, or the Scheme retains the contractual rights of the asset but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset.

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

1.7 INSURANCE LIABILITY TO FUTURE MEMBERS

The insurance liability to future members represents the accumulated funds of the Scheme. The funds are mainly held as statutory reserves in lieu of the solvency requirement as required by the Act.

1.8 FINANCIAL LIABILITIES

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

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE Financial statements
as at 31 December 2023

1.9 PROVISIONS

The Scheme recognises provisions once the following conditions are met:

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

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

1.10 INCOME TAX

In terms of Section 10(1)(d) of the Income Tax Act, No 58 of 1962, as amended, receipts and accruals of a benefit fund are exempt from income tax. A medical scheme is included in the definition of a benefit fund and consequently the Scheme is exempt from income tax.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting policy

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

Financial assets at fair value through profit or loss are initially recognised at fair value and the transaction costs, if applicable, are expensed in the Statement of comprehensive income.

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

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

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

Non-current assets	**2023** **R**	**2022** **R**
Fair value at the beginning of the year	176,326,519	182,748,119
Disposals	(5,000,000)	(20,000,000)
Fair value adjustment on financial assets at fair value through profit or loss	13,879,559	9,149,264
Realised gain on disposal of financial assets at fair value through profit or loss	2,257,417	6,310,500
Asset management service fees	(1,528,461)	(1,881,364)
Fair value at the end of the year	**185,935,034**	**176,326,519**
The investments included above represent investments in:		
Linked insurance policies	185,935,034	176,326,519
	185,935,034	**176,326,519**

A register of investments is available for inspection at the registered office of the Scheme.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

3. FINANCIAL ASSETS AT AMORTISED COST

Accounting policy

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

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

Impairment of other receivables

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

Current assets	**2023**	**2022**
	R	**R**
Interest receivable	90,782	155,136
Other accounts receivable	147,810	148,976
	238,592	**304,112**

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

4. CASH AND CASH EQUIVALENTS

Accounting policy

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

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

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

Current assets	**2023**	**2022**
	R	**R**
Current accounts	2,979,030	1,933,506
Short-term money market instruments	12,363,500	24,361,600
	15,342,530	**26,295,106**

The weighted average interest rate on cash and cash equivalents was 7.84% (2022: 4.99%).

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

5.1 INSURANCE CONTRACT LIABILITIES

2023		**Liability for incurred claims (LIC)**		
Insurance contracts issued	**Liability for remaining coverage (LRC)**	**Present value of future cash flows**	**Risk adjustment**	**Total**
Net opening balance	**(376,180)**	**28,187,473**	**349,486**	**28,160,779**
Insurance revenue	(123,222,832)	-	-	(123,222,832)
Insurance service expense	-	141,466,508	(154,784)	141,311,724
Incurred claims and third party claims recoveries	-	126,619,613	-	126,619,613
Other directly attributable expenses	-	10,197,299	-	10,197,299
Changes in fulfilment cash flows relating to the Liability for incurred claims - past service	-	(1,750,404)	(349,486)	(2,099,890)
Changes in fulfilment cash flows relating to the Liability for incurred claims - current service	-	6,400,000	194,702	6,594,702
Total amounts recognised in the Statement of comprehensive income	**(123,222,832)**	**141,466,508**	**(154,784)**	**18,088,892**
Transfers from other medical schemes - PMSA	(204,258)	204,258	-	-
Investment component - PMSA	(30,570,160)	30,570,160	-	-
Total movement	**(153,997,250)**	**172,240,926**	**(154,784)**	**18,088,892**
Cash flows				
Contributions received	154,308,505	-	-	154,308,505
Refunds on resignation or death - PMSA	-	(1,571,777)	-	(1,571,777)
Claims and other directly attributable expenses paid	-	(166,698,880)	-	(166,698,880)
Claims related to recoveries from reinsurance (Note 6)	-	(1,496,989)	-	(1,496,989)
Total cash flows	**154,308,505**	**(169,767,646)**	**-**	**(15,459,141)**
Net closing balance	**(64,925)**	**30,660,753**	**194,702**	**30,790,530**

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

5.1 INSURANCE CONTRACT LIABILITIES (continued)

2022

Insurance contracts issued	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC) - Present value of future cash flows	Liability for incurred claims (LIC) - Risk adjustment	Total
Net opening balance	**(746,539)**	**29,437,129**	**115,862**	**28,806,452**
Insurance revenue	(116,605,181)	-	-	(116,605,181)
Insurance service expense	-	127,736,493	233,624	127,970,117
Incurred claims and third party claims recoveries	-	112,984,036	-	112,984,036
Other directly attributable expenses	-	9,665,069	-	9,665,069
Changes in fulfilment cash flows relating to the Liability for incurred claims - past service	-	187,388	(115,862)	71,526
Changes in fulfilment cash flows relating to the Liability for incurred claims - current service	-	4,900,000	349,486	5,249,486
Total amounts recognised in the Statement of comprehensive income	**(116,605,181)**	**127,736,493**	**233,624**	**11,364,936**
Transfers from other medical schemes - PMSA	(203,943)	203,943	-	-
Investment component - PMSA	(29,000,224)	29,000,224	-	-
Total movement	**(145,809,348)**	**156,940,660**	**233,624**	**11,364,936**
Cash flows				
Contributions received	146,179,707	-	-	146,179,707
Refunds on resignation or death - PMSA	-	(1,782,740)	-	(1,782,740)
Claims and other directly attributable expenses paid	-	(154,837,993)	-	(154,837,993)
Claims related to recoveries from reinsurance (Note 6)	-	(1,569,583)	-	(1,569,583)
Total cash flows	**146,179,707**	**(158,190,316)**	**-**	**(12,010,609)**
Net closing balance	**(376,180)**	**28,187,473**	**349,486**	**28,160,779**

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

5.1 INSURANCE CONTRACT LIABILITIES (continued)

Included in the insurance contract liabilities is the Savings Account liability:

	2023 R	2022 R
Balance on savings account liability at the beginning of the year	21,775,228	23,031,819
Add:		
- Savings account contributions	30,570,160	29,000,224
- Transfers	204,258	203,943
	52,549,646	52,235,986
Less:		
- Claims paid to or on behalf of members	(29,333,098)	(28,678,018)
- Refunds on death or resignation	(1,571,777)	(1,782,740)
Balance on savings account liability at the end of the year	**21,644,771**	**21,775,228**

5.2 INSURANCE LIABILITY FOR FUTURE MEMBERS

	2023	2022
Balance at the beginning of the year	174,054,278	172,993,601
Amounts attributable to future members	(4,943,632)	1,060,677
Balance at the end of the year	**169,110,646**	**174,054,278**
Current liabilities	3,183,494	-
Non-current liabilities	165,927,152	174,054,278

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

6. REINSURANCE CONTRACT ASSETS

2023	**Remaining Coverage Component**	**Incurred claims for contracts under the PAA**		**Total**
Healthcare Risk – Reinsurance contracts held		**Present value of future cash flows**	**Risk adjustment**	
Net opening balance	**-**	**-**	**-**	**-**
Net income/(expenses) fromreinsurance contracts held	**1,500,372**	**(1,496,989)**	**-**	**3,383**
Reinsurance expenses	1,500,372	-	-	1,500,372
Claims recovered	-	(1,496,989)	-	(1,496,989)
Total amounts recognised in comprehensive income	**1,500,372**	**(1,496,989)**	-	**3,383**
Cash flows				
Premiums paid	(1,500,372)	-	-	(1,500,372)
Recoveries from reinsurance	-	1,496,989	-	1,496,989
Total cash flows	**(1,500,372)**	**1,496,989**	**-**	**(3,383)**
Net closing balance	**-**	**-**	**-**	**-**

2022				
Healthcare Risk – Reinsurance contracts held				
Net opening balance	**-**	**-**	**-**	**-**
Net income/(expenses) fromreinsurance contracts held	**1,569,733**	**(1,569,583)**	**-**	**150**
Reinsurance expenses	1,569,733	-	-	1,569,733
Claims recovered	-	(1,569,583)	-	(1,569,583)
Total amounts recognised in comprehensive income	**1,569,733**	**(1,569,583)**	**-**	**150**
Cash flows				
Premiums paid	(1,569,733)	-	-	(1,569,733)
Recoveries from reinsurance	-	1,569,583	-	1,569,583
Total cash flows	**(1,569,733)**	**1,569,583**	**-**	**(150)**
Net closing balance	**-**	**-**	**-**	**-**

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

7. FINANCIAL LIABILITIES AT AMORTISED COST

Accounting policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Unallocated funds

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

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

A liability for unallocated funds that have not legally prescribed is recognised below. The liability is measured at amortised cost using the effective interest method.

Note

Financial liabilities	**2023** **R**	**2022** **R**
Current liability		
Related party balances	63,587	61,757
Discovery Health (Pty) Ltd	63,587	61,757
Accruals	969,474	442,452
Unallocated funds	581,919	206,471
Total arising from financial liabilities	**1,614,980**	**710,680**

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

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

8. INSURANCE REVENUE AND SERVICE EXPENSES

	2023 R	2022 R
Insurance revenue	123,222,832	116,605,181
Insurance service expenses	(141,311,724)	(127,970,117)
Incurred claims	(131,761,531)	(118,913,874)
Third party claim recoveries	647,106	608,826
Other directly attributable expenses	(10,197,299)	(9,665,069)
Accredited managed healthcare services (no risk transfer)	(2,325,929)	(2,237,725)
Accredited administration services	(7,871,370)	(7,427,344)
Amounts attributable to future members	4,943,632	(1,060,677)
Total insurance expenses	**(136,368,092)**	**(129,030,794)**
Net expense from reinsurance contracts held	(3,383)	(150)
Reinsurance expense	(1,500,372)	(1,569,733)
Reinsurance income	1,496,989	1,569,583
Total insurance service result	**(13,148,643)**	**(12,425,763)**

Included in other directly attributable expenses above

	2023 R	2022 R
Accredited managed healthcare services (no risk transfer)		
Pharmaceutical benefit management	232,729	224,024
Specialist, hospital referrals and pre-authorisations	721,352	693,831
Disease management	743,970	715,871
Network management	627,878	603,999
	2,325,929	**2,237,725**
Accredited administration services		
Member record management	811,554	780,901
Contribution management	713,449	686,601
Claims management	897,670	717,290
Financial management	29,159	27,899
Information management and data control	1,455,511	1,400,543
Customer services	3,964,027	3,814,110
	7,871,370	**7,427,344**

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2023

9. INVESTMENT INCOME	**2023 R**	**2022 R**
Investment income from cash and cash equivalents		
- Interest earned	1,049,593	814,237
Investment income from investments at fair value though profit or loss		
- Fair value adjustment on financial assets	13,879,559	9,149,264
- Realised gains on disposal of financial assets	2,257,417	6,310,500
	17,186,569	**16,274,001**

10. OTHER OPERATING EXPENDITURE

Accounting policy

Other operating expenses are expensed as incurred.

	2023 R	2022 R
Administration services (Note 13)	604,987	728,175
Other services		
Internal audit services	120,452	116,061
Forensic investigations and recoveries	150,702	291,268
Governance and compliance	23,981	22,877
Additional services		
Quality management and monitoring services	113,639	109,226
Advanced data analytics	95,108	91,458
Digital service offering	35,155	33,787
Enhanced service offering	18,804	18,059
Enterprise risk management services	18,804	18,059
Legal services	5,723	5,534
Product innovation	22,619	21,846
Association fees	6,026	5,973
Audit fees	1,120,325	448,962
Audit services - current year	1,077,194	416,795
Audit services - prior year under provision	43,131	32,167
Bank charges	71,599	72,228
Consulting fees	307,879	307,879
Council for Medical Schemes	108,064	107,844
Fidelity guarantee and professional indemnity insurance premium	54,308	51,722
Legal fees	6,113	714
Professional fees	-	230,000
Sundry expenses	230,164	13,377
	2,509,465	**1,966,874**

11. COMMITMENTS AND OTHER CONTINGENT LIABILITIES

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

12. EVENTS AFTER THE REPORTING DATE

There have been no events that occurred subsequent to the end of the accounting period that affect the statements and that the Trustees consider should be reported.

13. RELATED PARTY TRANSACTIONS

The Scheme is controlled by the Board of Trustees who are appointed by the employers or elected by the members of the Scheme.

Parties with significant influence over the Scheme:

Administrator and managed care organisation

Discovery Health (Pty) Ltd has significant influence over the Scheme as Discovery Health (Pty) Ltd participates in the Scheme's financial and operating policy decisions, but does not control the Scheme. Discovery Health (Pty) Ltd provides administration and managed care services.

Discovery Third Party Recovery Services Proprietary Limited

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

Specialist Pharmaceutical Services

The Scheme paid claims for specialist pharmaceutical services to Southern RX Pharmacy, a wholly owned subsidiary of Discovery Health (Pty) Ltd.

Consultants

Mr Andre Bellingham - Consulting Actuary have significant influence over the Scheme as he participates in the Scheme's financial and operating policy decisions, but does not control the Scheme.

Key management personnel

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

Close family members include family members of the Board of Trustees and Principal Officer.

13. RELATED PARTY TRANSACTIONS (continued)

Parties with significant influence over the Scheme (continues):

Transactions with key management personnel

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

	2023 R	2022 R
Key management personnel		
Contributions and claims (Trustees and their beneficiaries)		
- Statement of comprehensive income		
Gross contributions received	591,812	483,840
Gross claims incurred	(645,033)	(280,960)
- Statement of financial position		
Medical savings account balances	21,400	11,208

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

Transaction	Nature of transactions and terms and conditions thereof
Contributions received	This constitutes the contributions paid by the related parties as members of the Scheme in their individual capacity. All contributions were on the same terms as those applicable to other members.
Claims incurred	This constitutes amounts claimed by the related parties in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to other members.
Medical savings account balances	The amounts owing to the related parties relate to medical savings account balances to which the parties have a right. The amounts are all current, and would need to be payable on demand should an appropriate claim be issued, or should the member resign from the Scheme.

13. RELATED PARTY TRANSACTIONS (continued)

	2023 R	2022 R
Transactions with parties that have significant influence over the Scheme		
Discovery Health (Pty) Ltd - administrator		
Statement of comprehensive income		
Administration fees	(8,476,357)	(8,155,519)
Other directly attributable expenses (Note 8)	(7,871,370)	(7,427,344)
Other operating expenditure (Note 10)	(604,987)	(728,175)
Discovery Health (Pty) Ltd - managed care organisation		
Statement of comprehensive income		
Managed care fees (Note 8)	(2,325,929)	(2,237,725)
Statement of financial position		
Balance due to Discovery Health (Pty) Ltd	890,904	865,263

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

Administration and managed care management service agreements

The administration and managed care management service agreements are in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees. The agreements are automatically renewed each year unless notification of termination is received or following the cancellation of the Administrator's accreditation or the issue of a lawful directive to this effect by the Council for Medical Schemes in terms of the Medical Schemes Act of South Africa. The Scheme and the Administrator/Managed Healthcare Organisation shall be entitled to terminate the agreement by giving notice in writing of not less than 90 days and not more than 180 days. The outstanding balance bears no interest and is due within 7 days.

	2023 R	2022 R
Discovery Third Party Recovery Services Proprietary Limited		
Statement of comprehensive income		
Road Accident Fund Recoveries	-	100,143
Southern RX Distributors (Pty) Ltd		
Statement of comprehensive income		
Claims paid from the Scheme	(472,323)	(413,784)
Insight Actuaries and Consultants - Mr Andre Bellingham		
Statement of comprehensive income		
Consulting fees	(307,879)	(307,879)
Statement of financial position		
Balance due to Insight Actuaries and Consultants	25,657	25,657

14. INSURANCE RISK MANAGEMENT REPORT

Nature and extent of risks arising from insurance contracts

The primary insurance activity carried out by the Scheme indemnifies covered members and their dependants against the risk of loss arising as a result of the occurrence of a health event (i.e. an event relating to the health of the Scheme member and his or her registered dependants). As such, the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. Insurance events are, by nature, random and the actual number and size of events during any one year may vary.

This section summarises these risks and the way they are managed.

Insurance risk

The risk under any insurance contract can be expressed as the probability that an insured event occurs, multiplied by the expected amount of the resulting claim. Insurance events are random and therefore the actual number and size of events during any year are unknown and vary from those estimated. The principal risk that the Scheme faces under its insurance contracts is that the actual claim payments exceed the projected amount of the insurance liabilities. This could occur because the frequency and severity of claims are greater than estimated. A larger number of members will result in smaller variability of the actual claims experience relative to expected levels.

Factors that aggravate insurance risk include unanticipated demographic movements, adverse experience due to an unexpected epidemic, changes in members' disease profiles, unexpected price increases, prevalence of fraud, supplier induced demand and the cost of new technologies or drugs.

Risk management objectives and policies for mitigating insurance risk

The Scheme’s annual budget is prepared under strict actuarial supervision which determines the contributions against claims projections, taking the statutory solvency requirements into account. The performance against the budget is closely monitored by the Board of Trustees and appointed sub-committees. Should any deviations occur, they are investigated with the necessary interventions implemented.

The methods employed by the Scheme to monitor and manage its insurance risk, inherent in the medical scheme environment, include the following:

- A Committee of Management which monitors and reviews all financial and operational performance on a monthly basis;
- All claims and demographic movements are monitored on a monthly basis via a multi-simulation actuarial model;
- Actuarial projections of the Scheme's year-end financial position are done monthly;
- The Scheme also applies a number of managed care programmes to monitor and manage the appropriateness, cost and quality of the healthcare services provided to the beneficiaries of the Scheme; and
- The need for re-insurance is considered on an ongoing basis within the existing regulatory environment.

14. INSURANCE RISK MANAGEMENT REPORT (continued)

Insurance risk - description of benefit option

The Scheme offers members one benefit option. The types of benefits offered by the Scheme in return for monthly contributions are indicated below:

Prescribed Minimum Benefits (PMBs)

This benefit covers the benefits contemplated in section 29(1)(o) of the Act and consists of the provision of the diagnosis, treatment and care costs of the diagnosis and treatment pairs listed in Annexure A of the Regulations, subject to any limitations specified therein and any emergency medical condition.

The Scheme applies guidelines and protocols for appropriate clinical management under Designated Service Provider (DSP) agreements.

Major Medical Expenses (insured benefits)

Hospital Benefit

The hospital benefit covers medical expenses incurred if members are admitted to hospital and the Scheme has authorised the treatment.

Clinical protocols and provider contracting are applied to pre-authorisations and the management of the benefit.

The Administrator negotiates hospital tariffs annually on behalf of the Scheme to allow for benefit of scale.

Chronic Illness Benefit (CIB)

The chronic illness benefit covers approved medication for up to 48 listed conditions. These are the 27 PMBs chronic conditions and other non-prescribed chronic conditions.

This benefit and approval are managed by an appointed accredited Managed Care Organisation for drug utilisation, medicine management and adherence to compliance with regard to the PMB conditions.

Other services (insured procedure benefits)

These services provide cover for non-hospital expenses, subject to prior approval from the Scheme, which is managed and monitored by an appointed clinical committee.

Personal Medical Savings Account

This benefit provides cover for out-of-hospital healthcare services, such as visits to a general practitioner. The savings plan facility assists members in managing cash flows for costs to be borne by them during the year.

14. INSURANCE RISK MANAGEMENT REPORT (continued)

Hospital benefit risk

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant factor is the admission rate which has a direct impact on the cost of claims.

A 2% increase or decrease in the admission rate is estimated to increase or decrease the Scheme's loss ratio by 1.60%. The introduction of new hospital technologies could also increase variability of claims. In some instances, the new technology has a beneficial impact on costs, whether in-hospital or consequent costs. In other instances the new technologies will increase costs.

The change in the admission rate is shown in the following table.

Plan type	2023 Admission rate	2022 Admission rate	% Increase/ (decrease)
Anglovaal Group Medical Scheme	31.6%	29.1%	8.56%

Other factors that impact on hospital claims are shown below.

Key indicators	2023	2022	% Increase/ (decrease)
Average length of stay	4.48 days	4.49 days	-0.22%
Average cost per event	R 42,039	R 42,030	0.02%
Hospital cost per life per month	R 1,108	R 1,021	8.58%

Initiatives used by the Scheme to manage the risk associated with admission rate include:
- The development of protocols around admissions, including funding protocols for various treatments procedures;
- The “See Your Doctor First” initiative which requires members to see their doctor prior to an elective admission; and
- The amendment to the pre-authorisation length of stay benchmarks.

Chronic Illness Benefit (CIB) risk

Frequency and severity of claims

The main factors impacting the frequency and / or severity of chronic claims are the number of claimants and the cost per claimant. An increase in the number of claimants results in an increase in the frequency and / or severity of claims. Higher increases in claimants can be attributed to increases in the number of claimants at older ages. Increases in the number of items per claimant drives up the cost of chronic claims per claimant.

14. INSURANCE RISK MANAGEMENT REPORT (continued)

The mix between the various chronic conditions impacts the frequency and severity of claims. The following table shows the change in the chronic prevalence for key measures.

Measures	2023	2022	% Increase/ (decrease)
Cost per claimant	R 4,349	R 4,469	-2.69%
Claimants per 1000 lives	26.43	25.85	2.23%
Per life per member (PLPM) cost	R 115	R 116	-0.52%

Day-to-day benefit risk

Frequency and severity of claims

The risk to the Scheme is limited up to an annual limit per benefit per family via individualised medical savings accounts, as prescribed by the rules of the Scheme.

Concentration of insurance risk

The following table summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred (net of adjustments per beneficiary) for service years 2023 and 2022, by age group and in relation to the type of risk cover/benefits provided.

Claims incurred for 2023 service year per beneficiary

Age grouping (in years)	Avg number of beneficiaries	In-hospital R	Chronic R	Day-to-day R	Total R
< 26	1,419	9,900	88	1,272	11,260
26 – 35	519	8,573	254	1,622	10,449
36 – 50	1,065	12,169	1,006	2,372	15,548
> 50	1,481	46,293	3,273	10,233	59,799

Claims incurred for 2022 service year per beneficiary

Age grouping (in years)	Avg number of beneficiaries	In-hospital R	Chronic R	Day-to-day R	Total R
< 26	1,474	5,019	88	1,023	6,130
26 – 35	569	8,214	205	1,779	10,198
36 – 50	1,088	12,367	896	2,225	15,488
> 50	1,520	44,500	3,451	9,127	57,078

Contracts with providers are negotiated by the Administrator on behalf of the Scheme to benefit from scale and ultimately the rates. Such contracts are reviewed annually.

14. INSURANCE RISK MANAGEMENT REPORT (continued)

Risk transfer arrangements

The Scheme has a capitation agreement to cover specific risks. The Scheme has contracted with the Centre for Diabetics and Endocrinology (CDE) for the disease management of registered diabetic patients.

Risk in terms of risk transfer arrangements

According to the terms of the capitation agreement, the provider provides certain benefits to Scheme members, as and when required by the members. The Scheme does however remain liable to its members if the supplier should fail to meet its obligations.

Claims development

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

The methodology followed in determining the outstanding claims provision is the actuarial methodology of chain ladder estimation. This methodology is the most objective, but the accuracy of the estimate is sensitive to changes in the average time from treatment to payment of claims. For hospital claims in the latest service month, another method using the estimated cost per event and pre-authorised admissions is also utilised/applied.

The following table provides a sensitivity on the insurance contract liabilities. 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 R		2022 R	
	LIC as at December	Impact on SOCI*	LIC as at December	Impact on SOCI
Insurance contract liabilities	30,790,530		28,160,779	
Unpaid claims and expenses - 10% increase #		640,000		490,000

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

Sensitivity of risk adjustment	2023 R	2022 R
Risk adjustment with a 75% confidence level - as reported	194,702	349,486
Risk adjustment with a 90% confidence level	648,109	1,170,201

15. FINANCIAL RISK MANAGEMENT REPORT

Overview

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

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

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

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

Market risk

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

15. FINANCIAL RISK MANAGEMENT REPORT (continued)

Currency risk

All of 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 security price risk because of investments held by the Scheme which are classified as financial assets through profit or loss. To manage its price risk arising from investments in equity securities, the Scheme diversifies its portfolio. Diversification of the portfolio is done by the relevant asset manager in accordance with the mandate set by the Scheme.

The Scheme continues to pursue a strategy that maximizes returns on a long-term basis at an acceptable risk.

Interest rate risk

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

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

As at 31 December 2023	Up to 1 month R	1 to 3 months R	3 and more months R	Total R
Financial assets at fair value through profit or loss *	-	-	185,935,034	185,935,034
Cash and cash equivalents	2,979,030	12,363,500	-	15,342,530
Total	**2,979,030**	**12,363,500**	**185,935,034**	**201,277,564**

As at 31 December 2022	Up to 1 month R	1 to 3 months R	3 and more months R	Total R
Financial assets at fair value through profit or loss *	-	-	176,326,519	176,326,519
Cash and cash equivalents	1,933,506	24,361,600	-	26,295,106
Total	**1,933,506**	**24,361,600**	**176,326,519**	**202,621,625**

* Non-interest-bearing

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

2023	2022
7.66%	4.99%

15. FINANCIAL RISK MANAGEMENT REPORT (continued)

Cash and cash equivalents

Sensitivity analysis for variable rate instruments

Due to the short-term duration of these instruments, a reasonably possible change in interest rates is 100 basis points. At the reporting date, the effect of this change on the Scheme's accumulated funds and deficit is shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2022.

	Surplus or deficit		**Accumulated funds**	
	100bp Increase	**100bp Decrease**	**100bp Increase**	**100bp Decrease**
As at 31 December 2023	**R**	**R**	**R**	**R**
Cash and cash equivalents	153,425	(153,425)	153,425	(153,425)
Sensitivity (net)	**153,425**	**(153,425)**	**153,425**	**(153,425)**

	Surplus or deficit		**Accumulated funds**	
	100bp Increase	**100bp Decrease**	**100bp Increase**	**100bp Decrease**
As at 31 December 2022	**R**	**R**	**R**	**R**
Cash and cash equivalents	262,951	(262,951)	262,951	(262,951)
Sensitivity (net)	**262,951**	**(262,951)**	**262,951**	**(262,951)**

Credit risk

Credit risk is the risk of financial loss to the Scheme if a counterparty to a financial instrument fails to meet its contractual obligations.

The Scheme does not have significant credit risk arising from reinsurance contract assets or insurance assets.

The capitation agreements are used to manage insurance risk. This does not, however, discharge the Scheme’s liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Scheme remains liable for the payment to the members.

Exposures to individual members are managed by adhering to the requirements of Section 26(7) of the MSA i.e actively pursuing all contributions not received within three days of becoming due, suspending benefits for all members where contributions have not been received for 30 days and terminating benefits for all all members where contributions have not been received for 60 days. The credit risk is taken into account when the expected contribution is calculated.

The Scheme's principal financial assets are cash and cash equivalents, financial assets at amortised cost and investments. The Scheme's credit risk is primarily attributable to its trade and other receivables.

Other receivables

Other receivables comprises:
• Intererst receivable: and
• Sundry receivables.

15. FINANCIAL RISK MANAGEMENT REPORT (continued)

The Scheme manages credit risk by:

- Actively pursuing all contributions after 3 days of becoming due, as required by S26(7) of the Medical Schemes Act, of South Africa;
- Suspending benefits on members' accounts whose contributions have not been received for 30 days;
- Terminating benefits on members' accounts whose contributions have not been received for 60 days; an
- Ageing and pursuing unpaid accounts on a monthly basis.

Cash and cash equivalents

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

Exposure to credit risk

The carrying amount of Insurance contract assets, as included in the Insurance contract liabilities, and Financial assets at amortised cost represents the maximum credit exposure.

The Scheme ages and pursues unpaid accounts on a monthly basis. The tables below highlight Insurance contract assets which are due, past due (by number of days) and impaired.

	2023	**2022**
	Gross	**Impairment**
Insurance contract assets	**R**	**R**
Not past due	228,559	1,232,939
Past due, not impaired	68,027	464,063
Past due, impaired	50,640	88,787
	347,226	1,785,789

15. FINANCIAL RISK MANAGEMENT REPORT (continued)

Investments

The Scheme limits its exposure to credit risk by investing in liquid securities and only with counterparties that have high credit ratings. The Trustees do not expect any counterparty to fail to meet its obligations. Annexure B to Regulation 30 to the Medical Schemes Act of South Africa, prescribes the credit limits per institution which reduces the individual risk per institution. The utilisation of these limits are regularly monitored.

The table below shows the credit limit and balances of cash and cash equivalents and money market instruments held at five major counterparties at year end which is in compliance with Annexure B of the Regulations. The statutory credit limit is calculated as 35% of the aggregate fair value of liabilities and accumulated funds.

	2023		2022	
Counterparty	**Credit limit R**	**Balance R**	**Credit limit R**	**Balance R**
Firstrand Bank Limited	70,447,147	6,761,102	70,917,569	7,101,715
ABSA Bank Limited	70,447,147	10,182,478	70,917,569	11,402,328
Standard Bank Limited	70,447,147	12,698,642	70,917,569	21,771,624
Nedbank Limited	70,447,147	12,989,306	70,917,569	15,000,284
Investec Bank Limited	70,447,147	3,196,976	70,917,569	2,263,712

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

Credit quality of financial assets

The credit quality of insurance contract liabilities fulfilment cash flows that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2023 R	2022 R
Insurance contract asset		
Counterparties without external credit ratings		
Contribution debtors	92,534	400,132
Member claims debtors	554,394	1,508,862
Provider claims debtors	1,017,108	836,054
	1,664,036	2,745,048

Contribution debtors
On analysing the credit quality of contribution debtors, the Scheme collected 100% of these amounts in January 2024. This indicates a high credit quality rating of these debtors.

Active member claims debtors
These debtors are members of the Scheme and therefore are expected to have a similar credit quality to the contribution debtors.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

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

15. FINANCIAL RISK MANAGEMENT REPORT (continued)

Counterparties with external credit ratings (Moody's)		**2023 R**	**2022 R**
Cash and cash equivalents			
Current accounts	Baa3	2,979,030	1,933,506
Nedbank Money Market	Baa3	12,363,500	24,361,600
		15,342,530	26,295,106
Financial assets at fair value through profit or loss			
Allan Gray Life Domestic Equity Portfolio Fund	Not rated	113,553,746	104,441,483
Allan Gray Life Stable Medical Scheme Portfolio Fund	Not rated	72,381,288	71,885,036
		185,935,034	176,326,519

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.

Approximately 99% of the Scheme's insurance liabilities are settled within four months after the claim was incurred and the remaining liability is settled within eight months.

A maturity analysis for financial liabilities is provided below:

As at 31 December 2023	**Up to 1 month R**	**2-12 months R**	**> 12 months R**	**Total R**
Insurance contract liabilities	3,451,775	27,338,755	-	30,790,530
Insurance liability for future members	-	3,183,494	165,927,152	169,110,646
Financial liabilities at amortised cost	1,614,980	-	-	1,614,980

As at 31 December 2022	**Up to 1 month R**	**2-12 months R**	**> 12 months R**	**Total R**
Insurance contract liabilities	5,567,947	22,592,832	-	28,160,779
Insurance liability for future members	-	-	174,054,278	174,054,278
Financial liabilities at amortised cost	710,680	-	-	710,680

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 there to be any significant concentration of legal risk that had not been provided for.

15. FINANCIAL RISK MANAGEMENT REPORT (continued)

Capital management

The Scheme is subject to the capital requirement imposed by Regulation 29(2) to the Medical Schemes Act of South Africa, which requires a minimum solvency ratio of accumulated funds expressed as a percentage of gross contributions to be at least 25%.

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

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

	2023 R	2022 R
Total Insurance liability for future members as per Statement of financial position	169,110,646	174,054,278
Less: Fair value adjustment on financial assets at fair value through profit or loss	(75,040,031)	(61,160,472)
Accumulated funds per Regulation 29	94,070,615	112,893,806
Gross annual contributions	153,792,992	145,605,405
Solvency margin = Accumulated funds/gross annual contributions x 100	61.17%	77.53%

Investment risk

The Scheme's Audit and Investment Committee invests excess funds in line with the Medical Schemes Act of South Africa.

The Scheme's investment objectives are to maximise the return on its investments on a long-term basis at acceptable risk, subject to any constraints imposed by legislation or the Trustees. The Scheme continues to diversify its investment portfolio by investing in money market instruments and equity portfolios managed by various asset managers.

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

Breakdown of Financial Assets at Fair Value through profit and loss

The assets of the portfolio must be invested in accordance with Annexure B of Regulation 30 to the Medical Schemes Act of South Africa.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

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

15. FINANCIAL RISK MANAGEMENT REPORT (continued)

Investment risk (continued)

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

	2023	2022
Financial assets at fair value through are made up of the following:	R	R
Investments in linked insurance policies	185,935,034	176,326,519
	185,935,034	176,326,519
Cash and cash equivalents are made up of the following:		
Current accounts	2,979,030	1,933,506
Money market instruments	12,363,500	24,361,600
	15,342,530	26,295,106

Fair value estimation

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

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

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

	Financial assets at fair value through profit or loss R	Financial assets at amortised cost R	Insurance contract liability R	Financial liabilities at amortised cost R
31 December 2023				
Financial assets at fair value through profit or loss	185,935,034	-	-	-
Financial assets at amortised cost	-	238,592	-	-
Cash and cash equivalents	-	15,342,530	-	-
Insurance liability for future members	-	-	(169,110,646)	-
Insurance contract liabilities	-	-	(30,790,530)	-
Financial liabilities at amortised cost	-	-	-	(1,614,980)
	185,935,034	15,581,122	(199,901,176)	(1,614,980)
31 December 2022				
Financial assets at fair value through profit or loss	176,326,519	-	-	-
Financial assets at amortised cost	-	304,112	-	-
Cash and cash equivalents	-	26,295,106	-	-
Insurance liability for future members	-	-	(174,054,278)	-
Insurance contract liabilities	-	-	(28,160,779)	-
Financial liabilities at amortised cost	-	-	-	(710,680)
	176,326,519	26,599,218	(202,215,057)	(710,680)

16. NON-COMPLIANCE MATTERS

16.1 Contributions not received within three days of them becoming due

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

Although the majority of contribution payments were made within the stipulated payment deadlines, there were a small number of instances where the Scheme received contributions after three days of becoming due. These contributions equate to less than 0.27% of the gross contributions billed and were received within the month of them becoming due. Such arrear payments are outside the agreed contribution collection agreements with paying parties and are actively addressed as and when they occur.

The procedures that the Scheme follows for collection of these arrear contributions are aligned with its credit risk management policies in Note 15.

16.2 Payment of claims within 30 days

In terms of Section 59(2) of the Medical Schemes Act of South Africa, a medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.

Management have implemented a process to monitor claims made by members and providers on a monthly payment cycle and ensure that payment is performed within 30 days.

16.3 Investment in participating employer

As at 31 December 2023, the Scheme indirectly through its holdings in the Allan Gray portfolios held shares in AVI Ltd, a participating employer of the Scheme, amounting to R1 305 120 (2022: R1 384 908) and R744 050 (2022: R766 765) in African Rainbow Minerals Ltd.

Ordinarily this would be in contravention of Section 35(8) of the Act, which, inter alia, prohibits a medical scheme from investing any of its assets in an employer that participates in that scheme. However, as funds in these specific portfolios are structured at the sole discretion of the asset manager in a manner that maximizes the return on investment, and neither the Scheme nor these employers provide input into the structuring of the portfolio, the Scheme has received exemption from the Council for Medical Schemes for compliance with this Section of the Act.

16. NON-COMPLIANCE MATTERS (continued)

16.4 Investment in medical scheme Administrators

At 31 December 2023, the Scheme indirectly through its holdings in the Allan Gray portfolios held shares in Momentum Metropolitan Holdings Limited R1 014 259 (2022: R713 357)

Ordinarily this would be in contravention of Section 35(8) of the Act which, inter alia, prohibits medical schemes from holding shares in any other medical scheme, any administrator and any person associated with any of these. However, as funds in these portfolios are structured at the sole discretion of the asset manager in a manner that maximises returns and the Scheme provides no input into the structuring of the portfolios, the Scheme has received exemption from the Council for Medical Schemes for compliance with this Section of the Act.

16.5 Sustainability of benefit option

In terms of Section 33(2) of the Medical Schemes Act, No 131 of 1998, as amended, each option shall be self-supporting in terms of membership and financial performance and be financially sound. The Anglovaal Group Medical Scheme only has one option.

At 31 December 2023, the Scheme reported a net insurance service deficit amounting to R13 148 643. After taking into account investment income, other income and other expenses, the Scheme reported a total comprehensive loss of R4 943 631 for the year ended 31 December 2023.

The Trustees continuously monitor the overall performance of the Scheme. On a monthly basis, the management accounts are scrutinised; the investment returns are analysed in line with the overall market performance; and claims patterns are analysed by the actuaries and administrator against what the expected claims should be, given the demographics and claiming behaviour of the Scheme members. In addition, the Scheme's investment policy is reviewed annually against expected returns. The solvency level at 31 December 2023 is 61.17% against the legislated requirement of 25%. The Trustees do not believe in making short term decisions based on limited information, but to rather take a well thought out, well considered, long term view in order to ensure the sustainability of the Scheme. This prudent approach allows the Scheme to be managed through any short term adverse claims experience, whilst minimizing the potentially negative impact on the members. The solvency level at 31 December 2023 of 61.17% allows the Trustees the leeway to take a medium to long term view whilst protecting the members' interests in the short term. The Trustees are of the opinion that increasing member contributions to address what could be a short term anomaly, while having a high solvency level, is not in the interests of the members. Finally, the Scheme undergoes an independent, annual actuarial review to determine the appropriate level of contributions given the benefits provided, which allows the Trustees the opportunity to review the sustainability of the Scheme and to adjust the contributions for the following year accordingly.

The Trustees are comfortable that the Scheme is financially sound and sustainable.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

REPORT OF THE BOARD OF TRUSTEES

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

1 DESCRIPTION OF THE SCHEME

1.1 Terms of registration

The Anglovaal Group Medical Scheme is a not-for-profit restricted membership Scheme registered in terms of the Medical Schemes Act of South Africa ("the Act").

1.2 Benefit options within the Anglovaal Group Medical Scheme

The Scheme offers one (1) benefit option.

1.3 Savings plan

To provide a facility for Scheme members to set funds aside to meet day-to-day and other healthcare costs not covered by the 'risk' benefits in the option, the Trustees have made a personal medical savings account available.

Contributions to the personal medical savings accounts (MSA) are set and the total available amount is based on family size and the member's income level. The amounts contributed to the personal MSA do not exceed 20% (twenty percent) of the member’s total medical scheme contribution.

The liability to the members in respect of the savings plan is reflected as part of the insurance contract liability as required by IFRS 17, and is repayable in terms of Regulation 10.

In terms of the rules of the Scheme, the savings plan is underwritten by the Scheme.

2 MANAGEMENT

2.1 Board of Trustees in office during the year and at the date of this report was:

M Koursaris	Chairman - Member Elected Trustee	
I Masike	Member Elected Trustee	
V Lazarus	Employer Appointed Trustee	Resigned 31 January 2023
H de Groot	Employer Appointed Trustee	
B Jales	Employer Appointed Trustee	
O Bergman	Employer Appointed Trustee	
A Mills	Member Elected Trustee	
D Erskine	Member Elected Trustee	Resigned 30 June 2023
K Tshepe	Employer Appointed Trustee	Appointed 1 February 2023
J Laubscher	Member elected trustee	Appointed 15 June 2023

2.2 Principal Officer

V Crystal

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

REPORT OF THE BOARD OF TRUSTEES (continued)

2 MANAGEMENT (continued)

2.3 Registered office address and postal address

2 Harries Road	PO Box 1897
Illovo	Saxonwold
2196	2132

2.4 Scheme administrator during the year

Discovery Health (Pty) Limited

1 Discovery Place	PO Box 786722
Sandton	Sandton
2146	2146

2.5 Investment managers during the year

The Scheme made use of the services of the following asset managers:

- Allan Gray Proprietary Limited

2.6 Actuaries

Mr André Bellingan	Insight Actuaries and Consultants
2nd Floor Gateway West	Private Bag X17
22 Magwa Crescent	Halfway House
Waterval City	1685
Midrand	
2066	

2.7 External Auditors during the year

PricewaterhouseCoopers Inc.	
4 Lisbon Lane	Private Bag X36
Waterfall City	Sunninghill
Jukskei View	2157
2090	

3 INVESTMENT AND FIXED ASSET POLICY OF THE SCHEME

The Trustees continue to invest funds in line with the requirements of the Act. The Scheme continues to pursue a strategy that maximizes returns on a long-term basis at an acceptable risk.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

REPORT OF THE BOARD OF TRUSTEES (continued)

4 REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

4.1 Operational statistics

	2023	2022
Number of members at the end of the accounting period	2,242	2,309
Number of beneficiaries at the end of the accounting period	4,428	4,591
Average number of members for the accounting period	2,273	2,334
Average age of beneficiaries for the accounting period	40.69	40.61
Pensioner ratio (beneficiaries > 65 years)	20.78%	20.85%
Average net contributions per member per month	R 4,517.63	R 4,163.28
Average net contributions per beneficiary per month	R 2,319.01	R 2,116.55
Average claims incurred per member per month	R 4,892.35	R 4,303.87
Average claims incurred per beneficiary per month	R 2,511.36	R 2,188.03
Average administration costs per member per month	R 380.58	R 346.87
Average administration costs per beneficiary per month	R 195.36	R 176.34
Average managed care: Management services per member	R 85.27	R 79.90
Accumulated funds per member at 31 December	R 74,008.54	R 68,065.22
Beneficiary ratio at 31 December	1.98	1.99
Net claims as a percentage of net contributions	108.29%	103.38%
Managed care: Management services as a percentage of gross contributions	1.51%	1.52%
Administration expenses as a percentage of gross contributions	6.75%	6.71%

4.2 Results of operations

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

4.3 Solvency ratio

	2023 R	2022 R
The solvency ratio is calculated on the following basis:		
Total Insurance liability for future members as per Statement of financial position	169,110,646	174,054,278
- Less fair value adjustment on investments held at fair value through profit or loss	(75,040,031)	(61,160,472)
Accumulated funds per Regulation 29	94,070,615	112,893,806
Gross annual contributions	153,792,992	145,605,405
Solvency ratio = Accumulated funds/gross annual contributions x 100	61.17%	77.53%

4.3 Solvency ratio (continued)

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

	2023 R	2022 R
Net cumulative gain at the beginning of the period	(61,160,473)	(52,011,209)
Total fair value adjustment on financial assets at fair value through profit or loss	(16,136,975)	(15,459,764)
Realised gains on derecognition of financial assets at fair value through profit or loss	2,257,417	6,310,500
Cumulative net gain on remeasurement to fair value of financial assets at fair value through profit or loss in accumulated funds	**(75,040,031)**	**(61,160,473)**

4.4 Liabilities for incurred claims

The basis of calculation of the Liability for incurred claims is set out in Note 13 to the Financial statements. There have been no unusual movements which the Trustees believe should be brought to the attention of the members of the Scheme.

5 ACTUARIAL SERVICES

The Scheme’s actuaries have been consulted in the determination of the contribution and benefit levels. The Scheme’s actuaries also calculate the annual budget and monthly actuarial reports of the Scheme, including the monthly Liability for incurred claims.

6 EVENTS AFTER THE REPORTING DATE

There have been no events that occurred subsequent to the end of the accounting period that affect the statements and that the Trustees consider should be reported.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

REPORT OF THE BOARD OF TRUSTEES (continued)

7 INVESTMENTS IN PARTICIPATING EMPLOYERS AND OTHER RELATED PARTIES

The Scheme had invested in various portfolios, which in turn held shares in African Rainbow Minerals Ltd and AVI Ltd, participating employers of the Scheme.

Discovery Health (Pty) Ltd is the administrator of the Scheme.

Payments are made in terms of the administration and managed care agreements, reviewed for 2023 at the end of 2022, with Discovery Health (Pty) Ltd. Fees were paid as follows:

	2023 R	2022 R
Discovery Health (Pty) Ltd	10,802,286	10,714,082
Administration fees	8,476,357	8,476,357
Managed care: management services fees	2,325,929	2,237,725

The Scheme appointed consultants to the Scheme and their fees were paid as follows:

	2023 R	2022 R
Consultation fees		
Insight Actuaries and Consultants	307,879	307,879

8 AUDIT AND INVESTMENT COMMITTEE

An audit and investment committee (the Committee) was established in accordance with the provisions of the Act. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of five members of which two are members of the Board of Trustees. The Committee met on three occasions during the course of the year as follows:

- 5 May 2023
- 13 September 2023
- 30 November 2023

The Principal Officer, Chairman of the Board of Trustees and the Administrator attend all Committee meetings and have unrestricted access to the Chairman of the Committee. The external auditors of the Scheme attend meetings on invitation only.

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

This Committee also acts as an investment committee.

The Committee presently comprises: J O'Meara; M Koursaris, S Chatrooghoon, J Fourie and I Masike.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

REPORT OF THE BOARD OF TRUSTEES (continued)

9 NON-COMPLIANCE MATTERS

9.1 Contributions not received within three days of them becoming due

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

Although the majority of contribution payments were made within the stipulated payment deadlines, there were a small number of instances where the Scheme received contributions after three days of becoming due. These contributions equate to less than 0.27% of the gross contributions billed and were received within the month of them becoming due. Such arrear payments are outside the agreed contribution collection agreements with paying parties and are actively addressed as and when they occur.

The procedures that the Scheme follows for collection of these arrear contributions are aligned with its credit risk management policies in Note 15.

9.2 Payment of claims within 30 days

In terms of Section 59(2) of the Medical Schemes Act of South Africa, a medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.

Management have implemented a process to monitor claims made by members and providers on a monthly payment cycle and ensure that payment is performed within 30 days.

9.3 Investment in participating employer

As at 31 December 2023, the Scheme indirectly through its holdings in the Allan Gray portfolios held shares in AVI Ltd, a participating employer of the Scheme, amounting to R1 305 120 (2022: R1 384 908) and R744 050 (2022: R766 765) in African Rainbow Minerals Ltd.

Ordinarily this would be in contravention of Section 35(8) of the Act, which, inter alia, prohibits a medical scheme from investing any of its assets in an employer that participates in that scheme. However, as funds in these specific portfolios are structured at the sole discretion of the asset manager in a manner that maximizes the return on investment, and neither the Scheme nor these employers provide input into the structuring of the portfolio, the Scheme has received exemption from the Council for Medical Schemes for compliance with this Section of the Act.

9.4 Investment in medical scheme Administrators

At 31 December 2023, the Scheme indirectly through its holdings in the Allan Gray portfolios held shares in Momentum Metropolitan Holdings Limited R1 014 259 (2022: R713 357)

Ordinarily this would be in contravention of Section 35(8) of the Act which, inter alia, prohibits medical schemes from holding shares in any other medical scheme, any administrator and any person associated with any of these. However, as funds in these portfolios are structured at the sole discretion of the asset manager in a manner that maximises returns and the Scheme provides no input into the structuring of the portfolios, the Scheme has received exemption from the Council for Medical Schemes for compliance with this Section of the Act.

9.5 Sustainability of benefit option

In terms of Section 33(2) of the Medical Schemes Act, No 131 of 1998, as amended, each option shall be self-supporting in terms of membership and financial performance and be financially sound. The Anglovaal Group Medical Scheme only has one option.

At 31 December 2023, the Scheme reported a net insurance service deficit amounting to R13 148 643. After taking into account investment income, other income and other expenses, the Scheme reported a total comprehensive loss of R4 943 631 for the year ended 31 December 2023.

The Trustees continuously monitor the overall performance of the Scheme. On a monthly basis, the management accounts are scrutinised; the investment returns are analysed in line with the overall market performance; and claims patterns are analysed by the actuaries and administrator against what the expected claims should be, given the demographics and claiming behaviour of the Scheme members. In addition, the Scheme's investment policy is reviewed annually against expected returns. The solvency level at 31 December 2023 is 61.17% against the legislated requirement of 25%. The Trustees do not believe in making short term decisions based on limited information, but to rather take a well thought out, well considered, long term view in order to ensure the sustainability of the Scheme. This prudent approach allows the Scheme to be managed through any short term adverse claims experience, whilst minimizing the potentially negative impact on the members. The solvency level at 31 December 2023 of 61.17% allows the Trustees the leeway to take a medium to long term view whilst protecting the members' interests in the short term. The Trustees are of the opinion that increasing member contributions to address what could be a short term anomaly, while having a high solvency level, is not in the interests of the members. Finally, the Scheme undergoes an independent, annual actuarial review to determine the appropriate level of contributions given the benefits provided, which allows the Trustees the opportunity to review the sustainability of the Scheme and to adjust the contributions for the following year accordingly.

The Trustees are comfortable that the Scheme is financially sound and sustainable.

ANGLOVAAL GROUP MEDICAL SCHEME
(Registration no. 1571)

REPORT OF THE BOARD OF TRUSTEES (continued)

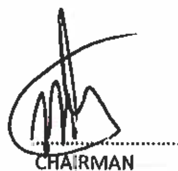
10. MEETING ATTENDANCE

The following schedules set out Board of Trustee meeting attendances and attendances by members of Sub-Committees:

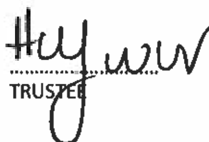
Board of Trustees meetings	Number of meetings
Number of meetings for the year	4
M Koursaris	4
I Masike	3
H de Groot	4
B Jales	2
O Bergman	4
A Mills	4
V Lazarus	0
D Erskine	2
K Tshepe	3
J Laubscher	2
Attendees:	
V Crystal	4

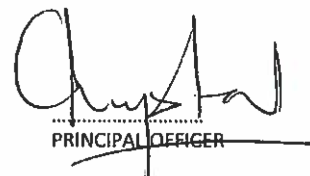
Audit and Investment Committee meetings	Number of meetings
Number of meetings for the year	3
J O'Meara (Chairperson)	3
M Koursaris	3
J Fourie	3
S Chatrooghoon	3
I Masike	2
Attendees:	
V Crystal	3

Committee of Management meetings	Number of meetings
Number of meetings for the year	3
M Koursaris (Chairperson)	3
V Crystal	3


CHAIRMAN

23 April 2024


TRUSTEE


PRINCIPAL OFFICER

Anglovaal Group Medical Scheme
Proxy Form for the Annual General Meeting
24 May 2024

Membership Number ……

I (Name in block letters)……

Of Address: ……

Being a principal member of Anglovaal Group Medical Scheme, hereby appoint:

1. ………………………………………………….,with member number……………………………….; or failing him/her

2. ………………………………………………….,with member number……………………………….; or failing him/her

3. The Principal Officer of the Scheme; or failing him/her

4. The Chairman of the Annual General Meeting;

as my proxy to vote for me on my behalf at the Annual General Meeting of the Scheme to be held on 24 May 2024 at 10h00.

Signed at ……………………………………………… on this …………… day of ……………………………………… 2022

Signature: …………………………………………………..

NOTES

- The person whose name is listed first on the Proxy Form and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
- The completion and lodging of this Proxy Form will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such members wish to do so.
- Proxy Forms must be lodged at, or posted to the Principal Officer c/o Nadine Naidoo, Anglovaal Group Medical Scheme, AGM Motions, P O Box 652509, Benmore, 2010, faxed to (011) 539-1018, or emailed to avgmsagm@discovery.co.za. Proxies to be received no later than 12h00 on 22 May 2024.