



ANNUAL REPORT



31 December 2023

DE BEERS BENEFIT SOCIETY



ANNUAL REPORT 2023

GENERAL INFORMATION

1. Board of Trustees

Chairperson: C W Coltman *(Employer appointed Trustee since 12 September 2019 / Elected as Chairperson 9 July 2020)*

Vice-Chairperson: W J B Smerdon *(Member elected Trustee since 23 June 2020 / Re-elected as Vice-Chairperson 9 July 2020)*

Employer appointed

J H van der Walt *(Appointed 25 November 2020)*
G Lekalakala *(Appointed 21 May 2020)*
C J Blanckenberg *(Re-appointed 22 September 2020)*

Member elected

R W Ketley *(Re-elected 23 June 2020)*
D Bhana *(Elected 23 June 2020)*
A P Hewett *(Elected 23 June 2020)*

2. Principal Officer

S Mathonzi

Physical address:

Kimberley House
84 Du Toitspan Road
Kimberley
8301

Postal address:

P O Box 1922
Kimberley
8300

3. Registered office of the Society

Physical address:

Kimberley House
84 Du Toitspan Road
Kimberley
8301

Postal address:

P O Box 1922
Kimberley
8300

4. Medical scheme administrator

Self - administered
Council for Medical Schemes' Accreditation number: 57
(Certificate of compliance expires on 9 December 2025)

5. Country of incorporation

The Society is incorporated in the Republic of South Africa under registration number 1068.

DE BEERS BENEFIT SOCIETY



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GENERAL INFORMATION

6. Investment Advisors

Alexander Forbes Financial Services (Proprietary) Limited (Reg. No 1969/018487/07)
Financial services provider number: 1177

Physical address:

Alexander Forbes Place
115 West Street
Sandown
2196

Postal address:

P O Box 787240
Sandton
2146

7. Investment Manager

Taquanta Asset Managers (Proprietary) Limited (Reg. No. 1999/021871/07)
Financial services provider number: 618

Physical address:

5th Floor
Draper on Main
47 Main Road
Claremont
7708

Postal address:

P O Box 23540
Claremont
7735

8. Actuaries

Insight Actuaries and Consultants

Physical address:

2nd Floor Gateway West
22 Magwa Crescent
Waterval City
Midrand
2066

Postal address:

Private Bag X17
Halfway House
1685

9. Auditors

PricewaterhouseCoopers Incorporated

Director – Clinton Mitchelson

Physical address:

4 Lisbon Lane
Waterfall City
Jukskei View
2090

Postal address:

Private Bag X36
Sunninghill
2157

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GENERAL INFORMATION

10. Schedule of meetings held by the Board of Trustees

The Board of Trustees met 4 times during the year (2022: 4 times). The following schedule sets out the meetings held by the Board of Trustees during the year:

Meeting Date	Place of Meeting	Quorum
5 April 2023	Johannesburg	Yes
5 July 2023	Johannesburg	Yes
27 September 2023	Johannesburg	Yes
6 December 2023	Johannesburg	Yes



DE BEERS BENEFIT SOCIETY

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

The Board of Trustees (the Board) has pleasure in submitting its 135th (one hundred and thirty fifth) annual report for the year ended 31 December 2023.

1. ADOPTION AND IMPLEMENTATION OF IFRS 17

The Society retrospectively implemented the new IFRS 17: *Insurance Contracts* standard which became effective 1 January 2023 and replaced IFRS 4. As a result, certain comparative figures have been restated.

Although the standard has brought about significant changes to the terminology and presentation in the financial statements as set out in note 1.6 to the financial statements, there is no change to the Society's operations, its business model and the processes applied in fulfilling its obligations to members in terms of the Rules of the Society (the Rules).

In terms of IFRS 17 medical schemes are classified as mutual entities¹. As such 'accumulated funds' are now referred to as 'insurance liability for future members' and classified as a liability in the Statement of Financial Position. In summary, the following is the most notable changes in the terminology:

IFRS 4	IFRS 17
✗ Accumulated funds	✓ Insurance liability for future members
✗ Outstanding claims provision	✓ Insurance contract liability
✗ Incurred but not yet reported (IBNR)	✓ Liability for incurred claims (LIC)
✗ Contribution income	✓ Insurance revenue
✗ Relevant healthcare expenditure	✓ Insurance service expenses
✗ Net healthcare results	✓ Insurance service results

2. DESCRIPTION OF THE MEDICAL SCHEME

2.1 Terms of registration

The De Beers Benefit Society (the Society), the oldest medical scheme in South Africa, is a self-administrated not-for-profit restricted medical scheme registered in terms of the Medical Schemes Act of South Africa (the Act), as amended, under registration number 1068.

The Society was established on 14 February 1889 and its purpose is to grant assistance to members employed by De Beers Group Services Proprietary Limited (the Employer) and Associated Employers (participating employers) and continuation members, as defined in the Rules, in defraying expenditure incurred by them and their registered dependants in connection with relevant healthcare services as provided for and in accordance with the Rules.

In 2023 the Society provided benefits to an average of 8 032 (2022: 8 396) beneficiaries located primarily in the Northern Cape (24%), Western Cape (24%), Gauteng (17%) and Limpopo (18%). The remaining beneficiaries are spread across the remainder of South Africa and abroad (17%).

2.2 Benefit options

The Society has a single benefit option, which offers a traditional benefit structure with defined benefits, annual limits and no personal medical savings account.

2.3 Risk transfer and other arrangements

2.3.1 Emergency medical transport and evacuation services

The Society maintains a fixed-fee capitation agreement with ER24 providing for emergency medical transport and evacuation services.

The Society paid a premium of R3 366 546 (2022: R3 150 890) for the year. The total cost for emergency medical transport and evacuation services in terms of this agreement amounted to R3 257 610 (2022: R2 990 562) for the year.

¹ - Residual interest (reserves) of the Society is due to the members

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

2. DESCRIPTION OF THE MEDICAL SCHEME (continued)

2.3 Risk transfer and other arrangements (continued)

2.3.1 Emergency medical transport and evacuation services (continued)

Had this agreement not been in place, the total cost for emergency medical transport and evacuation services, based on the ER24 private client rates, would have been R4 234 894 (2022: R3 887 731).

In December 2017, the Council for Medical Schemes (the Council) issued a ruling that medical schemes may only enter into capitation agreements with accredited managed healthcare organisations in terms of Regulation 15F of the Act. Following recent developments in this regard the Board resolved that the ER24 capitation agreement be terminated and ER24 be appointed as a Designated Service Provider (DSP) for emergency medical transport and evacuation services on a fee-for-service (FFS) basis effective 1 July 2024.

2.3.2 Employer grant

The employer grant relates to a subsidy which is payable by De Beers Consolidated Mines (DBCM) in terms of an agreement reached with DBCM following the termination of the membership of the Finsch Mine and Kimberley Mines employees and the retention of the continuation members associated with these mines, in consequence of the sale of the mines in September 2011 and January 2016 respectively. In terms of the agreement DBCM agreed to subsidise any resultant annual cross-subsidy deficit that may arise to offset any associated negative impact on the Society.

The subsidy is calculated annually by the Actuary in terms of an agreed methodology. The total subsidy payable by DBCM for the year in terms of this agreement amounted to R18 383 000 (2022: R15 995 000).

3. FINANCIAL RESULTS AND OTHER SIGNIFICANT MATTERS

3.1 Financial results for the year

Relevant healthcare expenditure² expressed as a percentage of insurance revenue (contributions) for the year increased to 116.2% (2022: 112.5%) and the Society reflected a net surplus for the year of R2 848 738 (2022: R3 824 485 loss) after incorporating investment and sundry income.

The return on investments for the year was 10.6% (2022: 7.5%).

3.2 Membership

The Society has experienced a further decrease in membership during the year under review because of the on-going organisational restructuring within the De Beers Group of Companies.

The Society had 4 314 (2022: 4 429) principal members as at 31 December 2023 with a monthly average of 4 371 (2022: 4 515) for the year. The dependant ratio as at 31 December 2023 was 1 : 0.83 (2022: 1 : 0.85).

Since the membership of the Society is directly affected by any corporate activity within the De Beers Group of Companies, the Board continues to monitor any announcements made and interacts with the participating employers to evaluate the potential impact on the Society's membership should this arise.

3.3 Insurance liability for future members and solvency ratio

The insurance liability for future members has increased to R628 500 201 (2022: R625 651 463) and its solvency ratio decreased to 180.8% (2022: 183.1%) as at 31 December 2023.

The Board is cognisant of the fact that the Society's solvency ratio is substantially higher than the minimum of 25% required by the Act. It is also in excess of the Society's estimated risk-based capital requirement, as determined by the Actuary based on the Society's specific risk profile.

² - Net claims incurred + Accredited managed healthcare services + Net expenses from risk transfer arrangement / Insurance revenue

3. FINANCIAL RESULTS AND OTHER SIGNIFICANT MATTERS (continued)

3.3 Insurance liability for future members and solvency ratio (continued)

The Board believes that this level of reserves is prudent in the current regulatory framework and in a rapidly evolving South African healthcare environment. It also assists the Society to remain sustainable as a self-administered restricted scheme.

This is even more relevant given the on-going corporate activity within the De Beers Group of Companies and the increasing average age of beneficiaries of 51.2 (2022: 50.8) years and the pensioner ratio of 39.4% (2022: 37.6%), which are significantly higher than the industry average of 33.9 (2022: 33.7) years and 9.3% (2022: 9.1%) respectively.

3.4 Net claims incurred

Of the total net claims incurred in 2023, hospitals comprised 40% (2022: 41%), specialists 30% (2022: 28%), medicines 14% (2022: 15%), general practitioners 4% (2022: 4%), dentists and dental specialists 3% (2022: 3%) and other benefit types 9% (2022: 9%).

3.5 Sustainability

The sustainability of the Society is carefully monitored and managed by the Board on an on-going basis.

During the year under review the Board continued to subject the Society's results to regular actuarial modelling and measuring hospital and other healthcare service providers' efficiency levels and performance, aimed at monitoring and taking steps to inter alia counter the membership demographic changes, as well as claiming trends which may impact on the Society's competitiveness and sustainability.

The following is also reviewed on an on-going basis in consultation with the Actuary:

- the Society's operating model;
- potential future scenarios;
- opportunities to address the challenges facing the Society and its longer-term sustainability;
- the compatibility and cost effectiveness of the Society's contributions and benefits in relation to the medical scheme industry;
- the Society's reserve management strategy; and
- the impact of changes in the current regulatory framework.

Any developments in this regard will be communicated to members when appropriate. Benefits provided by the Society, contribution levels and administration costs all remain competitive, and are in some cases better than the industry average. Based on the current circumstances of the Society, the Board remains of the opinion that the Society offers value for money to its members, which has been confirmed by the Insight Actuaries and Consultants Signal Model and continues to remain sustainable as a self-administered restricted scheme.

4. INVESTMENT STRATEGY

4.1 Introduction

The Board, as the governing body, of the Society is ultimately responsible for the formulation and implementation of the investment strategy of the Society and is assisted in this regard by the Investment Board Committee, the appointed Investment Advisors and the Actuary.

The Board recognises that it has a statutory and fiduciary duty to invest the Society's assets on behalf of all its members in a responsible and prudent manner. Setting the investment strategy involves considering the risks and rewards of various asset classes and investment opportunities, as well as the constraints imposed on the Board. These constraints include, but are not limited to:

- the Society's claims risk profile and associated liabilities;
- the term and level of uncertainty associated with the liabilities;
- the funding of the liabilities;

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

4. INVESTMENT STRATEGY (continued)

4.1 Introduction (continued)

- the level of reserves and capital adequacy;
- on-going liquidity requirements; and
- statutory and regulatory requirements.

4.2 Governance principles

The investment strategy takes into consideration the requirements and constraints imposed by the Act, the Rules, the provisions and limitations of Regulation 30 of the Act and those agreed by the Board.

The investment strategy is documented in the Society's Investment Policy Statement and aims to improve and facilitate the management of investments, achieve appropriate transparency, facilitate effective communication and promote the consistency of and accountability for the investment decisions made.

4.3 Objectives

The overall objective of the Society is to provide members with competitive medical benefits in exchange for regular monthly contributions. The Board has decided to adopt an investment strategy that will enable the Society to meet the following investment objectives, namely to:

- preserve capital over any 12-month period;
- achieve targeted net real returns in excess of 3% per annum over a rolling 36-month period, because the liabilities are linked to medical inflation;
- invest part of the Society's capital reserves in cash and money market instruments in order to cover the contributions shortfall (negative insurance service results) and other expenditure to be funded from investment/other income; and
- invest the Society's other capital reserves in enhanced income and fixed income instruments.

In pursuit of the above investment objectives, cognisance is taken of the conditions of Explanatory Note 2 of Annexure B to Regulation 30 of the Act and the need for investments to be liquid in order to enable the payment of relevant healthcare and other expenditure as they arise.

4.4 Investment philosophy

The Board accepts and acknowledges the inherent relationship between investment risks and rewards and the resulting conflict between the investment objectives of seeking to maximise returns while minimising the risk taken.

The Board has adopted a short to medium-term investment strategy to assist in maintaining the financial stability and viability of the Society. This takes account of the level of uncertainty regarding the Society's liabilities given the membership demographics and associated risk profile, as well as the environment in which the Society operates. The Board, on recommendation of the Investment Board Committee, considered the risk and return characteristics of the various asset classes and the advantages and disadvantages of holding assets in the name of the Society (segregated portfolios) as opposed to investing in pooled investments through which the Society's interests are represented by the value of an investment in an insurance policy or a collective investment scheme.

The Board decided that the risk and return objectives of a combination of enhanced income, fixed income and money market/cash investment portfolios closely match those of the Society. The management of the assets is currently allocated to one investment manager.

The investment manager has discretion as to the composition of the investment portfolio managed on behalf of the Society within the parameters of a mandate provided by the Board and the provisions of the Act. Strategic asset allocations are set based on the results of the Society's investment strategy review undertaken annually. To take advantage of short-term opportunities that may arise in the investment market and maximise the possibility of achieving the Society's investment objectives, deviations from the strategic asset allocations are considered by the Investment Board Committee in order to implement temporary tactical changes to the strategic asset allocations.

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2023

4. INVESTMENT STRATEGY (continued)

4.5 Management of investments

The Investment Board Committee monitors the performance of the investment manager on a quarterly basis and comprehensive feedback is provided to the Board quarterly. The Board recognises that overall accountability for investments and performance resides with it.

Each investment portfolio is evaluated in relation to the objectives set. The investment manager is also evaluated against benchmarks at both manager and portfolio level. The investment strategy and the investment manager's mandate is reviewed annually, taking into consideration compliance with the Act and the risks associated with the returns produced by the various asset classes and the investment manager.

Notwithstanding a notable increase in the trading activities of the investment portfolio during the year under review, the Board remains of the opinion that the Society's current business model for managing its financial assets remains appropriate and will continue to invest mainly in collective investment schemes and, as well as enhanced income, fixed interest and money market/cash instruments held in the Society's segregated portfolio. Refer to notes 4, 6 and 18 to the financial statements for more detail in this regard.

5. MANAGEMENT OF MEDICAL INSURANCE RISK

The primary business objective of the Society is to accept medical liability in respect of its members and their registered dependants by providing benefits for relevant healthcare services obtained in accordance with the Rules, in return for contributions. This objective takes account of the specific inherent risks associated with the demographics of the Society's membership, high pensioner ratio, chronic disease prevalence amongst beneficiaries and the medical insurance risk.

The medical insurance risk refers to the unpredictability of diseases, nature of and advancements related to treatments purchased and the cost of related services, as well as the uncertainty surrounding the timing and severity of claims. The Society manages and mitigates its medical insurance risk by:

- keeping abreast of and implementing appropriate industry best practices;
- having a well-defined benefit structure;
- adjusting or implementing new benefit limits, sub-limits, co-payments, penalties, waiting periods and exclusions;
- pre-authorising hospital admission requests, case managing selected cases and performing clinical audits;
- making use of pricing guidelines, including but not limited to generic reference pricing models such as the Mediscor Reference Price (MRP) model, medicine formularies and therapeutic reference pricing models such as the Mediscor Formulary Reference Price Plus (FRP Plus) model for the treatment of chronic disease conditions;
- contracting with managed care organisations to utilise their clinical guidelines, treatment protocols and medical advisory services;
- implementing risk transfer arrangements;
- implementing chronic medication and active disease management programmes;
- having preferred provider networks and DSP arrangements in place;
- tracking and analysing claiming patterns to detect and manage emerging trends in order to develop and implement strategies to deal with these changes;
- making use of healthcare system measurement tools to measure the performance and efficiency levels of hospitals, service providers and other managed care interventions;
- agreeing with the Employer or Associated Employers to compensate or subsidise the Society for the financial impact of corporate activity giving rise to cross-subsidy deficits, as a result of the termination of membership of employees and the retention of the continuation members associated with the operation in question;
- recovering claims incurred by members or their registered dependants from third party insurers such as the Road Accident Fund (RAF), where a third-party liability exists;
- monitoring industry trends and emerging healthcare issues and taking pre-emptive or corrective action as required; and

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

5. MANAGEMENT OF MEDICAL INSURANCE RISK (continued)

- increasing contribution levels taking cognisance of estimated claims, industry developments and market trends, as well as the Society's reserve management strategy, investment returns earned and other sources of income.

In addition, administrative risk management measures are employed to ensure appropriate access to benefits. These include, but are not limited to benefit pre-authorisation, billing audits and interventions aimed at combating fraud in general.

The Society, with the assistance of the Actuary, assesses and monitors its medical insurance risk exposure both for individual types of risks and overall risks on an on-going basis. This assessment includes internal risk measurement models, stress testing and sensitivity and scenario analyses. The principal risks are that the actual changes in membership demographics and the frequency and severity of claims ultimately exceed the projections made at the time of compiling the annual budget. Refer to note 19 to the financial statements for more detail.

The structure and extent of benefits provided, and the associated rules, are the ultimate responsibility of the Board. The responsibility for the annual review of the benefit structure and the development of proposals in this regard for consideration by the Board is delegated to the Benefits Review Board Committee. The Benefits Review Board Committee reviews the benefit structure taking cognisance of the requirements of the Act, legislative changes, industry developments, member feedback and the Society's current funding level, reserve management strategy, ability to accept insurance risk and insurance risk exposure.

Insurance events are, by their very nature, random and the actual number and size of events during any one year may vary from those that were estimated with established statistical techniques based on membership demographics and historical claiming patterns. The Board is satisfied that there are:

- no changes to the assumptions used to measure insurance assets and liabilities; and
- no terms and conditions of insurance contracts;

that could have a material impact on the financial statements or the timing and uncertainty of the Society's cash flows.

Furthermore, medical schemes are required to fund prescribed minimum benefits (PMBs) in full in terms of the interpretation of Regulation 8 of the Act by the Council. This poses an additional financial risk to the Society since there are no regulated tariffs for healthcare service providers. The Society, where appropriate and permissible, makes use of DSP arrangements, treatment protocols, disease management programmes and formularies for specific conditions to manage this risk.

6. CORPORATE GOVERNANCE

6.1 Introduction

The Board and Society Management maintain a firm focus on upholding the highest standards of corporate governance, are fully committed to the principles contained in the King IV Code of Corporate Governance (King IV) and proactively monitor and manage risks in terms of a formal risk management policy and process. Good corporate governance requires continuous review of processes, systems and documents for relevance, effectiveness and compliance. To this end the Society maintains its focus on continuous business improvement and optimising the assurance obtained from internal and external assurance providers.

This assurance is provided in accordance with an appropriately combined assurance model providing for the review of the Society's system of internal control and risk management, including the design, implementation and effectiveness of internal financial controls.

6.2 Board of Trustees and Board Committees

The Board is constituted in terms of the Rules and comprises four employer appointed Trustees and four member elected Trustees. The term of office of a Trustee is five years. Even though the Board's ability to influence its composition is limited, the Board Charter allows the Board to obtain expert advice on any Society matter it may lack sufficient expertise on. The Board, when necessary and where the Terms of References make provision for this, will appoint non-Trustee members with the relevant skills, knowledge and experience to serve on certain Board Committees.

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2023

6. CORPORATE GOVERNANCE (continued)

6.2 Board of Trustees and Board Committees (continued)

All new Trustees and non-Trustee Board Committee members undergo a formal induction process. On-going formal training takes place and all Trustees and Board Committee members are encouraged to undertake continuous development, training and education throughout their term of office. Regular Board and Board Committee self-assessment performance evaluations are performed in order to ascertain what, if any, training needs are required and to help improve individual performance and competence.

The Board and Board Committees receive timely, accurate and relevant reporting and other information and have access to all information held by the Society that is required to enable them to fulfil their duties, and to aid them in the objective judgement of their decisions. To ensure the efficient flow of information, comprehensive agenda packs are provided to the Trustees and Board Committee members in advance of each meeting. Minutes of all Board and Board Committee meetings, other Society governance related documentation and background information are prepared and maintained in the Society's records and are accessible to Trustees and Board Committee members generally and on a secure dedicated web-site.

The Board is of the view that the current Trustees and non-Trustee Board Committee members collectively have sufficient experience and understanding of the fields of administration, investments, actuarial, accounting, legal, project management, human resources and social matters to enable them to perform their duties objectively and effectively. As mentioned above, the Board makes use of external expertise on specific matters outside the collective knowledge, skills and experience of the Board when required. The Board is satisfied that the current composition of the Board and the various Board Committees reflects the appropriate mix of knowledge, skills, experience, diversity and independence to enable the Board to discharge its governance role and responsibilities objectively and effectively.

The Chairperson is responsible for providing leadership to the Board, for ensuring its effectiveness and for promoting effective communication amongst Trustees. The Principal Officer is responsible for the day-to-day management of the Society in line with policies and strategic objectives set and agreed by the Board. The Principal Officer reports to the Board on the performance of the Society and on all material matters at regularly scheduled Board meetings and between Board meetings as and when required.

Aligned to the principles of sound corporate governance, the Rules, Board Charter, Trustee and Principal Officer Code of Conduct, Conflict of Interest Policy, Statement of Corporate Governance, Society policy documents and the Terms of Reference of the Board Committees provide a clear and concise overview of the responsibility and accountability of the Trustees and Board Committees, collectively and individually.

The Trustees and non-Trustee Board Committee members are required to avoid conflicts of interest, where possible, and to inform the Board timeously of conflicts or potential conflicts of interest. The Trustees and non-Trustee Board Committee members are required to complete declaration of interest forms annually or when new areas of conflict of interest may have arisen since the last declaration.

In the opinion of the Board adequate fidelity and professional indemnity insurance, which includes cover for Trustees, non-Trustee Board Committee members and for staff, was in place for the year under review.

6.3 Corporate governance application review

The Board is fully committed to the application of those practices, philosophies and governance outcomes contained in the King IV Code of Corporate Governance that are applicable to the Society.

Aligned to the Society's commitment to good corporate governance, the Society has subscribed to the Governance and Compliance Instrument launched by the Global Platform for Intellectual Property in collaboration with the Council to continuously assess its application of the principles of King IV insofar as they are applicable to medical schemes. The Society's Corporate Governance Application Report explains:

- how the Society has applied or not applied the principles set out in King IV and other supplementary codes;

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

6. CORPORATE GOVERNANCE (continued)

6.3 Corporate governance application review (continued)

- what actions are still required in terms of applying a specific principle; and
- where it is impossible to implement a practice or where such implementation is inappropriate;

is published on the Society's website (www.dbbs.co.za/library/governance-2/).

6.4 Risk management and internal controls

The Board regards risk management as being of extreme importance and the Society continuously encourages its employees to be mindful of the need to manage risks and to report any instances of suspected fraud.

The Board has overall responsibility for the Society's system of internal control. The Board is extremely conscious of the importance of this system and recognises the importance of monitoring the effectiveness and development of associated systems in line with best practice.

The Board is ultimately responsible for the management of risks. The Society has adopted appropriate aspects of the Anglo-American plc's risk management policy and related procedures which set out the process for capturing and managing all relevant risks through five key stages: identification, assessment, monitoring, mitigation and reporting.

Society Management is responsible for the collation of this information and reporting to the Audit and Risk Board Committee and the Board. Society Management is also entrusted with the responsibility of ensuring that the risk management framework is embedded at all levels and overseen, independently and objectively, at an appropriate level.

The Audit and Risk Board Committee, assisted by the internal auditors, continuously reviews the adequacy and effectiveness of the Society's risk management framework and system of internal control and reports regularly to the Board on the status of risk management and internal controls.

7. ACTUARIAL SERVICES

The Actuary assists the Society in identifying and assessing risks and establishing claiming patterns by conducting regular actuarial modelling.

The Actuary calculated the claims incurred not yet reported, the Society's post-employment healthcare benefits obligation and the employer grant. Refer to notes 10.2.1, 7 and 12 to the financial statements for more detail in this regard.

In addition, the Actuary was consulted to determine and model the benefits and contribution levels for the 2024 benefit year.

8. EXTERNAL AUDITORS

In terms of Rule 25.1, the members appointed PricewaterhouseCoopers Incorporated as the Society's auditors for 2023 at the Annual General Meeting (AGM) held on 13 July 2023.

As at 31 December 2023 PricewaterhouseCoopers Incorporated has been the auditors of the Society for the past 21 years and the engagement partner, Clinton Mitchelson, has been responsible for the audit for the past year.

On the recommendation of the Audit and Risk Board Committee, the members will be requested to approve the re-appointment of PricewaterhouseCoopers Incorporated as the Society's auditors for 2024 at the 135th AGM.

9. REVIEW OF KEY OPERATING ACTIVITIES

9.1 Results of operations

The results of the Society's operations are set out in the financial statements and the Board believes that no further clarification is required, except for the impact of developments in South Africa which is dealt with in section 9.3 of this report.

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

9. REVIEW OF KEY OPERATING ACTIVITIES (continued)

9.2 Operational statistics

	2023		2022	
	Members	Beneficiaries	Members	Beneficiaries
Membership				
Membership as at 1 January	4 429	8 188	4 608	8 637
New members / beneficiaries	83	247	97	277
Members / beneficiaries exited	(198)	(542)	(276)	(726)
Membership as at 31 December	4 314	7 893	4 429	8 188
Average number of members / beneficiaries	4 371	8 032	4 515	8 396
Average age of members / beneficiaries	62.8	51.2	62.3	50.8
Dependant ratio as at 31 December		0.83	0.85	
Pensioner ratio as at 31 December (65 years and older)		39.4%		37.6%
Average per member / beneficiary per month				
Insurance revenue	6 627	3 606	6 307	3 392
Insurance service expenses	8 032	4 371	7 421	3 990
Relevant healthcare expenditure ³	7 697	4 189	7 096	3 816
Non-healthcare expenditure ⁴	487	265	453	243
Ratios per average member / beneficiary per month		2023	2022	
Insurance service expenses as % of insurance revenue		121.2%	117.6%	
Relevant healthcare expenditure as % of insurance revenue		116.2%	112.5%	
Non-healthcare expenditure as % of insurance revenue		7.4%	7.2%	
Return on investments		10.6%	7.5%	

9.3 Impact of developments in South Africa

Although the legislation to implement a National Health Insurance (NHI) system with the aim of achieving Universal Health Cover (UHC) in South Africa was passed in May 2024, it is foreseen that the Society will continue to provide medical aid cover to its members and registered dependants in terms of the provisions of the Rules for the foreseeable future due to the proposed phased implementation of such.

NHI has been added as an emerging risk to the Society's risk register and the Board, in collaboration with industry bodies such as the Health Funders Association (HFA), will continue to monitor developments in this regard and ensure the best outcome for members and other stakeholders is achieved.

9.4 Benefits, contributions and non-healthcare expenditure

The Board remains confident that the Society continues to offer good value for money considering the benefits provided, contribution levels and non-healthcare expenditure (administration costs).

9.5 Insurance liability for future members

Movements in the insurance liability for future members are disclosed in note 8 to the financial statements. There have been no unusual movements, that the Board believes should be brought to the attention of the members of the Society, other than the change in disclosure because of the implementation of IFRS 17.

³ - Net claims incurred + Accredited managed healthcare services + Net expenses from risk transfer arrangement

⁴ - Attributable expenses incurred + other operating expenses

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

9. REVIEW OF KEY OPERATING ACTIVITIES (continued)

9.6 Solvency ratio

	2023	2022
	R	R
Insurance liability for future members	628 500 201	625 651 463
<u>Less:</u> Unrealised investment gains	-	-
Accumulated funds per Regulation 29 of the Act	628 500 201	625 651 463
Contribution income (Insurance revenue)	347 590 214	341 761 143
Solvency ratio	180.8%	183.1%
Accumulated funds per member as at 31 December	145 688	141 262

9.7 Claims incurred not yet reported

Movements in the claims incurred not yet reported provision and the basis of the calculation is set out in note 10.2.1 to the financial statements. The provision is the estimated cost of relevant healthcare services obtained (claims incurred) by beneficiaries and not reported to the Society at 31 December 2023.

Aligned to the requirements of IFRS 17 the provision now includes a risk adjustment for the uncertainty in relation to the timing, frequency and severity of claims to reflect the risk tolerance of the provision.

10. PARTICIPATING EMPLOYERS

Since the membership is directly impacted on by corporate activity within the De Beers Group of Companies, the Board continues to monitor announcements made and interacts with the participating employers to evaluate any potential impact of such activity on the Society.

The Board is aware of the announcement by Anglo American plc, the holding company of the Employer, of its intention to separate De Beers from Anglo American in May 2024. Based on the current available information, indications are that such would not have a significant impact on the Society in the short- to medium-term.

11. INVESTMENTS IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS AND OTHER RELATED PARTIES

The Society as at 31 December 2023 held no investments in or has not granted any loans to participating employers or other related parties, other than those disclosed in note 17.

12. RELATED PARTIES

Related party transactions are disclosed in note 17 to the financial statements. Trustee remuneration and other considerations are also disclosed in the same note.

13. BOARD COMMITTEES

A number of Board Committees, which assist the Board in carrying out its duties, remained in place during the year under review. These committees are formally mandated by the Board by means of written terms of reference as to their membership, authority and duties.

The Chairperson of each Board Committee reports, where appropriate, to the Board at its scheduled meetings. The following Board Committees were in place during the year under review:

13.1 Audit and Risk Board Committee

The committee consists of six members appointed from amongst the members of the Board or other persons. The committee is independent and a majority of the members, including the Chairperson of the committee, are not officers of the Society.

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

13. BOARD COMMITTEES (continued)

13.1 Audit and Risk Board Committee

The Board is satisfied that the committee has been established in accordance with the provisions of the Act and that its members collectively have sufficient and relevant financial and medical scheme industry understanding and experience to enable them to carry out their duties and responsibilities.

The committee met on two occasions during the year. The Principal Officer, Chief Operating Officer, Society Manager, external auditors and internal auditors attended all committee meetings and have unrestricted access to the Chairperson of the committee.

In accordance with the provisions of the Act, the primary objective of the committee is to provide assurance that good corporate governance practices are implemented and maintained, that the inherent risks associated with the Society are adequately identified and addressed, and that the Society's accounting policies, system of internal control and financial reporting practices are sound.

Whilst the Board's responsibility for the Society's annual financial reporting and risk management is not abrogated in favour of the members of the committee, the committee provides assurance to the Board and assists the Board to comply with its responsibilities. The committee has an oversight responsibility for the following:

- financial reporting process;
- system of internal control over financial systems and reporting;
- internal and external audit processes;
- process of identifying, monitoring, recording and managing risk; and
- compliance with laws, regulations and governance best practice guidelines, as well as the Society's governance framework including the various governance documents such as the Society's Board Charter and Trustee and Principal Officer Code of Conduct.

The external and internal auditors formally report to the committee on critical findings arising from audit activities. The external and internal auditors meet separately with the Committee at least once a year without management being present.

Committee members for the year under review and at the date of this report comprised:

- C J Van Zyl (*Chairperson*)
- D Bhana (*Trustee*)
- A P Hewett (*Trustee*)
- J Hugo
- J L Jaftha
- A Sewkuran

The committee has confirmed that it met its mandate, carried out its duties in terms of the Act and satisfied itself during the year under review:

- as to the effectiveness of the Society's corporate governance practices, risk management system, system of internal control, accounting policies and financial reporting practices, based on the combined assurances received;
- that the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as defined by IAS 1 and the interpretations issued by the IFRS Interpretations Committee, with guidance from the Medical Schemes Accounting Guide issued by the South African Institute of Chartered Accountants (SAICA) and in the manner required by the Act;
- as to the appropriateness of the expertise, adequacy of resources and experience of the Society's finance function; and
- that the internal and external auditors are independent of the Society.

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

13. BOARD COMMITTEES (continued)

13.2 Benefits Review Board Committee

The committee consists of four members appointed from among the members of the Board. The committee met on two occasions during the year. The Actuary, Principal Officer, Chief Operating Officer and Society Manager also attended the meetings.

The primary objective of the committee is to review and recommend to the Board the benefits to be provided to beneficiaries and the contributions payable. The process followed to arrive at recommendations in this regard includes a review of:

-  the trends in the costs of benefits paid for the current and previous years against contributions received;
-  the Society's funding level, reserve management strategy and operating costs; and
-  related industry developments.

Committee members for the year under review comprised and at the date of this report comprised:

-  C W Coltman (*Chairperson and Trustee*)
-  A P Hewett (*Trustee*)
-  R W Ketley (*Trustee*)
-  W J B Smerdon (*Trustee*)

The committee has confirmed that it met its mandate and satisfied itself as to the appropriateness of the benefits provided to beneficiaries and the contributions paid during the year under review.

13.3 Communication and Education Board Committee

The committee consists of four members appointed from amongst the members of the Board. Although the committee met once during the year, it regularly reviewed and provided input into the Society's communication related material on a round robin basis during the year. The Principal Officer, Chief Operating Officer and Society Manager also attended the meeting.

The primary objective of the committee is to oversee effective member communication that complies with the regulations and guidelines of the Act and to provide Trustees with appropriate education to assist them in performing their duties.

Committee members for the year under review comprised and at the date of this report comprised:

-  W J B Smerdon (*Chairperson and Trustee*)
-  C W Coltman (*Trustee*)
-  A P Hewett (*Trustee*)
-  G Lekalakala (*Trustee*)

The committee has confirmed that it met its mandate and satisfied itself as to the effectiveness of member communication and the appropriateness of Trustee education during the year under review.

13.4 Investment Board Committee

The committee consists of four members appointed from amongst the members of the Board. The committee met on four occasions during the year. This included the Society's annual investment strategy review meeting.

The Principal Officer, Chief Operating Officer, Society Manager and Investment Advisors, albeit not members of the Committee, attended all committee meetings.

The primary objective of the committee is to oversee the investment of the Society's assets in terms of the Act, the Rules and the investment strategy approved by the Board in consultation with the Society's appointed Investment Advisors and the Actuary.

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2023

13. BOARD COMMITTEES (continued)

13.4 Investment Board Committee (continued)

The committee, members of Society Management and the Investment Advisors conducted a due diligence visit to the appointed investment manager during the year. An annual investment day was also held where the investment manager had the opportunity to interact with and present to the Board on the Society's on investment and other related matters

Committee members for the year under review comprised and at the date of this report comprised:

-  C W Coltman (*Chairperson and Trustee*)
-  D Bhana (*Trustee*)
-  C J Blanckenberg (*Trustee*)
-  R W Ketley (*Trustee*)

The committee has confirmed that it met its mandate and satisfied itself that the Society's assets have been invested in terms of the Act, the Rules and the Society's approved investment strategy during the year under review.

13.5 Remuneration Board Committee

The committee consists of four members appointed from amongst the members of the Board. The committee met once during the year. The Principal Officer and Chief Operating Officer also attended the meeting.

The primary objective of the committee is to determine the conditions of employment and remuneration for all employees of the Society, as well as the remuneration of Trustees and Board Committee members who are not employees of the participating employers, where applicable.

The committee is also tasked to identify and evaluate the risks associated with the remuneration of and conditions of employment applicable to employees of the Society.

Committee members for the year under review comprised and at the date of this report comprised:

-  W J B Smerdon (*Chairperson and Trustee*)
-  C W Coltman (*Trustee*)
-  A P Hewett (*Trustee*)
-  G Lekalakala (*Trustee*)

The committee has confirmed that it met its mandate and satisfied itself as to the fairness of the Society's conditions of employment and remuneration, in the context of the Society's overall strategy, during the year under review.

14. NON-COMPLIANCE

The following instances of non-compliance with the Act were identified during the year:

14.1 Financial soundness of benefit option

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance.

Cause

During the year the Society incurred a net healthcare deficit (insurance service results) of R73 811 467 (2022: R60 442 138). This result is expected and is aligned with the Society's reserve management strategy of ensuring the financial stability and viability of the Society over the foreseeable future.

The strategy also takes account of the need for the Society to remain competitive in relation to benefits provided contribution levels and administration costs.

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2023

14. NON-COMPLIANCE (continued)

14.1 Financial soundness of benefit option (continued)

Corrective action

The Society is financially sound in terms of Section 35 as confirmed by the current level of accumulated funds and the Society's solvency ratio of 180.8% (2022: 183.1%). The financial soundness and sustainability of the Society is carefully considered and managed by the Board on an on-going basis in consultation with the Actuary. It is not the strategy of the Society to make a profit and its net investment income the employer grant and substantial reserves enables it to ameliorate any net healthcare deficit whilst balancing the risk of rising claims incurred and keeping annual contribution increases in line with inflation.

The Board monitors the financial results to ensure that the net healthcare deficit is in line with the budget and any material variances are analysed and corrective action taken where necessary.

14.2 Payment of claims within 30 days

In terms of Section 59(2) of the Act, a medical scheme is required to pay a valid claim submitted to the scheme within 30 days after the day on which the claim was received.

Cause

The Society endeavours to pay all claims within 30 days of receipt but the processing of some claims is occasionally delayed due to unforeseen circumstances. Delays can for example occur when providers fail to supply the Society with their banking details or when claims are referred for clinical auditing or other investigations.

Corrective action

Claims that are not paid within 30 days are actively monitored to ensure effective on-going management of this issue.

14.3 Contribution income not received within three days of becoming due

In terms of Section 26(7) of the Act, contribution income must be received within three days of becoming due in terms of the Rules.

Cause

There were a limited number of instances where the Society did not receive contributions from members within three days of these becoming due. This was mainly because of members having insufficient funds in their bank accounts at the time of collection members exiting without informing the Society and reconciling discrepancies between participating employers and the Society.

The risk of default is however small because of the restricted nature of the Society and participating employer base.

Corrective action

Contributions not received within three days are actively pursued and the suspension policies are rigorously applied.

14.4 Prescribed minimum benefits (PMBs)

Regulation 8(1) of the Act states that subject to the provisions of this regulation any benefit option that is offered by a medical scheme must pay in full without co-payment or the use of deductibles the diagnosis treatment and care costs of the PMB conditions.

Cause

There were a limited number of instances where the Society did not pay claims within the scope and level of care prescribed for PMBs.

14. NON-COMPLIANCE (continued)**14.4 Prescribed minimum benefits (PMBs) (continued)****Corrective action**

The Society continuously reviews and enhances its processes to align such to the Council's interpretation of PMBs as new information becomes available. Where claims are identified that had not been paid within the scope of PMBs, such are re-processed as PMBs and paid accordingly.

14.5 Claims paid after termination date

Section 28(c) of the Act states that no person shall claim or accept benefits in respect of himself or herself or any dependant from any medical scheme other than the medical scheme of which he or she is a member.

Cause

The termination notification in respect of one member was received late by the Society resulting in claims with service dates after the member's termination date being paid. As at 31 December 2023 the claims had not been reversed against the member's debtor account for recovery.

Corrective action

The related claims were reversed against the member's debtor account for recovery during January 2024.

15. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

No events affecting the financial statements have occurred after the end of the accounting period which in the opinion of the Board should be brought to the members' attention.

16. MEETING ATTENDANCE

The following schedule sets out the Board and Board Committee meeting attendance for the year:

Name	Board Meetings		Audit and Risk		Investment		Benefits Review		Remuneration		Communication and Education	
	A	B	A	B	A	B	A	B	A	B	A	B
Trustees - Employer appointed												
C J Blanckenberg	4	4			4	4						
C W Coltman	4	4			4	4	2	2	1	1	1	1
G Lekalakala	3	4							0	1	1	1
J van der Walt	3	4										
Trustees - Member elected												
D Bhana	4	4	2	2	4	4						
A P Hewett	4	4	2	2			2	2	1	1	0	1
R W Ketley	4	4			4	4	2	2				
W J B Smerdon	3	4					2	2	1	1	1	1
Non-Trustees												
J Hugo			2	2								
J Jaftha			2	2								
A Sewkuran			1	2								
C J Van Zyl			2	2								

A – Number of meetings attended

B – Total number of meetings that could have been attended

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES
for the year ended 31 December 2023

The Board of Trustees and the Principal Officer (the Board) are responsible for the preparation, integrity and fair presentation of the financial statements of the De Beers Benefit Society (the Society) and to ensure that proper system of internal control is employed by or on behalf of the Society.

The financial statements presented on pages 26 to 84 have been prepared in accordance with International Financial Reporting Standards (IFRS), as defined by IAS 1 and the interpretations issued by the IFRS Interpretations Committee, with guidance from the Medical Schemes Accounting Guide issued by the South African Institute of Chartered Accountants (SAICA) and in the manner required by the Act. The financial statements include amounts based on judgements and estimates made by management.

The Board considers that the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used and that all the standards of IFRS that the Board considered to be applicable have been followed in preparing the financial statements.

The Board is satisfied that the information contained in the financial statements fairly presents the affairs, the results of operations, the cash flows for the year and the financial position of the Society as at 31 December 2023. The Board is responsible for both the accuracy and consistency of the information in the annual report and the financial statements.

The Board is responsible for ensuring that accounting records are kept. The accounting records disclose with reasonable accuracy the financial results and position of the Society which enables the Board to ensure that the financial statements comply with the relevant legislation.

The Society operates in a well-established controlled administrative environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures which are designed to provide reasonable, but not absolute assurance, that assets are safeguarded and the risks facing the business are being managed.

The going concern basis has been adopted in preparing the financial statements. The Board has no reason to believe that the Society will not be a going concern in the foreseeable future, based on forecasts provided by the Actuary and available reserves. This view is endorsed by the Audit and Risk Board Committee, the Actuary and the external auditors. These financial statements reflect the financial stability and viability of the Society.

The Society has a board structure of four Trustees appointed by the Employer and four Trustees elected by the members, as provided for in terms of the Rules. The current composition of the Board is featured on page 1.

The Society's external auditors are responsible for auditing the financial statements in terms of International Standards on Auditing and to report on the fair presentation of the financial statements. Their report is presented on pages 22 to 25.

The financial statements were approved by the Board on 20 June 2024 and are signed on its behalf by:

C W COLTMAN
CHAIRPERSON

20 June 2024

W J B SMERDON
VICE-CHAIRPERSON

20 June 2024

S MATHONZI
PRINCIPAL OFFICER

20 June 2024

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES
for the year ended 31 December 2023

Responsibilities

The De Beers Benefit Society (the Society) is committed to the principles and practice of competency, responsibility, fairness, transparency, integrity and accountability in all dealings with its stakeholders. The Society strives to achieve the highest levels of corporate governance, reassesses its corporate governance framework and practices on an on-going basis and maintains a strong drive to identify and implement best practice.

Board of Trustees

The Board of Trustees (the Board) meets and monitors the performance of the Society regularly. The Board addresses a range of key issues and ensures that the discussions on policy, strategy and performance take place and are informed and constructive.

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

System of Internal Controls

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

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

The Trustees and the Principal Officer, where relevant, hereby certify to the best of their knowledge and belief that, during the year under review and in the execution of their duties, they:

-  complied with the Society's governance framework and practices;
-  conducted the Society's affairs according to ethical values as contained in the Board Charter and Trustee and Principal Officer Code of Conduct;
-  adopted risk assessment, evaluation and management processes;
-  regularly monitored the performance of service providers according to service level agreements;
-  evaluated their own performance as a Board and that of the Board Committees against agreed terms of reference;
-  established an adequate and effective system of internal control and determined the adequacy and effectiveness thereof through the appointment of internal and external auditors; and
-  obtained expert or professional advice on matters where they lacked sufficient expertise.

C W COLTMAN
CHAIRPERSON

20 June 2024

W J B SMERDON
VICE-CHAIRPERSON

20 June 2024

S MATHONZI
PRINCIPAL OFFICER

20 June 2024

STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Notes	2023 R	Restated 2022 R	Restated 1 January 2021 R
ASSETS				
Non-current assets		589 114 017	552 520 330	587 407 346
Property, plant and equipment	2	229 875	341 759	424 129
Intangible assets	3	6 066	23 537	41 006
Financial assets at fair value through profit or loss	4	588 878 076	552 155 034	586 942 211
Current assets		103 215 857	133 122 956	96 943 642
Financial assets at fair value through profit or loss	4	55 610 300	87 149 607	45 152 635
Trade and other receivables	5	18 667 228	16 377 046	17 748 730
Cash and cash equivalents	6	28 938 329	29 596 303	34 042 277
Total assets		692 329 874	685 643 286	684 350 988
LIABILITIES				
Non-current liabilities		643 864 519	641 736 243	645 993 852
Retirement benefits obligations	7	15 364 318	16 084 780	16 517 904
Insurance liability for future members	8	628 500 201	625 651 463	629 475 948
Current liabilities		48 465 355	43 907 043	38 357 136
Trade and other payables	9	5 820 375	5 907 898	5 000 168
Insurance contract liability	10	42 644 980	37 999 145	33 356 968
Total liabilities		692 329 874	685 643 286	684 350 988

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

	Notes	2023 R	Restated 2022 R
Insurance revenue	10.1	347 590 214	341 761 143
Insurance service expenses		(424 141 483)	(398 218 468)
Net claims incurred	10.2	(399 511 340)	(380 831 754)
Accredited managed healthcare services (no risk transfer)	10.3	(4 113 363)	(3 484 568)
Attributable expenses incurred	10.4	(17 668 042)	(17 726 631)
Amounts attributable to future members	8 & 15	(2 848 738)	3 824 485
Net expense from risk transfer arrangement	10.5	(108 936)	(160 328)
Risk transfer arrangement premiums		(3 366 546)	(3 150 890)
Amounts recovered for claims incurred		3 257 610	2 990 562
Insurance service results		(76 660 205)	(56 617 653)
Other income		87 657 108	66 426 050
Net investment income	11	69 181 692	50 342 478
Sundry income	12	18 475 416	16 083 572
Other expenditure		(10 996 903)	(9 808 397)
Other operating expenses	13	(7 897 512)	(6 798 551)
Asset management and monitoring fees	14	(3 099 391)	(3 009 846)
Total comprehensive income for the year		-	-

STATEMENT OF CHANGES IN MEMBERS' FUNDS
for the year ended 31 December 2023

	Notes	Accumulated Funds	Other Comprehensive Income	Members' Funds
		R	R	R
Balance as at 31 December 2021 (As previously reported)		629 155 877	320 071	629 475 948
IFRS 17 transition restatements:		(629 155 877)	(320 071)	(629 475 948)
- Accumulated funds recognised as insurance liability	8	(629 155 877)	-	(629 155 877)
- Financial assets redesignated	4	-	(320 071)	(320 071)
Balance as at 1 January 2022 (Restated)		-	-	-

Refer to note in accounting policies (note 1.6) for the impact of the adoption of IFRS 17.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2023

	Notes	2023 R	2022 Restated R
Cash flows from operating activities			
Cash receipts from members and employers		389 448 617	386 509 328
Members – Contributions	10	347 618 513	343 863 979
Members and employers – Claims recoveries and employer grant		41 830 104	42 645 349
Cash paid to members, providers and employees		(453 989 780)	(433 908 778)
Providers, members and employees – Claims and attributable expenses	10	(443 247 275)	(425 190 859)
Providers and employees – Other operating expenses		(10 742 505)	(8 717 919)
Cash used in operations	16	(64 541 163)	(47 399 450)
Interest received		1 403 391	550 969
Net cash used in operations		(63 137 772)	(46 848 481)
Cash flows from investing activities			
Financial assets at fair value through profit or loss		62 566 826	42 505 273
Proceeds on disposal of investments	4	60 000 000	40 000 000
Proceeds for costs incurred in managing investments	4	2 566 826	2 505 273
Property, plant and equipment and intangible assets			
Purchase of assets	2	(87 028)	(102 765)
Net cash available from investing activities		62 479 798	42 402 508
Net decrease in cash and cash equivalents		(657 974)	(4 445 973)
Cash and cash equivalents at the beginning of the year		29 596 303	34 042 276
Cash and cash equivalents at the end of the year	6	28 938 329	29 596 303

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as defined by IAS 1 and the interpretations issued by the IFRS Interpretations Committee, with guidance from the Medical Schemes Accounting Guide issued by the South African Institute of Chartered Accountants (SAICA), in the manner required by the Medical Schemes Act of South Africa (the Act), as amended, and under the historical cost convention, except for:

- financial assets at fair value through profit or loss; and
- Insurance and reinsurance assets and liabilities which is measured in terms of IFRS 17.

In terms of the Statement of Cash Flows, cash flows from operating activities are reported using the direct method and acquisitions/proceeds of financial assets at fair value through profit or loss are disclosed within investing activities.

The preparation of financial statements in conformance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. Those areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in notes 7, 10, 12 and 18.

1.2 Standards, amendments and interpretations to existing standards effective and relevant in the current period

The following standards, amendments and interpretations to published standards became effective for accounting periods beginning on or after 1 January 2023 and are relevant to the Society's operations:

IAS 1 – *Presentation of Financial Statements (Disclosure of Accounting Policies)*: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material. (Effective 1 January 2023)

IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)*: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The requirements for recognising the effect of change in accounting prospectively remain unchanged. (Effective 1 January 2023)

None of the amendments listed above had an impact on the amounts recognised in prior periods and are not expected to significantly affect the current and future periods.

IFRS 17 – *Insurance contracts*: A new standard that replaces IFRS 4 – *Insurance Contracts* and creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. It requires an entity to:

- measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and consider any uncertainty relating to insurance contracts;
- reflect the time value of money in estimated payments required to settle claims incurred in the financial statements;
- measure insurance contracts based only on the obligations created by the contracts; and
- recognise profits as an insurance service is delivered, rather than on receipt of premiums. (Effective 1 January 2023)

Refer to note 1.6 for the impact of the transition to and the implementation of IFRS 17.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

1. PRINCIPAL ACCOUNTING POLICIES

1.3 Standards, amendments and interpretations to existing standards effective but not relevant in the current period

The following standards, amendments and interpretations to published standards became effective for accounting periods ending on or after 1 January 2023 and are not relevant to the Society's operations:

IAS 12 – *Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)*: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items. (Effective 1 January 2023)

IAS 12 – *Income Taxes (International Tax Reform - Pillar Two Model Rules)*: The amendment introduces a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax "Pillar Two model" rules, as well as targeted disclosure requirements to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect. (Effective 1 January 2023)

1.4 Standards, amendments and interpretations to existing standards not yet effective but relevant

The following standards, amendments and interpretations to published standards are relevant to the Society's operations but are only mandatory for accounting periods beginning on or after 1 January 2024:

IAS 1 – *Presentation of Financial Statements (Classification of Liabilities as Current or Non-Current)*: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. (Effective 1 January 2024)

IAS 21 – *The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)*: The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. (Effective 1 January 2025)

The Society is in the process of assessing the impact, if any, of these standards, amendments and interpretations on the Society's financial statements.

1.5 Standards, amendments and interpretations to existing standards not yet effective and not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2024, but they are currently not relevant to the Society's operations:

IFRS 10 – *Consolidated Financial Statements* and IAS 28 – *Investments in Associates and Joint Ventures*: A narrow scope amendment addressing an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) – *Investments in Associates and Joint Ventures*, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. (Effective date has been deferred until further notice)

IFRS 16 – *Leases (Lease liability in a Sale and Leaseback)*: The narrow-scope amendment requires a seller-lessee in a sale and leaseback transaction to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of a gain or loss relating to the right of use retained by the seller-lessee. The new requirement does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. (Effective 1 January 2024)

IFRS 7 – *Financial Instruments: Disclosures (Supplier Finance Arrangements)*: The amendment supplements existing disclosure requirements by requiring a company to disclose specific information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the company's liabilities and cash flows and on the company's exposure to liquidity risk. (Effective 1 January 2024)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.5 Standards, amendments and interpretations to existing standards not yet effective and not relevant (continued)

IAS 1 – *Presentation of Financial Statements (Non-current liabilities with Covenants)*: The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current, with additional guidance to explain how an entity should disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months. (Effective 1 January 2024)

IAS 7 – *Statement of Cash Flows (Supplier Finance Arrangements)*: The amendment supplements existing disclosure requirements by requiring a company to disclose specific information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the company's liabilities and cash flows and on the company's exposure to liquidity risk. (Effective 1 January 2024)

IAS 28 – *Investments in Associates and Joint Ventures (Sale or Contribution of Assets between Parties)*: Narrow scope amendment to address an acknowledge inconsistency between the requirements of IFRS 10 and IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. (Effective date deferred until further notice)

1.6 Implementation of IFRS 17

Contracts under which the Society (the issuer) in return for a monetary premium accepts significant insurance risk from another party (the policyholder) 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. The contracts issued by the Society compensate members or other beneficiaries for healthcare expenditure incurred in terms of the provisions of the Rules of the Society (the Rules). The timing, frequency and severity of the insured event is also uncertain.

In view of above, the contracts issued by the Society (including its risk transfer arrangement) fall within the scope of the IFRS 17: *Insurance Contracts* standard, which is effective for reporting periods beginning on or after 1 January 2023 (the transition date).

1.6.1 Transition to IFRS 17 and other considerations

Insurance contracts

The Society has determined that reasonable and supportable information was available for all contracts issued within three years prior to the transition date. Accordingly, the Society was able to apply the full retrospective approach in restating its insurance contracts. This approach requires that:

- all groups of insurance contracts are identified, recognised and measured as if IFRS 17 had always applied;
- any existing balances that would not exist had IFRS 17 always applied be derecognised; and
- any resulting net difference be recognised in the insurance liability for future members (policyholders).

Mutual entity considerations

Since the Society has no shareholders, only current members will be able to access the reserves through economic benefits such as reduced contributions or on liquidation of the Society. It is therefore, expected that the remaining assets of the Society can only be used to pay current and future members.

Accordingly, the Society is classified as a mutual entity in terms of the requirements of IFRS 17 and any remaining reserves are recognised as an insurance liability for future members in the Statement of Financial Position. This liability is in essence incurred because the Society in terms of the Rules and the contracts with the members is obliged to:

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.6 Implementation of IFRS 17 (continued)

1.6.1 Transition to IFRS 17 and other considerations (continued)

- provide coverage to those members;
- pay claims incurred by those members; and
- provide coverage to future members.

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

There is an accounting mismatch between the measurement of this liability and the measurement of property, plant and equipment and intangible assets which are measured at cost less accumulated depreciation / amortisation. This results in a liability greater than the recognised assets in the financial statements.

As a result of the recognition of the insurance liability for future members, no additional onerous contract liability was recognised.

Financial assets at fair value through profit or loss (IFRS 9)

The Society previously had financial assets measured at fair value through other comprehensive income which primarily funded the Society's insurance liability for future members. During the implementation of IFRS 17 the Society noted that there was a mismatch between the fair value gains / losses recognised in other comprehensive income and the movement in the insurance liability for future members recognised in profit or loss.

IFRS 17 allowed the Society to revisit its IFRS 9 decisions. Accordingly, the Society redesignated its financial assets at fair value through other comprehensive income to financial assets measured at fair value through profit or loss to eliminate the accounting mismatch.

Impact on financial statements

The classification of the Society as a mutual entity and the redesignation of financial assets at fair value through other comprehensive income (FVOCI) to financial assets measured at fair value through profit or loss (FVPL) resulted in the Society not having a Statement of Changes in Members' Funds beyond 1 January 2022 (the opening statement in the financial statements). The fair values of the financial assets remained unchanged.

The Society applied the transition provision in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The net impact of the retrospective application of IFRS 17 on the Statement of Financial Position can be summarised as follows:

	2022	2021
	R	R
Accumulated funds (As previously reported)	625 738 638	629 155 877
IFRS 17 transition adjustments:		
- Risk adjustment on insurance contracts (note 10.2)	(87 175)	-
- Redesignation of FVOCI to FVPL (note 4)	-	320 071
Insurance liability for future members (Restated)	625 651 463	629 475 948

Furthermore, the Statement of Financial Position was impacted whereby all the insurance contract related accounts (receivables and payables) are grouped under the line item 'insurance contract liabilities (note 10). These were previously reported as part of 'trade and other receivables' and 'trade and other payables'.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.6 Implementation of IFRS 17 (continued)

1.6.1 Transition to IFRS 17 and other considerations (continued)

In the Statement of Comprehensive Income, the administration expenditure is split between 'directly attributable expenses incurred' (note 10.4) and 'other operating expenses' (note 13).

The impact of the redesignation of the financial assets at fair value was as follows:

	2023	2022	2021
	R	R	R
Debt instruments – FVOCI	(430 142 000)	(369 155 965)	(373 931 935)
Debenture instruments – FVOCI	(28 435 777)	(31 271 381)	(24 767 249)
Property instruments – FVOCI	(51 709 256)	(46 471 548)	(37 255 596)
Money market instruments – FVOCI	(47 372 024)	(116 746 595)	(119 753 295)
Debt instruments – FVPL	430 142 000	369 155 965	373 931 935
Debenture instruments – FVPL	28 435 777	31 271 381	24 767 249
Property instruments – FVPL	51 709 256	46 471 548	37 255 596
Money market instruments – FVPL	47 372 024	116 746 595	119 753 295

Change in accounting policy

Classification of contribution receivables

The Society has accounted for all contribution receivables (insurance revenue) that relate to insurance services already rendered in the liability for remaining coverage as part of the insurance contract liability at 31 December 2023 (note 10). Contributions received in advance and where no insurance services has been rendered are also accounted for in the liability for remaining coverage (note 10).

The Society's accounting policies, which incorporates changes due to the adoption of IFRS 17, are detailed in the notes 1.7 to 1.27.

1.6.2 Significant judgements

Consistent with other IFRS standards, financial reporting under IFRS 17 is to a larger extent based on judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available and apparent from other sources.

The estimates and underlying 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 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.

The following are the significant judgements that have been made in the process of applying the Society's accounting policies and that have the most significant impact on the amounts recognised in the financial statements.

Mutual entity assessment

A medical scheme is not legally defined as a mutual entity and the assessment as to whether the Society 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 or a co-operative entity.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.6 Implementation of IFRS 17 (continued)

1.6.2 Significant judgements (continued)

Although IFRS 17 does not define a mutual entity, it does provide a key characteristic of a mutual entity in the basis of conclusion to the standard. Paragraph BC265 of IFRS 17 explains that a defining feature of an insurer that is a mutual entity, is that most of the residual interest of the entity is due to a policyholder and not a shareholder.

The Act is not explicit that members hold a residual interest or are entitled to the residual interest upon the liquidation of the Society. Section 64 of the Act requires the Rules be followed in the event of liquidation. The Rules also do not contain specific guidance on how the assets of the Society should be distributed on liquidation.

Furthermore, the Act prohibits the disposal of assets of a medical scheme except in limited circumstances, one of them being liquidation. Members can opt for voluntary liquidation and distribute the remaining assets amongst themselves.

As the Society does not have shareholders, the current members will access the reserves through economic benefits such as reduced contributions.

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. Implied terms in a contract include those imposed by law or regulation. Therefore, based on customary business practices, the remaining assets of the Society should be distributed to the members on liquidation, if there are any and the Society does not amalgamate with another medical scheme. Even if the assets are distributed by a regulator to an independent third-party, the important aspect is that the choice resides with the members or the regulator acting on behalf of the members.

The substance of the legal framework in relation to insurance contracts and observed practice is that once a contribution is paid to a medical scheme such is used to provide benefits to its 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 Society will be used to pay current and future members.

Based on the above, the Society meets the definition of a mutual entity in terms of IFRS and the Society recognises any cumulative profit or loss as part of the insurance liability for future members.

Consequently, the Statement of Comprehensive Income reflects no total comprehensive income for the year and the movement in the insurance liability for future members is included in the insurance service expenses line as amounts attributable to future members (note 8).

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

Onerous contract assessment

In the consideration of whether facts and circumstances indicate that the Society's insurance contracts are onerous, the Society considers whether the expected deficit of the following year exceeds the insurance liability for future members.

In the unlikely scenario where the following year's deficit will exceed the insurance liability for future members, the contracts issued would become onerous and an onerous contract liability will need be recognised.

Where the amounts attributable to future members exceed the following year's deficit the contracts would not be considered as onerous and no provision will be made as the liability is already recognised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.6 Implementation of IFRS 17 (continued)

1.6.2 Significant judgements (continued)

Level of aggregation (Unit of account)

The level of aggregation has a significant impact on the measurement of and accounting for insurance contracts.

The Society only offers a single benefit option and the contracts issued are subject to similar risks and managed together. Accordingly, the contracts fall into the same portfolio with no further aggregation being required and therefore the level of aggregation is assessed to be at Society level.

Risk adjustment – Liability for incurred claims

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Society requires for bearing the uncertainty in relation to the timing, frequency and severity of claims. Because the risk adjustment represents compensation for uncertainty, estimates are made based on expected favourable and unfavourable outcomes in a way that reflects the Society risk appetite.

The Society estimates an adjustment for non-financial risk separately from all other estimates. The risk adjustment was calculated at the portfolio level as the Society does not have groups due to laws that constrain the Society's ability to set a price for different members.

The confidence level method was used to derive the overall risk adjustment. In the confidence level method, the risk adjustment is determined by applying a confidence level to run-off triangles used to calculate the liability for incurred claims. The confidence level is set at 75% in line with the Society's risk appetite.

The Society presents the changes in the risk adjustment for non-financial risk in net claims incurred line (note 10.2) which forms part of the insurance service result. The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2022 and 2023.

Risk adjustment – Risk transfer arrangement

The risk adjustment for non-financial risk represents the amount of risk being transferred by the Society to the reinsurer. The same methodology applies to the risk transfer agreement as for the Society's insurance contracts in determining such adjustment.

1.6.3 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 sensitivity analysis of the assumptions used, that have the most significant impact on measurement under IFRS 17, is detailed in note 28 to the financial statements.

Estimates of future cash flow to fulfil insurance contracts

Included in the measurement of the portfolio are all the estimated future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Society estimates which cash flows are expected and the probability that they will occur as at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.6 Implementation of IFRS 17 (continued)

1.6.3 Significant estimate (continued)

In making these estimates, the Society uses information about past events, current conditions and forecasts of future conditions. The Society's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability weighted average of the future cash flows is calculated using a deterministic scenario representing the probability weighted mean of a range of scenarios.

The uncertainty in the insurance contracts relates to the timing, frequency and severity of claims. Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

Methods used to measure the insurance contracts

The Society 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 actuarial methodology used in assessing the estimated claims outcome of insurance liabilities is the chain ladder method. For hospital claims in the latest service month, a blend of the chain ladder method and another method using the estimated cost per event and pre-authorised admissions is also followed.

The chain ladder method involves an analysis of historical claims development factors and the selection of estimated development factors based thereon. The selected development factors are then applied to cumulative claims data for each period (in the Society'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 considered when estimating the liability for incurred claims:

- The homogeneity of the data; and
- Changes in:
 - claiming patterns;
 - the composition of members and their registered dependants (demographics);
 - benefit limits; and
 - the Prescribed Minimum Benefits (PMBs).

1.7 Insurance contracts

(a) Identification of insurance contracts

Contracts under which the Society (the issuer), in return for a monetary premium, accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (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 Society uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant.

Whilst the timing, frequency, severity and type of insured events are uncertain, the ultimate insurance risk covered by the Society can be defined as a single risk, namely that of providing cover for a member that may incur a claim for obtaining relevant healthcare services.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.7 Insurance contracts (continued)

(a) Identification of insurance contracts (continued)

The risk under the insurance contracts issued by the Society can be expressed as the probability that an insured event occurs, multiplied by the expected amount of the resulting claim.

(b) Separation of components

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

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

The Society only offers a single benefit option and the contracts issued do not have embedded derivatives or an investment component (personal savings account). Accordingly, the contracts are included in the same group and there are no facts or circumstance to indicate that the contracts was onerous at inception date.

(c) Level of aggregation (Unit of account)

The contracts issued by the Society are subject to similar risks and managed together. Accordingly, the contracts fall into the same portfolio with no further aggregation being required and therefore the level of aggregation is assessed to be at Society level.

The Act also specifically constrains the Society's ability to set a different price or level of benefits for members with different characteristics. The Society as whole was identified as the group. The Society assesses if the group as whole is onerous or profitable. If the group is onerous, no further liability is recognised as an insurance liability for future members is recognised, due to the Society being regarded as a mutual entity for accounting purposes.

(d) Contract boundary

The Society 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 for 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 Society 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 Society 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.

In assessing the practical ability to reprice, risks transferred from the member to the Society 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 Society has assessed its portfolio of insurance contracts to have a contract boundary of one year, which coincides with the Society's financial year.

(e) Recognition and derecognition

The group of insurance contracts issued are initially recognised from the earliest of the following:

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.7 Insurance contracts (continued)

(e) Recognition and derecognition (continued)

- the beginning of the coverage period;
- the date when the first payment from the member is due or received; and
- when the Society determines that a group of contracts becomes onerous.

An insurance contract is derecognised when:

- it is extinguished (obligation specified in the insurance contract expires), discharged or cancelled; or
- the terms are modified due to an agreement between the Society and its member or by regulation and the modification terms meet the requirement in IFRS 17.

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

(f) Initial and subsequent measurement

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

The classification of the Society as a mutual entity does not impact the extent of insurance cover or contract services to be provided by the Society and therefore the PAA is still applicable.

For insurance contracts issued, on initial recognition, the Society measures the liability for remaining coverage 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 liability for remaining coverage; and
- the liability for incurred claims, comprising the fulfilment cash flows related to past service allocated to the group at the reporting date. The future cash flows are not adjusted for the time value of money and the effect of financial risk as these cash flows are expected to be paid in one year or less from the date the claims are incurred.

For insurance contracts issued, at each of the subsequent reporting dates, the liability for remaining coverage is:

- increased for amounts of expected contributions recognised as insurance revenue for the services provided for the period; and
- decreased for contributions received in the period.

The insurance contract liability consist of two components:

- the insurance liability attributable to current members; and
- the insurance liability attributable to future members.

For insurance contracts issued at each of the subsequent reporting dates, the liability for incurred claims included in the insurance liability attributable to current members is:

- the best estimate liability for claims incurred not yet reported; and
- the risk adjustment for non-financial risk.

Refer to note 1.6 for the significant judgements and estimates used to determine the liability for incurred claims and the estimates to determine the fulfilment cash flows.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.7 Insurance contracts (continued)

(f) Initial and subsequent measurement (continued)

The insurance liability attributable to future members consists of accumulated profits or losses of the Society. The funds are mainly held as statutory reserves in lieu of the regulatory solvency requirement in terms of Regulation 29 of the Act, is:

- increased by the net profits for the period; or
- decreased by the net losses for the period

(g) Insurance revenue

As the Society provides services under the group of insurance contracts, it reduces the liability for remaining coverage 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 Society expects to be entitled to in exchange for those service.

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

Insurance revenue for the period is the expected contributions allocated to the period. The Society allocates the expected contributions to each period of insurance contract services based on the passage of time.

(h) Insurance service expenses

Insurance service expenses include:

- net incurred claims;
- other directly attributable insurance service expenses incurred, namely accredited managed healthcare services and attributable expenses in relation to administration expenses incurred; and
- amounts attributable to future members.

Cash flows that are not directly attributable to a group of insurance contracts, are recognised in other operating expenses and asset management and monitoring fees as and when incurred.

1.8 Risk transfer arrangements

(a) Definition

Risk transfer arrangements (reinsurance contracts) are contractual arrangements entered into by the Society 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 Society's primary obligations to its members and their dependents.

(b) Level of aggregation (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 Society 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 Society tracks internal management information reflecting historical experiences of performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net gain position without a significant possibility of a net cost arising subsequently.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.8 Risk transfer arrangements (continued)

(c) Recognition and derecognition

The reinsurance contracts held that cover the losses of separate insurance contracts on a proportionate basis are recognised at the later of:

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

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

(d) Initial and subsequent measurement

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

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

(e) 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 Society is compelled to pay amounts to the reinsurer or in which the Scheme has a substantive right to receive services from the reinsurer.

The Society's reinsurance contracts held have a duration of one year or less.

(f) Net income / (expense) from risk transfer arrangement

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

Reinsurance expenses consist of:

- reinsurance expenses;
- other directly attributable insurance service expenses incurred; and
- the 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 Society expects to pay in exchange for those services.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.8 Risk transfer arrangements (continued)

(f) Net income / (expense) from risk transfer arrangement (continued)

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

1.9 Property, plant and equipment

Property, plant and equipment are reflected at historical cost less accumulated depreciation and accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged on the straight-line basis over the estimated useful lives of the assets after taking into consideration the assets' residual value. The estimated useful lives are:

 Computer equipment	2 – 5 years
 Office equipment	5 – 10 years
 Furniture and fittings	10 – 15 years

The useful lives and residual values of assets are assessed annually. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably.

All other maintenance and repair costs are recognised in the Statement of Comprehensive Income during the financial period in which they are incurred. Directly attributable costs associated with the acquisition and installation are capitalised. Such assets are amortised using the straight-line method.

Gains (sale price exceeds the book value) and losses (the book value exceeds the sale price) on the disposal of property, plant and equipment are recognised in the Statement of Comprehensive Income.

Carrying amounts of all assets are reduced to their recoverable amount, where this is lower than the carrying amount. In determining the recoverable amount of property, plant and equipment the expected future cash flows attributable to such assets are considered.

1.10 Intangible assets

Computer software is reflected at historical cost less accumulated amortisation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Amortisation is charged on the straight-line basis over the estimated useful lives of the assets after taking into consideration the assets' residual value. The estimated useful lives of intangible assets are two to five years. The useful lives and residual values of assets are assessed annually.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. All other maintenance and repair costs are recognised in the Statement of Comprehensive Income during the financial period in which they are incurred. Directly attributable costs associated with the acquisition, development and installation of software are capitalised. Such assets are amortised using the straight-line method.

Gains (sale price exceeds the book value) and losses (the book value exceeds the sale price) on the disposal of assets are recognised in the Statement of Comprehensive Income.

Carrying amounts of all items of intangible assets are reduced to their recoverable amount, where this is lower than the carrying amount. In determining the recoverable amount of intangible assets, the expected future cash flows attributable to such assets are considered. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.10 Intangible assets (continued)

Costs that are directly associated with the development of identifiable and unique software products controlled by the Society, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Costs include the employee costs for software development and an appropriate portion of relevant overheads.

1.11 Financial assets

The Society classifies its financial assets in the following measurement categories: those to be measured at fair value through profit or loss and those to be measured at amortised cost.

The classification depends on the Society's business model for managing the financial asset and the contractual terms of the cash flows.

Financial assets measured at fair value through profit or loss are classified as follows:

- as current assets if they are expected to be realised within 12 months of the Statement of Financial Position date;
- as non-current assets if they are not expected to be realised within 12 months of the Statement of Financial Position date; and
- as cash and cash equivalents, if it is readily convertible, has a short-term maturity of three months or less from date of acquisition and are considered as a mean to settle liabilities.

(a) *Amortised cost*

Debt instruments and other assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains / (losses) together with foreign exchange gains and losses.

Impairment losses are presented as separate line item in the statement of profit or loss.

(b) *Financial assets at fair value through profit or loss*

Debt instruments that do not qualify for measurement at amortised cost and equity instruments that are held for trading.

Other assets that do not meet the criteria for amortised cost or fair value are measured at fair value through profit or loss.

(c) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. The Society's loans and receivables comprise trade and other receivables (note 5) and cash and cash equivalents (note 6) in the Statement of Financial Position.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.11 Financial assets (continued)

(d) Loans and receivables (continued)

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, then they are recognised at fair value. The Society holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(e) Recognition, derecognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date the Society commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Society has transferred substantially all risks and rewards of ownership.

At initial recognition, the Society measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are recognised in the Statement of Comprehensive Income within investment income in the period in which they arise. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Subsequent measurement of financial assets through profit or loss depends on the Society's business model for managing the asset and the cash flow characteristics of the asset.

Gains or losses arising from changes in the fair value of financial assets measured at fair value are recognised in the Statement of Comprehensive Income within net investment income in the period in which they arise.

Investments in collective investment schemes are valued at fair value which is the quoted unit values on the most advantageous market.

The fair value of quoted investments is based on current bid prices of the principal market. If the market for a financial asset is not active (and for unlisted securities), the Society establishes fair value by using valuation techniques.

These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(f) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

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

The Society has determined that its investments in collective investment schemes are investments in unconsolidated structured entities. Changes in fair value are recognised in the Statement of Comprehensive Income as part of investment income.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.11 Financial assets (continued)

(g) Impairment of financial assets

Financial assets that are measured subsequently at amortised cost are subject to impairment. In relation to the impairment of financial assets an expected credit loss model is required. The expected credit loss model requires the Society to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Society recognises a loss allowance for expected credit losses on:

-  Debt instruments and other assets measured subsequently at amortised cost; and
-  Trade and other receivables not classified as insurance receivables.

The Society measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. If the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition, except for a purchased or originated credit impaired financial asset, the loss allowance for that financial instrument is measured at an amount equal to 12 months' expected credit losses.

1.12 Impairment of assets

Assets that have an indefinite useful life, for example goodwill and intangible assets that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments are reviewed for possible reversal at each reporting date.

1.13 Trade and other receivables

Trade and other receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method, less provision for impairment which is established when there is objective evidence that the Society will not be able to collect all amounts due according to their original terms.

An impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the effective interest rate compounded at initial recognition.

The carrying amount of the asset is reduced using an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income. When a trade receivable is uncollectible, it is written off against net impairment (write-offs) / reversals on insurance receivables in the Statement of Comprehensive Income. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Income.

Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of trade and other receivables.

1.14 Cash and cash equivalents

Cash equivalents are held for meeting short-term cash commitments rather than for investment or other purposes.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.14 Cash and cash equivalents (continued)

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term highly liquid investments with a maturity of three months or less from date of acquisition that are readily convertible to known amounts of cash and that are subject to insignificant risk of change in value.

1.15 Trade and other payables

Trade and other payables are recognised initially at fair value, net of transaction costs that are directly attributable to the liability, and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

1.16 Provisions, contingent liabilities and assets

Provisions

Provisions are recognised when the Society has a present legal or constructive obligation because of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Contingent liabilities

A contingent liability is not recognised in the Statement of Financial Position, but disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent asset

A contingent asset is not recognised in the Statement of Financial Position but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

1.17 Net claims incurred

Claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Society is responsible in terms of the registered rules of the Society, whether reported or not by the end of the year.

Net claims incurred comprise:

-  claims submitted and accrued for services rendered during the year, net of discount received, recoveries from members for co-payments and reimbursements from third parties;
-  claims for services rendered during the previous year not included in the claims incurred not yet reported provision for that year, net of recoveries from members for co-payments;
-  claims settled in terms of risk transfer arrangements; and
-  movement in claims incurred not yet reported claims provision.

Reimbursement from third parties

The Society grants assistance to its members in defraying expenditure in connection with rendering of any relevant health services. Such expenditure may be in connection with a claim that is also made against a third-party insurer, for instance the Road Accident Fund. If the member is reimbursed by the third party, the member is contractually obliged to cede that payment to the Society to the extent that the member has already been compensated.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.17 Net claims incurred (continued)

Reimbursement from third parties (continued)

The reimbursement from a third party is a possible asset that arises from a claim and the existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Society.

Due to the uncertain outcome of these claims, reimbursements from third parties are recognised on a cash receipt basis and deducted from claims incurred.

1.18 Managed healthcare and benefit management services

This represents the cost paid or payable to third parties or related parties for managing the utilisation, costs and quality of healthcare services provided. Costs are expensed and recognised in the Statement of Comprehensive Income during the financial period in which they are incurred as follows:

-  The costs associated with managed healthcare services provided for by accredited managed care organisations where there is no or an insignificant transfer of risk are included in accredited managed healthcare services;
-  The costs associated with managed healthcare services provided for by non-accredited managed care organisation are included in administration expenditure: benefit management services; and
-  The costs associated with managed healthcare services provided for by managed care organisations where there is a significant transfer of risk are included in net (expense) / income on risk transfer arrangements.

1.19 Investment income

Investment income is recognised as follows in the Statement of Comprehensive Income:

(a) Interest

Interest income in respect of financial assets is accounted for using the effective interest rate method.

(b) Dividends and collective investment scheme distributions

Dividends and distributions from collective investment schemes are recognised when the right to receive payment is established. Distributions from collective investment schemes are reinvested in additional units.

(c) Income from policies with insurance companies

Income from investment policies with insurance companies is included in the fair value adjustment of the financial asset if the income is only realised upon surrender or maturity.

(d) Adjustment to fair value

Unrealised gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in the period in which it arises.

(e) Realised gains and losses

Gains and losses arising from the realising of financial assets at fair value through profit or loss are recognised in the Statement of Comprehensive Income in the period in which it arises.

1.20 Administration expenditure

Administration expenditure is costs that are incurred to administer the Society, and which are recognised in the Statement of Comprehensive Income in the reporting period to which it relates.

These costs are expensed as they are incurred.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.19 Administration expenditure (continued)

An expense is recognised if it is probable that any future economic benefit associated with the item will flow to or from the Society, and the item has a cost or value that can be measured with reliability.

If an expense has not been paid at the end of a reporting period, the liability will be reflected in the trade and other payables note. If the expense was paid in advance or overpayment occurred, the applicable amount will be disclosed under the trade and other receivables note.

1.20 Employee benefits

(a) Pension obligations

The Society provides access to and pays contributions to an independent self-administered defined contribution pension fund for its current employees on a mandatory, contractual or voluntary basis. The Society has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(b) Post-employment healthcare benefits

Several employees of the Society are entitled to post-employment healthcare benefits. The entitlement to these retirement healthcare benefits is based on the employee remaining in service up to official retirement age or the point of retirement agreed to by the Society.

The expected cost of these benefits is accrued over the estimated average remaining service lives of the related employees. The Actuary, on an annual basis, carries out valuations of the obligations, using the projected unit credit method.

The current service and interest costs are recognised as part of post-employment healthcare benefits in the Statement of Comprehensive income. Actuarial gains or losses are recognised in the Statement of Comprehensive Income.

1.21 Asset management and monitoring costs

Expenditure is recognised as the services are rendered for the management and the monitoring of the Society's investments. The expenditure includes payments to investment advisors and managers in terms of their mandates and agreements.

1.22 Employer grants

Receipts from participating employers in addition to normal contributions that are intended to eliminate the unintended cross-subsidisation of remaining continuation members by non-associated members, are classified as employer grants. This is due to the associated members no longer being members of the Society because of the sale of mines by the Employer or Associated Employers.

Such grants received from participating employers are recognised as sundry income in the Statement of Comprehensive Income on an accrual basis.

1.24 Related parties

In considering each possible related-party relationship, attention is directed to the substance of the relationship and not merely the legal form.

If there have been transactions between related parties, the Society shall disclose the nature of the related party relationship as well as the following information for each related party relationship:

-  the amount of the transactions;
-  the amount of outstanding balances;
-  their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement;

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.24 Related parties (continued)

- details of guarantees given or received;
- provision for impairments related to the outstanding balances; and
- the impairments write-offs or reversals recognised during the year in respect of amounts due from related parties.

1.25 Foreign currency transactions

Foreign currency transactions are translated into the primary economic environment in which the Society operates using the exchange rate prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of transactions are recognised as part of foreign currency translation differences in the Statement of Comprehensive Income.

1.26 Revenue from contracts with customers

The Society receives an administration fee from a participating employer to manage the membership and medical expenses of employees on their Anti-Retroviral Treatment plan. The administration fee is regarded as the consideration to which the Society is entitled to in exchange for the service and is recognised as sundry income in the Statement of Comprehensive Income on an accrual basis.

1.27 Leases

The Society recognises a right-of-use asset and related lease liability in connection with all operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application of IFRS 16.

A right-of-use asset has not been recognised for the office accommodation lease as the value was immaterial from a financial statement disclosure perspective, due to the term of the lease and the variable components of the lease payments. The Society has opted to recognise the lease payments as administration expenses in the Statement of Comprehensive Income on a straight-line basis over the remaining lease term.

The Society has concluded that its other operating leases are leases of low-value assets and has opted to apply the optional exemption to not recognised right-of-use assets and to recognise the lease payments as administration expenses in the Statement of Comprehensive Income on a straight-line basis over the remaining lease terms.

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

2. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fittings and equipment	Computer equipment	Total
	R	R	R
2023			
Cost	344 370	983 894	1 328 264
Opening balance	334 470	1 292 686	1 627 156
Write-offs and disposals	(10 943)	(374 977)	(385 920)
Additions	20 843	66 185	87 028
Accumulated depreciation	(216 884)	(881 505)	(1 098 389)
Opening balance	(205 060)	(1 080 337)	(1 285 397)
Write-offs and disposals	10 943	374 963	385 906
Depreciation charges for the year	(22 767)	(176 131)	(198 898)
Net carrying amount	127 486	102 389	229 875
2022			
Cost	334 470	1 292 686	1 627 156
Opening balance	347 703	1 189 921	1 537 624
Write-offs and disposals	(13 233)	-	(13 233)
Additions	-	102 765	102 765
Accumulated depreciation	(205 060)	(1 080 337)	(1 285 397)
Opening balance	(192 138)	(921 357)	(1 113 495)
Write-offs and disposals	10 351	-	10 351
Depreciation charges for the year	(23 273)	(158 980)	(182 253)
Net carrying amount	129 410	212 349	341 759

Depreciation charges of R198 898 (2022: R182 253) have been included in 'other operating expenses' in the Statement of Comprehensive Income (note 13).

3. INTANGIBLE ASSETS

	2023	2022
	R	R
Cost	293 859	341 094
Opening balance	341 094	341 094
Write-offs and disposals	(47 235)	-
Accumulated amortisation	(287 793)	(317 557)
Opening balance	(317 557)	(300 088)
Write-offs and disposals	47 233	-
Amortisation charges for the year	(17 469)	(17 469)
Net carrying amount	6 066	23 537

Intangible assets consist of computer software programmes and licenses. Amortisation charges of R17 469 (2022: R17 469) has been included in 'other operating expenses' in the Statement of Comprehensive Income (note 13).

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

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2023	2022
	R	R
Non-current assets	588 878 076	552 155 034
Collective Investment Scheme	86 829 319	75 659 152
<i>Nedgroup Investments Core Income Fund - Class C</i>		
Debt instruments	33 278 450	24 208 765
Property instruments	1 076 694	1 247 930
Money market instruments	52 474 175	50 202 457
Segregated portfolio	502 048 757	476 495 882
Debt instruments	403 483 187	350 161 406
Debenture instruments	28 435 777	31 271 381
Property instruments	41 624 017	35 439 007
Money market instruments	28 505 776	59 624 088
Current assets	55 610 300	87 149 607
Segregated portfolio	55 610 300	87 149 607
Debt instruments	26 658 813	18 994 559
Property instruments	10 085 239	11 032 541
Money market instruments	18 866 248	57 122 507
Total financial assets at fair value through profit or loss	644 488 376	639 304 641

Movement in the fair value of financial assets are presented in 'net investment income' in the Statement of Comprehensive Income' (note 11). The amounts recognised in the Statement of Comprehensive Income and movements in financial assets at fair value through profit or loss are as follows:

Balance at the beginning of the year	639 304 641	632 094 846
Realised gains (note 11)	1 621 317	2 216 284
Unrealised losses (note 11)	(1 328 108)	(742 975)
Interest, dividends and income distributions received (note 11)	62 457 352	48 241 759
Investment management fees settled (note 14)	(2 566 826)	(2 505 273)
Proceeds from disposals of investments	(60 000 000)	(40 000 000)
Balance at the end of the year	644 488 376	639 304 641

The Society's exposure to the various risks associated with the above financial instruments are disclosed in note 18.

The maximum exposure to credit risk at the reporting date is the fair value of each class of financial asset mentioned above. These financial assets are neither past due nor impaired, and the credit risk is considered to be low. Credit risk is considered to be low for listed debt instruments that are investment grade (credit rating of Baa3 or higher), and for other instruments where the risks of default and the issuer not being able to meet the contractual cash flow obligations in the near term are low.

The counterparties are registered financial service providers (FSPs), registered with the Financial Services Conduct Authority (FSCA), and deposit taking institutions. Based on the credit ratings of the instruments and the issuers, including other market indicators, no material credit losses are expected.

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

5. TRADE AND OTHER RECEIVABLES

	2023	2022
	R	R
Accrued interest	120 209	92 468
Prepaid expenses	152 648	204 713
Employer grant receivable	18 383 000	15 995 000
Sundry accounts receivable	11 371	84 865
- Staff study loans	-	60 510
- Other related parties	11 371	24 355
Total trade and other receivables	18 667 228	16 377 046

At 31 December 2023 the carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets. These assets are rendered interest free. The ageing analysis of trade and other receivables as at 31 December 2023 is as follows:

Fully performing	18 667 228	16 316 536
Past due but not impaired	-	60 510
Impaired and provided for	-	-
Total trade and other receivables	18 667 228	16 377 046

Trade and other receivables that are less than 4 months past due are not considered impaired.

As at 31 December 2023 there was no (2022: R60 510) trade and other receivables that were past due but not impaired. The Society did not hold any collateral over the 2022 balances or provided for such, as there had not been a significant change in the credit quality and the amounts were still considered recoverable. The ageing analysis of trade and other receivables past due but not impaired as at 31 December 2023 is as follows:

Up to 4 months	-	-
Over 4 months	-	60 510
Total trade and other receivables past due but not impaired	-	60 510

The creation and release of provision for impairment on trade and other receivables are included in 'net impairment reversals/(write-offs) on trade and other receivables' in 'other operating expenses' in the Statement of Comprehensive Income (note 13).

In determining the recoverability of trade and other receivables, the Society considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each of class of receivable mentioned above. The Society does not hold any collateral as security. As at 31 December 2023 there was no impaired assets. In view of the above and since no lifetime credit losses are expected, no further provision for impairment or loss allowance is required.

6. CASH AND CASH EQUIVALENTS

Current accounts	28 938 329	29 596 303
Total cash and cash equivalents	28 938 329	29 596 303

The carrying amount of the cash and cash equivalents approximates the fair values due to the short-term nature of the investments. The interest earned on cash and cash equivalents is included in 'net investment income' in the 'Statement of Comprehensive Income' (note 11).

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

7. RETIREMENT BENEFITS OBLIGATIONS
7.1 Post-employment healthcare benefits

The post-employment healthcare benefits arrangement provides medical aid contribution subsidy benefits to eligible retired employees and/or certain of their dependants. Eligibility for this subsidy is dependent upon the same criteria determined and documented in a formal policy by the Employer and Associated Employers due to historical reasons.

The method of accounting and valuation is similar to those for defined benefit pension schemes. The actuarial valuation to determine the liability is performed annually. The liability is unfunded and the underlying methodology used in the valuation remained unchanged from that used in the prior year. The Society uses the same assumptions as the Employer and Associated Employers in the valuation of the liability. There were no amendments, curtailments or settlements during the year under review. The key assumptions used to determine the liability are as follows:

	2023	2022
Gross discount rate	11.40%	11.40%
Continuation of membership at retirement	90%	90%
Assumed rate of contribution increases	8.90%	9.10%
Assumed net discounted rate	2.30%	2.11%
Pre-retirement mortality	Males: SA85-90 and Females: SA85-90 rated down by 3 year	
Post-retirement mortality	Males and Females: PA90 rated down 1 year	

The amounts recognised in the Statement of Financial Position and movements in the post-employment healthcare benefits liability are as follows:

	2023	2022
	R	R
Balance at the beginning of the year	16 084 780	16 517 904
Income in respect of the current year	(720 462)	(433 124)
Benefits paid	(1 085 735)	(1 022 868)
Service cost	155 032	183 020
Intercompany transfer	(498 535)	-
Interest cost	1 723 782	1 674 190
Actuarial gain	(1 015 006)	(1 267 466)
Balance at the end of the year	15 364 318	16 084 780

If the assumed future rate of medical inflation was 1% higher the liability would have been R1 352 548 (8.8%) (2022: R1 462 770 (9.1%)) higher and if it was 1% lower, it would have been R1 260 296 (8.2%) (2022: R1 360 543 (8.5%)) lower.

The five-year summary of the post-employment healthcare benefits liability as at 31 December 2023 is as follows:

	2023	2022	2021	2020	2019
	R	R	R	R	R
Present value of liability	15 364 318	16 084 780	16 517 904	16 130 630	16 959 730
Actuarial gain	(1 015 006)	(1 267 466)	(317 406)	(1 677 363)	(1 615 214)

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

7. RETIREMENT BENEFITS OBLIGATIONS (continued)
7.1 Post-employment healthcare benefits (continued)

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2023	2022
	R	R
Post-employment medical benefit payments	1 130 959	1 034 451
Income in respect of the current year	(720 462)	(433 124)
Benefits paid	(1 085 735)	(1 022 868)
Service cost	155 032	183 020
Intercompany transfer	(498 535)	-
Interest cost	1 723 782	1 674 190
Actuarial gain	(1 015 006)	(1 267 466)
Total	410 497	601 327

R410 497 (2022: R601 327) has been included in 'attributable expenses incurred (staff remuneration and other employment costs)' in the Statement of Comprehensive Income (note 10.4).

7.2 Pension benefits
7.2.1 Defined contribution pension plan

All the employees of the Society are members of the De Beers Pension Fund defined contribution section (the Fund). The Fund is a self-administered fund governed by the Pension Funds Act No. 24 of 1956. The most recent actuarial valuation report dated 1 March 2022 indicated that the Fund was in a sound financial position. The next actuarial valuation will be performed as at 1 March 2025.

The charge in respect of the plan is calculated based on the contributions payable. Contributions to the value of R1 278 740 (2022: R1 237 790) were made during the year and have been included in the Statement of Comprehensive Income as follows:

- R1 139 802 (2022: R1 106 417) in 'staff remuneration and other employment costs' as part of 'attributable expenses incurred' (note 10.4); and
- R138 938 (2022: R131 373) in 'Principal Officer remuneration and other employment costs' as part of 'other operating expenses' (note 13).

7.2.2 Defined benefit pension plan

Several of the Society's retired employees are pensioners of the De Beers Pension Fund defined benefit section (the Fund). An actuarial valuation to determine the liability is performed annually by the Fund's actuary, Keystone Actuarial Solutions.

However, in terms of an agreement reached between the Society during 2018, De Beers Group Services Proprietary Limited and De Beers Consolidated Mines Proprietary Limited the Society waived its rights to the utilisation of the actuarial surplus allocated to the employer surplus account, for any of the purposes allowed for in Section 15E of the Pension Funds Act No. 24 of 1956. In return the Society will not be required to make additional contributions to fund any shortfall that may arise in the assets backing the liabilities. As such the assets and liabilities are not recognised.

7.3 Risk exposure

Through its post-employment healthcare benefits plan the Society is exposed to several risks, the most significant of which are:

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

7. RETIREMENT BENEFITS OBLIGATIONS (continued)

7.3 Risk exposure (continued)

 Inflation risk:	The liabilities are linked to inflation and higher inflation will result in higher liabilities.
 Life expectancy:	The plan's obligations are to provide benefits for the life of a member. An increase in life expectancy will therefore result in an increase in the plan's liabilities.
 Legislation:	Future changes in legislation may increase the liabilities.
 Eligibility criteria:	The risk that eligibility criteria and rules are not strictly or consistently applied.

7.4. Cash flow implications

The Society's contributions towards the various retirement benefits obligations plans is as follows:

 Post-employment healthcare benefits plan:	86% of eligible retired employees and/or certain of their dependants' medical aid contributions. The expected contributions for the year ending 31 December 2024 are R1 113 963. The discounted weighted average duration of the plan is 8.5 years (2022: 9.0 years).
 Defined contribution pension plan:	14.16% of employees' pensionable salaries. The expected contributions for the year ending 31 December 2024 are R1 355 463.
 Defined benefit pension plan:	In terms of an agreement reached between the Society, De Beers Group Services Proprietary Limited and De Beers Consolidated Mines Proprietary Limited, the Society will not be required to make additional contributions to fund any shortfall that may arise in the assets backing the liabilities.

8. INSURANCE LIABILITY FOR FUTURE MEMBERS

	2023	2022
	R	R
Balance at the beginning of the year	625 651 463	629 475 948
Amounts attributable to future members (note 15)	2 848 738	(3 824 485)
Balance at the end of the year	628 500 201	625 651 463

9. TRADE AND OTHER PAYABLES

Leave pay provision - Other operating expenses	110 392	154 565
Other operating expense payables and accruals	5 709 983	5 753 333
- Sundry creditors	5 691 762	5 685 371
- Staff related	18 221	67 962
Total trade and other receivables	5 820 375	5 907 898

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

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

10. INSURANCE CONTRACT LIABILITY

The amounts recognised in the Statements of Comprehensive Income and Cash Flows, and the movements in the insurance contract liability are as follows:

	2023				2022			
	Liability for remaining coverage	Liability for incurred claims		Total	Liability for remaining coverage	Liability for incurred claims		Total
		Best estimate liability	Risk adjustment			Best estimate liability	Risk adjustment	
	R	R	R	R	R	R	R	R
Net insurance contract liabilities at the beginning of the year	14 776 889	23 135 081	87 175	37 999 145	12 674 053	20 682 915	-	33 356 968
Amounts recognised in Statement of Comprehensive Income	(347 590 214)	421 149 968	251 713	73 811 467	(341 761 143)	402 116 106	87 175	60 442 138
Insurance revenue (note 10.1)	(347 590 214)	-	-	(347 590 214)	(341 761 143)	-	-	(341 761 143)
Incurred claims (note 10.2)	-	376 669 437	-	376 669 437	-	360 601 500	-	360 601 500
Change in liability for claims incurred (note 10.2)	-	22 590 190	251 713	22 841 903	-	20 143 079	87 175	20 230 254
- Past service	-	(402 929)	(87 175)	(490 104)	-	755 291	-	755 291
- Current service	-	22 993 119	338 888	23 332 007	-	19 387 788	87 175	19 474 963
Accredited managed healthcare service (note 10.3)	-	4 113 363	-	4 113 363	-	3 484 568	-	3 484 568
Attributable expenses incurred (note 10.4)	-	17 668 042	-	17 668 042	-	17 726 631	-	17 726 631
Net expenses from risk transfer arrangement (note 10.5)	-	108 936	-	108 936	-	160 328	-	160 328
- Risk transfer arrangement premiums	-	3 366 546	-	3 366 546	-	3 150 890	-	3 150 890
- Amounts recovered for claims incurred	-	(3 257 610)	-	(3 257 610)	-	(2 990 562)	-	(2 990 562)
Cash flows	347 618 513	(416 784 145)	-	(69 165 632)	343 863 979	(399 663 940)	-	(55 799 961)
Contributions received	347 618 513	-	-	347 618 513	343 863 979	-	-	343 863 979
Recoveries of claims incurred from member co-payments	-	25 742 668	-	25 742 668	-	25 093 795	-	25 093 795
Reversal of provision for post-employment healthcare benefits	-	720 462	-	720 462	-	433 124	-	433 124
Claims and directly attributable expenses paid	-	(443 247 275)	-	(443 247 275)	-	(425 190 859)	-	(425 190 859)
Net insurance contract liabilities at the end of the year	14 805 188	27 500 904	338 888	42 644 980	14 776 889	23 135 081	87 175	37 999 145

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

10. INSURANCE CONTRACT LIABILITY (continued)

The Society's insurance contract liability as at 31 December 2023 are summarised as follows:

	2023	2022
	R	R
Net liability in respect of insurance revenue	14 805 188	14 776 889
Contributions received in advanced	14 782 778	14 818 382
Contributions refundable to / (due by) members	22 410	(41 493)
Net liability in respect of claims incurred	26 466 196	21 624 211
Claims reported not yet settled	5 060 953	4 202 026
Claims incurred not yet reported (note 10.2.1)	23 332 007	19 474 963
Amounts refundable to members	(1 636 591)	(1 712 545)
Amounts due by healthcare service providers	(352 155)	(389 507)
Unclaimed amounts due to healthcare service providers and former members	61 982	49 274
Net liability in respect of accredited managed healthcare services	134 577	128 124
Amounts payable to providers and accruals	134 577	128 124
Net liability in respect of other attributable expenses	865 286	1 093 524
Leave pay provision	953 800	999 251
Amounts (due by) / payable to providers and accruals	(88 514)	94 273
Net liability in respect of risk transfer arrangement	83 983	69 740
Recoveries from risk transfer arrangement due (note 10.5)	(193 119)	(187 788)
Risk transfer arrangement premiums payable (note 10.5)	277 102	257 528
Provision for impairment of insurance contract receivables	289 750	306 657
Total insurance contract liability	42 644 980	37 999 145

The Society's net insurance contract liability as at 31 December 2023 are categorised as follows:

Insurance contract receivables (assets) after provision for impairment	(4 379 987)	(4 789 722)
Insurance contract payables (liabilities)	47 024 967	42 788 867
Total net insurance contract liability	42 644 980	37 999 145

At 31 December 2023 the carrying amounts of insurance contract receivables approximate their fair values due to the short-term maturities of these assets. These assets are rendered interest free.

The ageing analysis of insurance contract receivables as at 31 December 2023 is as follows:

Fully performing	4 370 405	4 756 887
Past due but not impaired	9 582	32 835
Total insurance contract receivables after provision for impairment	4 379 987	4 789 722
Impaired and provided for	289 750	306 657
Total insurance contract receivables before provision for impairment	4 669 737	5 096 379

Insurance contract receivables that are less than 4 months past due are not considered impaired. As at 31 December 2023, insurance contract receivables of R9 582 (2022: R32 835) were past due but not impaired. The Society does not hold any collateral over these balances.

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

10. INSURANCE CONTRACT LIABILITY (continued)

The Society did not provide for these as there has not been a significant change in the credit quality and the amounts are still considered recoverable. These relate to several members and independent service providers for whom there is no history of default. The ageing analysis of insurance contract receivables past due but not impaired as at 31 December 2023 is as follows:

	2023	2022
	R	R
Up to 4 months	9 582	32 835
Over 4 months	-	-
Total insurance contract receivables past due but not impaired	9 582	32 835

Movements in the provision for impairment of insurance contract receivables are as follows:

Balance at the beginning of the year	306 657	328 296
Amount recognised in Statement of Comprehensive Income (note 10.4)	(16 907)	(21 639)
Balance at the end of the year	289 750	306 657

The creation and release of provision for impairment of insurance contract receivables have been included in 'attributable expenses incurred (net impairment write-offs on insurance contract receivables)' in the Statement of Comprehensive Income (note 10.4). In determining the recoverability of insurance contract receivables, the Society considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the membership base being large and unrelated. The maximum exposure to credit risk at the reporting date is the carrying value of these receivables. The Society does not hold any collateral as security.

In view of the above and since no lifetime credit losses are expected, no further provision for impairment or loss allowance is required in excess of the allowance for impairment of insurance contract receivables.

10.1 Insurance revenue

Contributions raised per registered rules	347 590 214	341 761 143
Total insurance revenue	347 590 214	341 761 143

10.2 Net claims incurred

Claims incurred per registered rules	374 471 812	358 729 415
Risk transfer arrangement claims incurred	3 064 491	2 802 774
Discount received on claims	(866 866)	(799 176)
Recoveries from third parties	-	(131 513)
Incurred claims	376 669 437	360 601 500
Adjustment in the liability for incurred claims	22 841 903	20 230 254
- Not covered by risk transfer arrangement - Current service	22 800 000	19 200 000
- Not covered by risk transfer arrangement - Past service	(402 929)	755 291
- Covered by risk transfer arrangement – Current service	193 119	187 788
- Risk adjustment	251 713	87 175
Total net claims incurred	399 511 340	380 831 754

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

10. INSURANCE CONTRACT LIABILITY (continued)

10.2 Net claims incurred (continued)

The total recovery from member co-payments for the year amounted to R25 742 668 (2022: R25 093 795).

10.2.1 Claims incurred not yet reported

The movement in the claims incurred not yet reported as at 31 December 2023 is as follows:

	Not covered by risk transfer arrangement	Covered by risk transfer arrangement	Risk adjustment	Total
	R	R	R	R
2023				
Balance at beginning of the year	19 200 000	187 788	87 175	19 474 963
Payments/adjustment in respect of the prior year	(18 797 071)	(187 788)	(87 175)	(19 072 034)
Over provision in respect of the prior year	402 929	-	-	402 929
Adjustment for the current year (note 10.2)	22 397 071	193 119	338 888	22 929 078
Balance at end of the year	22 800 000	193 119	338 888	23 332 007
2022				
Balance at beginning of the year	19 500 000	220 082	-	19 720 082
Payments/adjustment in respect of the prior year	(20 255 291)	(220 082)	-	(20 475 373)
Under provision in respect of the prior year	(755 291)	-	-	(755 291)
Adjustment for the current year (note 10.2)	19 955 291	187 788	87 175	20 230 254
Balance at end of the year	19 200 000	187 788	87 175	19 474 963

The following is an analysis of the claims incurred not yet reported (excluding risk adjustment) and estimated recoveries from member co-payments as at 31 December 2023:

	2023	2022
	R	R
Estimated gross claims incurred not yet reported per registered rules	25 005 484	21 043 402
Claims incurred not yet reported covered by risk transfer arrangement	193 119	187 788
Estimated recoveries from member co-payments	(2 205 484)	(1 843 402)
Estimated net claims incurred not yet reported	22 993 119	19 387 788

The liability for claims incurred not yet reported relates to the estimated cost of relevant healthcare services (claims) incurred prior to the end of the accounting period and not yet reported to the Society.

Some sources of uncertainty need to be considered in estimating this liability. Initial estimates are made in relation to the actual claims reported and reviewed as the claims process matures. All estimates are revised and adjusted at year-end.

Process and assumptions used in determining the liability

The Society requested the Actuary to calculate the provision for claims incurred not yet reported as at 31 December 2023 making use of the Health Monitor Model (the model), traditional chain ladder techniques and the Bornhuetter-Ferguson (BF) method. These estimate claims by service dates based on the Society's actual demographic profile and claims experience.

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

10. INSURANCE CONTRACT LIABILITY (continued)

10.2 Net claims incurred (continued)

10.2.1 Claims incurred not yet reported (continued)

Process and assumptions used in determining the liability (continued)

The provision is calculated on the best-estimate basis.

The expected healthcare needs of beneficiaries are directly linked to their demographic characteristics such as age, gender, geographical area, dependant type and chronic prevalence. Where there is insufficient information to calculate a reliable estimate, prudent assumptions are applied. Results are reconciled with actual monthly claims paid and adjustments made where necessary.

The primary assumption is that payments will occur in a similar manner in each service month based on historical claiming patterns. The proportional increase in the known payments from one month to the next can then be used to calculate payments for future months.

The claims incurred not yet reported covered by risk transfer arrangement relates to the fixed-fee capitation agreement between the Society and ER24 for emergency medical transport and evacuation services. This provision was calculated by ER24.

Risk adjustment

In addition, a risk adjustment is added to the best-estimate liability to compensate the Society for bearing the risk of uncertainty in relation to the timing, frequency and severity of claims. The Actuary determined the risk adjustment using a bootstrapping model and set the confidence level at 75% (provision expected to be sufficient 3 out of 4 years) to reflect the risk tolerance of the claims incurred not yet reported provision.

Sensitivity analysis

Management believes that the provision for claims incurred not yet reported as reported in the Statement of Financial Position is adequate. Management however recognises that the process of estimation is based upon certain variables and assumptions which could differ when actual claims are incurred.

The calculation of the provision for claims incurred not yet reported took account of the claims paid during January 2024 to March 2024 which amounted to R23 205 442 or 99.5% of the provision (2023: R18 735 683 or 96.2%). Should the actual claims settled for 2023 after March 2024 vary by 5% (2022: 5%), the claims incurred not yet reported provision will vary by R1 033 707 (2022: R197 504), which represents 4.5% (2022: 1.0%) of the total provision.

In terms of the risk adjustment, if the confidence level is set at 90%, the risk adjustment of R338 888 (2022: R87 175) would increase to R906 400 (2022: R145 986).

10.3 Accredited managed healthcare services

	2023	2022
	R	R
Hospital benefit management services	2 502 353	1 919 650
Disease risk management support services - Oncology	71 133	64 853
Pharmaceutical benefit management services	1 539 877	1 500 065
Total accredited managed healthcare services	4 113 363	3 484 568

Expenses incurred for managed healthcare services provided by accredited healthcare services organisations where there is no or insignificant transfer of risk.

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

10. INSURANCE CONTRACT LIABILITY (continued)

10.4 Attributable expenses incurred

	2023	2022
	R	R
Actuarial pricing and benefit design fees	417 377	388 620
Administration expenses: Benefit management services	222 413	220 041
- Optometry benefit management services	222 413	220 041
IT systems and infrastructure	2 815 293	2 760 893
Member communication	341 584	402 083
Net impairment reversals on insurance contract receivables	(15 935)	(19 029)
- Decrease in provision for impairment	(16 907)	(21 639)
- Written off as uncollectible	972	2 610
Staff remuneration and other employment costs (note 13.1)	13 887 310	13 952 074
Third-party claim recovery services	-	21 949
Total attributable expenses incurred	17 668 042	17 726 631

10.5 Risk transfer arrangement

The amounts recognised in the Statements of Comprehensive Income and movements in the risk transfer arrangement liability are as follows:

	Liability for remaining coverage	Liability for incurred claims	Total
	R	R	R
2023			
Balance at beginning of the year	257 528	(187 788)	69 740
Amounts recognised in Statement of Comprehensive Income	3 366 546	(3 257 610)	108 936
Risk transfer arrangement premiums	3 366 546	-	3 366 546
Amounts recovered for claims incurred (note 10.2)	-	(3 064 491)	(3 064 491)
Change in liability for incurred claims – Current service (note 10.2)	-	(193 119)	(193 119)
Cash flows	(3 346 972)	3 252 279	(94 693)
Risk transfer arrangement premiums paid to reinsurer	(3 346 972)	-	(3 346 972)
Recoveries from reinsurer	-	3 252 279	3 252 279
Balance at end of the year	277 102	(193 119)	83 983
2022			
Balance at beginning of the year	255 009	(220 082)	34 927
Amounts recognised in Statement of Comprehensive Income	3 150 890	(2 990 562)	160 328
Risk transfer arrangement premiums	3 150 890	-	3 150 890
Amounts recovered for claims incurred (note 10.2)	-	(2 802 774)	(2 802 774)
Change in liability for incurred claims – Current service (note 10.2)	-	(187 788)	(187 788)
Cash flows	(3 148 371)	3 022 856	(125 515)
Risk transfer arrangement premiums paid to reinsurer	(3 148 371)	-	(3 148 371)
Recoveries from reinsurer	-	3 022 856	3 022 856
Balance at end of the year	257 528	(187 788)	69 740

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

11. NET INVESTMENT INCOME

	2023	2022
	R	R
Financial assets at fair value through profit or loss	67 750 561	49 715 068
Net realised gains	1 621 317	2 216 284
Net unrealised losses	(1 328 108)	(742 975)
Interest, dividends and income distributions received	67 457 352	48 241 759
Cash and cash equivalents	1 431 131	627 410
Interest received	1 431 131	627 410
Total net investment income	69 181 692	50 342 478

12. SUNDRY INCOME

DART administration fee	92 416	88 572
Employer grant	18 383 000	15 995 000
Total sundry income	18 475 416	16 083 572

12.1 Employer grant

Finsch Mine and Kimberley Mines were sold by De Beers Consolidated Mines (DBCM), a participating employer in September 2011 and January 2016 respectively. This resulted in the termination of the membership of these employees and the retention of continuation members associated with these mines. To offset any negative impact on the remaining members, DBCM has formally agreed to subsidise any resultant annual cross-subsidy deficit that may arise. The subsidy is calculated annually by the Actuary in terms of an agreed methodology.

13. OTHER OPERATING EXPENSES

Actuarial services	626 066	582 928
Audit services	2 861 582	2 010 962
- External audit: Provision current year	2 448 198	1 314 135
- Under provision prior year	101 738	324 100
- Internal audit	311 646	372 727
Bank charges	302 116	291 506
Depreciation and amortisation	216 367	199 722
General administration expenses	366 302	369 392
- Advertising costs	29 153	-
- Foreign exchange differences / Interest paid	16 721	8 081
- Office machines and equipment	70 762	56 723
- Postage and courier costs	116 612	160 538
- Stationery and printing	79 599	91 168
- Sundry expenses	809	679
- Telephone	52 646	52 203
Balance carried forward	4 372 433	3 454 510

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

13. OTHER OPERATING EXPENSES (continued)

	2023	2022
	R	R
Balance brought forward	4 372 433	3 454 510
Legal services	35 335	30 503
Loss on disposal of property, plant and equipment	16	2 882
Non-Trustee remuneration and other considerations	8 400	2 096
Office premises	795 801	728 857
- Electricity and water	184 255	157 002
- Maintenance and other expenses	365 585	334 315
- Rates and taxes	186 016	180 827
- Security	59 945	56 713
Principal Officer remuneration and other employment costs (note 13.1)	1 484 707	1 547 006
Refreshments	86 514	58 677
Staff training	190 852	27 159
Subscriptions and other fees	241 058	374 970
Travelling and accommodation	214 360	154 426
Trustee fidelity and professional indemnity insurance	77 305	76 899
Trustee remuneration and other considerations (note 17.2)	390 731	340 566
Total other operating expenses	7 897 512	6 798 551

13.1 Employee benefits expenses

Salaries, termination benefits, bonuses and recruitment costs	12 631 387	12 410 882
Retirement benefits	1 278 740	1 237 790
Medical benefits	891 584	854 902
Increase in leave accrual and leave days reimbursed	159 809	394 179
Post-employment healthcare benefits (note 7.1)	410 497	601 327
Total employee benefits expenses	15 372 017	15 499 080
Total employees	27	26

R13 887 310 (2022: R13 952 074) has been included in 'attributable expenses incurred (staff remuneration and other employment costs)' and R1 484 707 (2022: R1 547 006) in 'other operating expenses (Principal Officer remuneration and other employment costs)' in the Statement of Comprehensive Income (notes 10.4 and 13).

14. ASSET MANAGEMENT AND MONITORING FEES

Investment management fees	2 566 826	2 505 273
Asset consulting fees and costs	532 565	504 573
Total asset management and monitoring fees	3 099 391	3 009 846

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

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

The Society offers a single benefit option that has a traditional benefit structure with defined benefits, annual limits and no personal medical savings account. The principal features of the benefit provided are as follows:

- Comprehensive in-hospital, chronic and day-to-day cover;
- Benefits are calculated according to the Society's Reference Price List (SRPL); and
- Professional services rendered in an authorised network hospital are reimbursed at Scheme Rate (165% of SRPL).

The results of the Society for the year ended 31 December 2023 were as follows:

	2023	2022
	R	R
Insurance revenue	347 590 214	341 761 143
Insurance service expenses	(421 292 745)	(402 042 953)
Net claims incurred	(399 511 340)	(380 831 754)
Accredited managed healthcare services (no risk transfer)	(4 113 363)	(3 484 568)
Attributable expenses incurred	(17 668 042)	(17 726 631)
Net expense from risk transfer arrangement	(108 936)	(160 328)
Risk transfer arrangement premiums	(3 366 546)	(3 150 890)
Amounts recovered for claims incurred	3 257 610	2 990 562
Insurance service results	(73 811 467)	(60 442 138)
Other income	87 657 108	66 426 050
Net investment income	69 181 692	50 342 478
Sundry income	18 475 416	16 083 572
Other expenditure	(10 996 903)	(9 808 397)
Other operating expenses	(7 897 512)	(6 798 551)
Asset management and monitoring fees	(3 099 391)	(3 009 846)
Net surplus / (deficit) for the year	2 848 738	(3 824 485)
Amounts attributable to future members (note 8)	(2 848 738)	3 824 485
Total comprehensive income for the year	-	-
Average number of members during the year	4 371	4 515

16. CASH FLOWS FROM OPERATIONS

Net surplus / (deficit) from for the year (note 15)	2 848 738	(3 824 485)
Adjusted for:		
Reversal of provision for impairment of insurance contract receivables (note 10.4)	(16 907)	(21 639)
Reversal of provision for post-employment healthcare benefits (note 7.1)	(720 462)	(433 124)
Balance carried forward	2 111 369	(4 279 248)

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

16. CASH FLOWS FROM OPERATIONS (continued)

	2023	2022
	R	R
Balance brought forward	2 111 369	(4 279 248)
Depreciation and amortisation (notes 2 and 3)	216 367	199 722
Loss on disposal of property, plant and equipment (Note 13)	16	2 882
Net investment income from financial assets through profit and loss (note 11)	(67 750 561)	(49 715 068)
Interest received	(1 403 391)	(550 969)
Cash flows from operations before working capital changes	(66 826 200)	(54 342 681)
Working capital changes	2 285 037	6 943 231
Decrease / (Increase) in trade and other receivables	(2 290 182)	1 371 684
(Decrease) / Increase in trade and other payables	(87 523)	907 731
Increase in insurance contract liability	4 662 742	4 663 816
Cash flows from operations after working capital changes	(64 541 163)	(47 399 450)

17. RELATED PARTY TRANSACTIONS

17.1 Participating Employers

The following employers participate in the Society in terms of the Rules and membership may only comprise employees or continuation members associated with these employers:

-  Artisan Training Institute Proprietary Limited;
-  De Beers Consolidated Mines Proprietary Limited;
-  De Beers Benefit Society;
-  De Beers Group Services Proprietary Limited (Employer);
-  De Beers Marine Proprietary Limited;
-  De Beers Marine Namibia Proprietary Limited;
-  De Beers Namibia Proprietary Limited;
-  De Beers Pension Fund;
-  De Beers Sightholder Sales South Africa Proprietary Limited
-  Debswana Diamond Company Proprietary Limited;
-  DTC Valuations Namibia Proprietary Limited;
-  Namdeb Diamond Corporation Proprietary Limited;
-  Petra Diamonds Limited; and
-  any other company, organisation or affiliate that has a specific association or relationship with the Employer or Associated Employers, approved as such by the Employer.

The Employer (De Beers Group Services Proprietary Limited), which appoints half of the Board of Trustees, does not participate in the Society's financial and operating decisions.

Terms and conditions of the related party transactions were as follows:

-  Contributions: Members and continuation members' contributions received from the participating employers.

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

17. RELATED PARTY TRANSACTIONS (continued)

17.1 Participating Employers (continued)

-  **Employer grant:** The grant relates to a subsidy which is payable in terms of an agreement reached with DBCM following the sale of Finsch Mine in September 2011 and Kimberley Mines in January 2016. In terms of this agreement any resultant annual cross-subsidy deficits that may arise are payable by DBCM. The subsidy is calculated annually by the Actuary in terms of an agreed methodology and is considered to be a risk transfer arrangement.
-  **Sundry income:** The Society receives an administration fee from a participating employer to manage the membership and medical expenses of employees on the De Beers Anti-Retroviral Treatment program.
-  **Administration expenditure:** The Society contracted with certain of the participating employers to provide IT infrastructure, software maintenance and archive facilities. The Society is accommodated in a building owned by a participating employer. No market related rent is payable, but the Society is responsible for 50% of all operating and maintenance costs related to the building. The Society is included in a global insurance arrangement with the Anglo American plc, the holding company of the Employer, in respect of trustee fidelity and professional indemnity insurance, as well as building contents insurance.
-  **Trade and other payables:** The Society and the De Beers Pension Fund are accommodated in the same building and share all operating and maintenance costs related to the building, as well as the administrative environment. Certain payments for services provided as per the above were outstanding at year-end. The outstanding balance bears no interest and is payable within 30 days.
-  **Trade and other receivables:** The employer grant and sundry income mentioned above were outstanding at year-end. Certain of the payments for services provided as per the above were paid in advance at year-end. The outstanding balance bears no interest and is payable within 30 days.
-  **Defined benefit pension plan:** In terms of an agreement reached between the Society, De Beers Group Services Proprietary Limited and De Beers Consolidated Mines Proprietary Limited, the Society will not be required to make additional contributions to fund any shortfall that may arise in the assets backing the liabilities.

The following table provides the transactions which have been entered into with participating employers during the year:

	2023	2022
	R	R
Statement of Comprehensive Income:		
Contribution income	303 181 660	298 330 766
Administration expenditure	(396 149)	(482 218)
Sundry income (note 12)	18 475 416	16 083 572
Employer grant	18 383 000	15 995 000
DART administration fee	92 416	88 572

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

17. RELATED PARTY TRANSACTIONS (continued)

17.1 Participating Employers (continued)

	2023	2022
	R	R
Statement of Financial Position:		
Trade and other receivables	18 390 808	16 017 143
Trade and other payables	(2 869 223)	(3 747 495)

17.2 Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Society. Key management personnel include the Board of Trustees, the Principal Officer and Society Manager and their immediate family members.

Terms and conditions of the related party transactions were as follows:

 Contributions:	Contributions received from the related parties as members or continuation members of the Society, in their individual capacities. All contributions were paid in terms of the rules of the Society, as applicable to third parties.
 Claims incurred:	Amounts claimed by the related parties, in their individual capacities as members of the Society. All claims were paid in terms of the rules of the Society, as applicable to third parties.
 Claims (refund) / debt:	This constitutes the related parties' co-payments for claims or refunds due to members outstanding at year-end, in their individual capacities as members of the Society. All claims (refund) / debt were on the same terms as applicable to third parties.
 Claims incurred not yet reported:	Provision for the cost of settling all claims incurred, but not yet reported at year-end, net of estimated co-payments from related parties.
 Travel and other expenses:	Expenses incurred for meeting attendance and costs associated with travelling in respect of the Principal Officer.
 Remuneration and retirement benefits obligation:	Short-term and post-employment employee benefits in respect of full time key management personnel who are compensated on a salary basis.
 Trustee expenses:	Trustee expenses incurred for meeting attendance and costs associated with travelling in respect of Trustees and Board Committee members who are not employees of the participating employers. The Chairperson remuneration is paid by the Employer.

The following table provides the transactions which have been entered into with key management personnel during the year:

Statement of Comprehensive Income:

Trustee remuneration and other considerations (note 13)	(390 731)	(340 566)
Trustee contributions	748 248	718 550
Trustee net claims incurred	(762 981)	(362 601)

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

17. RELATED PARTY TRANSACTIONS (continued)

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

	2023	2022
	R	R
Key management remuneration	(1 471 468)	(1 378 458)
Principal Officer remuneration (note 13)	(1 484 707)	(1 547 006)
Principal Officer travel and other expenses incurred	(17 622)	(19 454)
Key management contributions	65 316	61 680
Principal Officer contributions	144 480	136 440
Key management net claims incurred	(30 355)	(48 404)
Principal Officer net claims incurred	(38 875)	(40 765)

Statement of Financial Position:

Trustee claims debt / (refund)	599	(1 330)
Key management claims debt / (refund)	2 531	(152)
Principal Officer claims debt	500	2 312
Trustee claims incurred not yet reported	(46 084)	(9 471)
Key management claims incurred not yet reported	(777)	(1 474)
Principal Officer claims incurred not yet reported	(1 547)	-
Key management leave accrual	(153 921)	(117 330)
Principal Officer leave accrual	(110 392)	(154 566)

Analysis of trustee remuneration and other considerations:

	Training cost	Attendance fees	Travelling cost	Total
	R	R	R	R
2023				
D Bhana	5 375	66 121	13 905	85 401
C J Blanckenberg	2 403	54 099	35 053	91 555
C W Coltman	8 521	-	23 609	32 130
A P Hewett	-	54 099	11 174	65 273
R W Ketley	372	63 116	14 694	78 182
G Lekalakala	-	-	4 193	4 193
W J B Smerdon	5 349	-	7 817	13 166
J van der Walt	9 168	-	11 663	20 831
	31 188	237 435	122 108	390 731
2022				
D Bhana	2 276	55 400	8 746	66 422
C J Blanckenberg	342	49 860	26 860	77 062
C W Coltman	7 444	-	19 567	27 011
Balance carried forward	10 062	105 260	55 173	170 495

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

17. RELATED PARTY TRANSACTIONS (continued)

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

	Training cost	Attendance fees	Travelling cost	Total
	R	R	R	R
Balance brought forward	10 062	105 260	55 173	170 495
A P Hewett	4 670	55 400	6 564	66 634
R W Ketley	3 813	55 400	9 939	69 152
G Lekalakala	4 677	-	1 350	6 027
W J B Smerdon	115	-	4 760	4 875
J van der Walt	5 840	-	17 543	23 383
	<u>29 177</u>	<u>216 060</u>	<u>95 329</u>	<u>340 566</u>

18. FAIR VALUE AND FINANCIAL RISK MANAGEMENT

The Society's activities expose it to a variety of financial risks: foreign investment currency risk, interest rate risk, investment market risk, credit and counterparty risk and liquidity risk.

These financial risks arise from open positions in interest rates, currency and listed instruments, all of which is exposed to general and specific market movements.

The Society's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Society's financial performance.

The Society's financial assets and liabilities as at 31 December 2023 consist of financial assets at fair value through profit or loss in the form of collective investment schemes, investments held under segregated mandates, cash and cash equivalents, trade and other receivables, insurance contract liabilities, retirement benefit obligations and trade and other payables.

The carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair values. The Society's risk exposure can be summarised as follows:

	Foreign investment currency risk	Interest rate risk	Investment market risk	Credit and counterparty risk	Liquidity risk
Investments					
Debt instruments	✓	✓	✓	✓	✓
Debenture instruments		✓	✓	✓	✓
Property instruments			✓		✓
Money market instruments	✓	✓		✓	✓
Cash and cash equivalents		✓		✓	✓
Trade and other receivables				✓	✓
Trade and other payables					✓
Insurance contract liabilities				✓	✓
Retirement benefit obligation				✓	✓

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

18. FAIR VALUE AND FINANCIAL RISK MANAGEMENT (continued)

The following is an analysis of the carrying amounts of financial assets and liabilities per category as at 31 December 2023:

	Financial assets at fair value through profit or loss (Look-through)	Financial assets and liabilities at amortised cost		Insurance receivables and liabilities	Total carrying amount
		Cash and cash equivalents	Non-insurance receivables and liabilities		
	R	R	R	R	R
2023					
Investments					
Debt instruments	463 420 450	-	-	-	463 420 450
Debenture instruments	28 435 777	-	-	-	28 435 777
Property instruments	52 785 950	-	-	-	52 785 950
Money market instruments	99 846 199	-	-	-	99 846 199
Cash and cash equivalents	-	28 938 329	-	-	28 938 329
	644 488 376	28 938 329	-	-	673 426 705
Insurance liability for future members	-	-	-	(628 500 201)	(628 500 201)
Insurance contract liability	-	-	-	(42 644 980)	(42 644 980)
Retirement benefits obligations	-	-	(15 364 318)	-	(15 364 318)
Trade and other receivables	-	-	18 667 228	-	18 677 228
Trade and other payables	-	-	(5 820 375)	-	(5 820 375)
	644 488 376	28 938 329	(2 517 465)	(671 145 181)	235 941
2022					
Investments					
Debt instruments	393 364 730	-	-	-	393 364 730
Debenture instruments	31 271 381	-	-	-	31 271 381
Property instruments	47 719 478	-	-	-	47 719 478
Money market instruments	166 949 052	-	-	-	166 949 052
Cash and cash equivalents	-	29 596 303	-	-	29 596 303
	639 304 641	29 596 303	-	-	668 900 944
Insurance liability for future members	-	-	-	(625 651 463)	(625 651 463)
Insurance contract liability	-	-	-	(37 999 145)	(37 999 145)
Retirement benefits obligations	-	-	(16 084 780)	-	(16 084 780)
Trade and other receivables	-	-	16 377 046	-	16 377 046
Trade and other payables	-	-	(5 907 898)	-	(5 907 898)
	639 304 641	29 596 303	(5 615 632)	(663 650 608)	365 296

The collective investment schemes included in financial assets at fair value through profit or loss (note 4) are included in the analysis on a look through basis to illustrate the underlying assets to which the Society's economic exposure relates to.

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

18. FAIR VALUE AND FINANCIAL RISK MANAGEMENT (continued)

(i) Fair value hierarchy

For financial assets (investments) recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of inputs used to make the measurements. The fair value hierarchy is based on the following levels:

- Level 1: Fair value is determined using unadjusted quoted prices in active markets for identical assets. The predominance of market inputs is actively quoted and can be validated through external sources or reliably interpolated if less observable;
- Level 2: Fair value is determined from inputs other than published in an active market and is observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Fair value is determined using valuation techniques that incorporate information other than observable market data and where at least one input is not based on observable market data.

Collective investment schemes usually have an observable unit price used for the previous day's transactions. Where the valuation is based on these observable unit prices with no significant unobservable inputs and there are sufficient transactions to meet the definition of a quoted price in an active market, it is classified as Level 1. If the scheme or policy is valued without reference to the published price, it will fall into Level 2 or 3. For the accounting policies regarding the determination of the fair values of financial assets and liabilities refer to note 1 to the financial statements.

The following table presents the Society's financial assets measured at fair value as at 31 December 2023:

	2023	2022
	R	R
Level 1	390 840 737	330 848 640
Level 2	189 704 274	247 896 362
Level 3	63 943 365	60 559 639
	644 488 376	639 304 641

(ii) Valuation techniques and observable inputs

The valuation techniques and observable inputs for Level 1 and 2 fair value measurements are as follows:

	Fair value 2023	Fair value 2022	Valuation method	Observable input (Level 1 and 2)
	R	R		
Segregated portfolios	493 715 692	503 085 850		
Debt instruments	339 887 854	335 821 475	JSE and other exchange prices	Johannesburg Stock and Other Exchange debt market publicly available quoted price.
Debentures	12 817 877	16 091 664		
Property instruments	33 637 937	34 426 115	Respective banks and corporate or other institutions	Recorded at cost, include amortised interest and any fair value gain or loss calculated based on yields provided by publicly available quoted prices.
Money market instruments	47 372 024	116 746 596		
Collective Investment Schemes	86 829 319	75 659 152	Scheme	Quoted unit price, as derived by the scheme with reference to the rules of the particular scheme, multiplied by the number of units.
Total level 1 and 2	580 545 011	578 745 002		

The main unobservable inputs based on the Society's investment manager's own data and other reasonably available information about the market participants in performing the fair value measurements of the above level 3 financial assets, consisting of unlisted debentures, debt instruments and property instruments, are:

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

18. FAIR VALUE AND FINANCIAL RISK MANAGEMENT (continued)

(ii) Valuation techniques and observable inputs (continued)

-  Discount rates, cost of capital, credit spreads and/or prepayment rates that market participants would take into account in pricing these assets;
-  Credit ratings and other knowledge about the counterparties in determining the probability of default and loss severity in the event of default; and
-  Contingent considerations based on the knowledge of the counterparties and how the current economic environment is likely to impact on the fair value of the assets.

The movement in Level 3 financial assets for the year is as follows:

	2023	2022
	R	R
Balance at beginning of the year	60 559 639	19 179 441
Acquisitions	8 091 768	53 226 577
Matured / Sold	(335 404)	(8 306 984)
Net unrealised losses recognised	(4 372 638)	(3 539 395)
Balance at end of the year	63 943 365	60 559 639

18.1 Principles of risk management

The Society is exposed in particular to risks from movements in inflation, interest rates and the investment markets that affects its assets, liabilities and the forecasting of transactions. Financial risk management aims to limit these market risks through on-going operational and finance activities.

Risk management is co-ordinated by the Society's management under the auspices of the Audit and Risk Board Committee on behalf of the Board of Trustees. The Society's risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls and to monitor risks and adherence to these limits. The Society's risk management policies are reviewed regularly to reflect changes in the market conditions and the Society's activities.

18.2 Credit and counterparty risk

Credit risk is the risk of a financial loss arising from the inability of a third party to discharge its debt obligations.

The Society's credit risk is primarily attributable to amounts receivable in respect of members' co-payments. Active working members' co-payments are guaranteed by the participating employers. The amounts presented in the Statement of Financial Position are net of impairment losses on insurance contract receivables, estimated by the Society's management based on prior experience and the current economic environment.

The Society has an agreement in place with DBCM, a participating employer, to subsidise any cross-subsidy deficit that may arise because of the termination of membership of employees and the retention of the continuation members associated with Finsch Mine and Kimberley Mines following the sale of these mines in September 2011 and January 2016 respectively.

As the above agreement relies on the continued existence of DBCM a risk exists that this liability might not be met if the company ceases to generate income in the ordinary course of business. The Society's management is not aware of any developments that might impact on the future of DBCM and believes that the agreements would still be enforceable if the company is amalgamated or consolidated with another entity.

Management has impaired all insurance contract receivables which are past due and for which any uncertainty regarding collection exists. No losses are expected in terms of the remainder of the insurance contract receivables due to non-performance by these counterparties.

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

18. FAIR VALUE AND FINANCIAL RISK MANAGEMENT (continued)

18.2 Credit and counterparty risk (continued)

The sensitivity analysis in respect of the credit risk in respect of the net insurance contract receivables as at 31 December 2023 is as follows:

	Fair value	Rate of deterioration			
		1 %	2 %	5 %	10 %
	R	R	R	R	R
2023	4 379 987	43 780	87 600	218 999	437 999
2022	4 789 722	47 897	95 794	239 486	478 972

To further mitigate this risk, there is a formal policy in place for the treatment of any receivable that becomes past due. If this fails, long outstanding receivables are handed over to a debt collection agency for recovery, if feasible.

The credit risk on liquid funds is limited because the counterparties are deposit taking institutions with high long-term credit ratings and registered financial service providers (FSPs).

The Society has no significant concentration of credit risk, with exposure spread over several counterparties and has a policy of limiting the amount of credit exposure to any one deposit taking institution with a short-term Moody's rating of P-3 or higher and a long-term Moody's rating of Baa3 as far as reasonably possible.

Set out below is the Society's credit risk exposure, as per the Moody's long-term credit rating, in respect of cash and cash equivalents (note 6) and money market instruments held under its segregated mandates (note 4) as at 31 December 2023:

	2023		2022	
	R	Rating	R	Rating
ABSA Bank	10 155 398	Ba2	9 112 717	Ba2
African Bank	8 021 892	B2	23 051 532	B2
Discovery Bank	-	-	21 376 827	Ba3
FirstRand Bank	11 144 393	Ba2	29 280 297	Ba2
Nedbank	12 243 680	Ba2	43 983 040	Ba2
Standard Bank	34 744 990	Ba2	19 538 485	Ba3
	76 310 353		146 342 898	

18.3 Foreign investment and currency risk

Foreign investment and currency risk are the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Society was invested in the following foreign debt instruments as at 31 December 2023:

	2023	2022
	R	R
BNP Paribas	47 276 992	-
Nedbank	4 585 318	14 120 052
	51 862 310	14 120 052

Although these instruments are classified as foreign investments by the Council, since they are referenced to foreign debt instruments, the instruments are issued in Rand. The Society therefore has no effective foreign currency exposure.

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

18. FAIR VALUE AND FINANCIAL RISK MANAGEMENT (continued)

18.4 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in interest rates.

The table below summarises the Society's exposure to interest bearing investments as at 31 December 2023:

	2023	2022
	R	R
Cash and cash equivalents (note 6)	28 938 329	29 596 303
Financial assets at fair value through profit or loss	591 702 426	591 585 163
Debt instruments	463 420 450	393 364 730
Debenture instruments	28 435 777	31 271 381
Money market instruments	99 846 199	166 949 052
Total exposure to interest bearing investments	620 640 755	621 181 466

The interest rate risk is managed by maintaining an appropriate mix between fixed and variable interest rate investments, with less than 10% maturing in the next 12 months. As at 31 December 2023, 46% of the interest bearing financial assets at fair value were invested in floating rate notes, 14% in negotiable certificates of deposit, 27% in credit linked notes and the remaining 13% in other structured and call deposit investments.

If the interest rates had been 0.5% higher or lower and all other variables remained constant the Society's total comprehensive income for the year would increase or decrease by R3 103 204 (2022: R3 105 907). This is mainly due to the Society's exposure to interest rates on investments held in debt and other money market instruments.

18.5 Investment market risk

Investment market risk is the risk that the value of a financial instrument will fluctuate because of changes in the market.

The fair value of investments will fluctuate because of changes in market prices. Changes in fair value are recognised in investment income in the Statement of Comprehensive Income.

The collective investment schemes are invested in pooled funds which are valued at fair value and are also susceptible to market fluctuations and are included in financial assets at fair through profit or loss in the Statement of Financial Position.

The Society's investments in collective investment schemes ("Investee Funds") are subject to the terms and conditions of the respective Investee Fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Investee Funds.

The investment managers make investment decisions after extensive due diligence reviews. The Society has the right to request redemption of its investment in the Investee Funds at any given time.

The exposure of the Society to investment in Investee Funds as at 31 December 2023 is as follows:

Investee Funds	Net asset value	Fair value	Net assets attributable
	R'000	R'000	%
Nedgroup Investments Core Income Fund – Class C	52 889 000	86 829	0.64%

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

18. FAIR VALUE AND FINANCIAL RISK MANAGEMENT (continued)

18.5 Investment market risk (continued)

The Society's maximum exposure to loss from its interest is equal to the total fair value of its investment in the Investee Funds. Once the Society has disposed of its units in the Investee Funds, it ceases to be exposed to any risk from those funds.

As at 31 December 2023 there were no capital commitment obligations and no amounts due to the Investee Funds for unsettled purchases.

Investments are managed with the aim of maximising the Society's returns while limiting risk to acceptable levels within the framework of the statutory requirements. The Society's investments are fully performing.

The assets underlying the investments are exposed to the debenture and debt instruments' active markets. Debentures, property and debt instruments are equitably allocated to all sectors of the market.

The following is an analysis of the Society's investments as at 31 December 2023 in property, debenture and debt instruments held indirectly through its investments in collective investment schemes, as well as directly through its segregated mandates:

	2023	2022
	R	R
Segregated portfolios	510 287 033	446 898 894
Debt instruments	430 142 000	369 155 965
Debenture instruments	28 435 777	31 271 381
Property instruments	51 709 256	46 471 548
Collective Investment Schemes	34 355 144	25 456 695
Nedgroup Investments Core Income Fund	34 355 144	25 456 695
Debt instruments	33 278 450	24 208 765
Property instruments	1 076 694	1 247 930
	544 642 177	472 355 589

If the market prices of property, debentures and debt instruments had been 1% higher or lower the total comprehensive income for the year would have increased or decreased by R5 446 422 (2022: R4 723 556) because of the change in the fair value of financial assets at fair value through profit or loss.

18.6 Liquidity risk management

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due.

The Society'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 Society's reputation.

The Society manages liquidity risk by monitoring cash flow forecasts and accordingly ensuring that adequate cash is available.

All the Society's liabilities are payable within one year, except for the post-employment healthcare benefits liability and the insurance liability for future members.

The Society's financial assets and liabilities grouped into relevant maturity groupings as at 31 December 2023 are as follows:

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

18. FAIR VALUE AND FINANCIAL RISK MANAGEMENT (continued)

18.6 Liquidity risk management (continued)

	Total	Up to 1 month	1 to 3 months	3 to 12 months	More than 12 months
	R	R	R	R	R
2023					
Trade and other payables	5 820 375	5 702 479	21 436	96 460	-
Insurance contract liability	42 644 980	26 496 947	10 840 624	5 245 428	61 981
Insurance contract receivables	(4 379 987)	(2 261 980)	(2 108 425)	(9 582)	-
Insurance contract receivables	47 024 967	28 758 927	12 949 049	5 255 010	61 981
Insurance liability for future members	628 500 201	2 992 250	5 984 500	26 930 250	592 593 201
Retirement benefit obligations	15 364 318	92 830	185 661	835 472	14 250 355
Cash and cash equivalent	(28 938 329)	(28 938 329)	-	-	-
Trade and other receivables	(18 667 228)	(284 228)	(18 383 000)	-	-
Investments	(644 488 376)	(15 516 229)	(7 305 477)	(45 431 199)	(576 235 471)
Liquidity (excess) / deficit	235 941	(9 454 280)	(8 656 256)	(12 323 589)	30 670 066
2022					
Trade and other payables	5 907 898	5 698 752	26 762	120 427	61 957
Insurance contract liability	37 999 145	25 818 056	7 348 110	4 873 706	49 273
Insurance contract receivables	(4 789 722)	(2 094 453)	(2 662 434)	(32 835)	-
Insurance contract receivables	42 788 867	27 912 509	10 010 544	4 816 541	49 273
Insurance liability for future members	625 651 463	1 568 667	3 137 333	14 118 000	606 827 463
Retirement benefit obligations	16 084 780	90 760	181 519	816 837	14 995 664
Cash and cash equivalent	(29 596 303)	(29 596 303)	-	-	-
Trade and other receivables	(16 377 046)	(321 536)	(15 995 000)	(60 510)	-
Investments	(639 304 641)	(13 098 601)	(2 005 721)	(72 045 285)	(552 155 034)
Liquidity (excess) / deficit	365 296	(9 840 205)	(7 306 997)	(52 176 825)	69 779 323

19. INSURANCE RISK MANAGEMENT

The primary business objective of the Society is to accept medical liability in respect of its members and registered their dependants by providing benefits for relevant healthcare services (claims incurred) obtained in accordance with the rules of the Society, in return for contributions. This objective takes account of the specific inherent risks associated with the demographics of the Society's membership, high pensioner ratio, chronic disease prevalence amongst beneficiaries and the medical insurance risk. The medical insurance risk refers to the unpredictability of diseases, nature of and advancements related to treatments purchased and the cost of related services, as well as the uncertainty surrounding the timing and severity of claims.

The Board of Trustees has mandated the Benefits Review Board Committee to review and consider the medical insurance risk within the constraints imposed by the Act and the Society's medical insurance risk management policy. The requirements of the Act were considered in compiling the policy and it has been approved by the Board of Trustees. The policy is reviewed regularly taking cognisance of the requirements of the Act, legislative changes, industry developments, member feedback and the Society's current funding level, reserve management strategy, ability to accept insurance risk and insurance risk exposure.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

19. INSURANCE RISK MANAGEMENT (continued)

The Benefits Review Board Committee is also responsible for:

- the annual review of the benefit structure and to develop proposals in this regard for consideration by the Board of Trustees in order to ensure that the Society's exposure to medical insurance risk remains within acceptable levels;
- evaluating the effectiveness and efficiency of current risk transfer arrangements and commercial reinsurance contracts entered into by the Society; and
- recommending to the Board of Trustees whether or not the Society should enter into any additional risk transfer arrangements or commercial reinsurance contracts or terminate current arrangements.

The Society manages and mitigates its medical insurance risk by:

- keeping abreast of and implementing appropriate industry best practices;
- having a well-defined benefit structure;
- adjusting or implementing of new benefit limits, sub-limits, co-payments, penalties, waiting periods and exclusions;
- making use of pricing guidelines, including but not limited to generic reference pricing models such as the Mediscor Reference Price (MRP) model, medicine formularies and therapeutic reference pricing models such as the Mediscor Formulary Reference Price Plus (FRP Plus) model for the treatment of chronic disease conditions;
- pre-authorising hospital admission requests, case managing selected cases and performing clinical audits;
- contracting with managed care organisations to utilise their clinical guidelines, treatment protocols and medical advisory services;
- implementing risk transfer arrangements;
- implementing chronic medication and disease management programmes;
- having preferred provider networks and Designated Service Provider (DSP) arrangements in place;
- tracking and analysing claiming patterns to detect and manage emerging trends in order to develop and implement strategies to deal with these changes;
- making use of healthcare system measurements tools to measure the performance and efficiency levels of hospitals, service providers and other managed care interventions;
- agreeing with the Employer or Associated Employers to compensate or subsidise the Society for the financial impact of corporate activity giving rise to cross-subsidy deficits, as a result of the termination of membership of employees and the retention of the continuation members associated with the operation in question;
- recovering claims incurred by members or their registered dependants from third party insurers such as the Road Accident Fund (RAF), where a third-party liability exists;
- monitoring industry trends and emerging healthcare issues and taking pre-emptive or corrective action as required; and
- increasing contribution levels taking cognisance of estimated claims, industry developments and market trends, as well as the Society's reserve management strategy, investment returns earned and other sources of income.

In addition, administrative risk management measures are employed to ensure appropriate access to benefits. These include, but are not limited to benefit pre-authorisation, billing audits and interventions aimed at combating fraud in general.

The Society, with the assistance of the Actuary, assesses and monitors its medical insurance risk exposure both for individual types of risks and overall risks on an on-going basis. This assessment includes internal risk measurement models, stress testing and sensitivity and scenario analyses.

The principal risks are that the actual changes in membership demographics and the frequency and severity of claims ultimately exceed the projections made at the time of compiling the annual budget. Factors that aggravate the medical insurance risk include the lack of risk diversification in terms of the type and extent of risk and geographical location of beneficiaries covered.

Insurance events are, by their nature, random and the actual number and size of events during any one year may vary from those that were estimated with established statistical techniques based on membership demographics and historical claiming patterns.

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

19. INSURANCE RISK MANAGEMENT (continued)

The principal features of the types of risk covered or benefits provided can be summarised as follows:

- hospital benefits include the hospitalisation costs incurred by beneficiaries while they are in the hospital to receive pre-authorised or emergency treatment for medical conditions;
- specialist benefits covering the costs of visits by beneficiaries to specialists and procedures, in and out-of-hospital. This also includes radiology and pathology benefits provided to beneficiaries;
- medicine benefits cover the costs of medicines (chronic, acute and over-the-counter) obtained by beneficiaries;
- auxiliary and support service benefits include the costs incurred by beneficiaries for treatment and services (e.g. optometry, biokinetics, homeopathy, frail care, etc.) provided by the medical industry in terms of their benefits which cannot be classified in the above categories and are not material enough to form their own category;
- general practitioner benefits cover the cost of visits by beneficiaries to general practitioners and for procedures, in and out-of-hospital; and
- dentistry benefits cover the costs of visits by beneficiaries to dental practitioners and for associated procedures.

The following tables summarise the concentration of insurance risk with reference to the carrying amount of the net claims incurred by age group and in relation to the type of risk covered or the benefits provided for 2023 and 2022 respectively:

2023

Age group	Hospitals	Specialists	Medicines	Auxiliary and Support Services	General Practitioners	Dentistry	Total
	R	R	R	R	R	R	R
< 20	5 075 821	3 750 141	2 464 020	1 808 705	2 035 096	2 073 546	17 207 329
20 – 34	3 128 937	2 896 741	1 309 562	1 324 401	789 940	479 846	9 929 427
35 – 49	11 841 929	10 767 912	5 426 655	3 340 314	2 559 153	1 479 284	35 415 247
50 – 64	42 057 059	33 518 008	17 179 369	8 332 084	4 194 627	3 688 659	108 969 806
65 +	99 621 299	68 924 134	28 869 600	19 983 343	6 773 814	3 817 341	227 989 531
Total	161 725 045	119 856 936	55 249 206	34 788 847	16 352 630	11 538 676	399 511 340

2022

Age group	Hospitals	Specialists	Medicines	Auxiliary and Support Services	General Practitioners	Dentistry	Total
	R	R	R	R	R	R	R
< 20	4 414 492	3 408 247	2 466 798	2 061 465	1 994 463	1 923 648	16 269 113
20 - 34	4 428 103	2 759 457	1 866 132	2 060 263	783 038	573 173	12 470 166
35 - 49	8 421 421	7 780 997	5 750 917	3 272 260	2 266 036	1 363 720	28 855 351
50 - 64	39 755 235	31 054 660	16 631 584	8 662 864	3 902 232	3 501 329	103 507 904
65 +	98 155 698	62 685 285	29 230 832	19 815 897	5 976 987	3 864 521	219 729 220
Total	155 174 949	107 688 646	55 946 263	35 872 749	14 922 756	11 226 391	380 831 754

If the claims experience varied by 1% the benefits provided would have been higher or lower by R3 995 113 (2022: R3 808 317).

A preferred provider network agreement remains in place between the Society and Mediclinic for the rendering of private hospital services.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

19. INSURANCE RISK MANAGEMENT (continued)

The Board of Trustees ultimately decides on whether or not to enter into risk transfer arrangements or commercial reinsurance contracts. To this end the Society has:

- a fixed-fee capitation agreement in place with ER24 for emergency medical transport and evacuation services; and
- an agreement with DBCM to subsidise any annual cross-subsidy deficit that may arise as a result of the termination of membership of employees and the retention of the continuation members associated with Finsch Mine and Kimberley Mines following the sale of the mines in September 2011 and January 2016 respectively.

Annual actuarial valuations are performed in order to calculate the cross-subsidy deficit if any in terms of the agreed method. In performing the actuarial valuation, the Actuary makes use of the same assumptions as allowed for in the annual budget determination process. The assumptions and sensitivities are disclosed below. The subsidy is not offset against the 'claims incurred' (note 10.2) but is disclosed as an 'employer grant' (note 12) in the Statement of Comprehensive Income. If the agreements were not in place the 'amounts attributable to future members' would have been R18 383 000 (2022: R15 995 000) lower.

Furthermore, medical schemes are required to fund prescribed minimum benefits (PMBs) in full in terms of Regulation 8 of the Act. This includes the costs related to:

- the diagnosis treatment and care of any emergency medical condition;
- a defined set of 270 medical conditions defined in the diagnosis treatment pairs (DTPs); and
- 26 chronic conditions defined in the Chronic Disease List (CDL).

This poses an additional financial risk to the Society since there are no regulated tariffs for healthcare service providers. The Society where appropriate and permissible makes use of designated service providers (DSPs) treatment protocols and formularies for specific conditions to manage the risk associated with PMBs.

The following tables summarise the concentration of insurance risk with reference to the carrying amount of the insurance claims incurred by age group split between prescribed minimum benefits (PMB) and non-PMB claims for 2023 and 2022 respectively:

2023

Age group	In-hospital		Day-to-day		Chronic (CDL)	Other	Total
	PMB	Non-PMB	PMB	Non-PMB			
	R	R	R	R	R	R	R
< 20	3 981 585	3 531 730	1 391 250	7 858 762	341 760	102 242	17 207 329
20 - 34	3 083 828	1 811 708	693 650	3 251 340	1 025 874	63 026	9 929 426
35 - 49	11 100 261	7 161 196	2 979 130	10 886 483	3 049 648	238 531	35 415 249
50 - 64	39 891 504	23 876 610	10 809 284	23 097 056	10 448 199	847 151	108 969 804
65 +	109 364 612	43 721 126	22 112 720	30 290 252	20 494 161	2 006 661	227 989 532
Total	167 421 790	80 102 370	37 986 034	75 383 893	35 359 642	3 257 611	399 511 340

2022

< 20	3 335 895	3 371 454	1 324 237	7 794 708	357 743	85 077	16 265 381
20 - 34	4 179 092	2 742 772	664 540	3 917 184	881 239	85 339	12 467 310
35 - 49	7 404 544	5 607 024	2 454 082	10 693 450	2 533 951	162 299	28 848 735
50 - 64	38 611 349	22 520 077	9 820 818	22 424 883	9 364 605	766 171	103 484 202
65 +	104 539 109	44 041 894	19 670 904	30 802 648	18 782 990	1 891 676	219 679 951
Total	158 069 989	78 283 221	33 934 581	75 632 873	31 920 528	2 990 562	380 831 754

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

19. INSURANCE RISK MANAGEMENT (continued)

The principal features of the PMB and non-PMB claims are as follows:

- in-hospital benefits cover costs incurred by beneficiaries while they are in hospital to receive pre-authorised and emergency treatment for medical conditions;
- day-to-day benefits cover the costs of out-of-hospital medical attention such as visits to general practitioners and dentists;
- chronic benefits cover the cost of certain medicines prescribed to beneficiaries for chronic conditions/diseases and other related costs; and
- other benefits are the claims incurred in respect of the risk transfer arrangement.

19.1 Claims development

Claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within one year, and in the majority of cases within four months.

19.2 Sensitivity analysis

In terms of the Act the solvency level of the Society must at least be 25% of the gross annual contributions. The estimated solvency level is based on a number of assumptions, including price increases, utilisation and membership demographics.

The following sections illustrate the sensitivity of the solvency level to these assumptions, as calculated during the Society's annual benefit design and pricing review:

(i) Price increases

The final price increases were not available at the time of determining the pricing for 2024.

Any changes in the price increases in excess or below the expected price increase will impact on the claims expenditure for 2024 and ultimately the projected solvency ratio.

The table below sets out the impact of the listed scenarios on the solvency ratio:

	2024		2023	
	Solvency ratio	Difference	Solvency ratio	Difference
Average price increase of 6.2% (2023: 6.3%)	164.3%		168.9%	
Average price increase of 2% less than expected	166.3%	2.0%	170.7%	1.8%
Average price increase of 1% less than expected	165.3%	1.0%	169.8%	0.9%
Average price increase of 1% more than expected	163.2%	(1.1%)	168.0%	(0.9%)
Average price increase of 2% more than expected	162.2%	(2.1%)	167.1%	(1.8%)

(ii) Change in benefit utilisation

This assumption is particularly uncertain relative to the other assumptions used due to it encapsulating the impact of yet unknown factors such as the introduction of new technologies and drugs. If the actual increase in benefit utilisation is different to that assumed, the claims expenditure for 2024 will differ.

The table below sets out the impact of the listed scenarios on the solvency ratio:

Average utilisation increase of 1.0% (2023: 2.0%)	164.3%		168.9%	
Average utilisation increase of 2% less than expected	166.7%	2.4%	171.1%	2.2%
Average utilisation increase of 1% less than expected	165.5%	1.2%	170.1%	1.2%
Average utilisation increase of 1% more than expected	163.0%	(1.3%)	167.8%	(1.1%)
Average utilisation increase of 2% more than expected	161.8%	(2.5%)	166.7%	(2.2%)

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

19. INSURANCE RISK MANAGEMENT (continued)

19.2 Sensitivity analysis (continued)

(iii) Ageing of membership

In general, the benefit utilisation by beneficiaries increases with age. If the actual increase in average age is different to that assumed the expected claims expenditure for 2024 will differ.

The table below sets out the impact of the listed scenarios on the solvency ratio:

	2024		2023	
	Solvency ratio	Difference	Solvency ratio	Difference
Average age of 52.5 (2023: 52.8) assumed	164.3%		168.9%	
Average age of members decreases by 2 years	155.8%	(8.5%)	162.1%	(6.8%)
Average age of members decreases by 1 years	160.2%	(4.1%)	164.8%	(4.1%)
Average age of members increases by 1 years	168.1%	3.8%	172.4%	3.5%
Average age of members increases by 2 years	171.8%	7.5%	176.0%	7.1%

(iv) Claims experience

Claims experience may vary due to inflation utilisation and/or average age changes as indicated above but also potentially due to other factors such as severity or random variation. As the Society's risk profile for 2024 is uncertain given all the changes and risks it faces the claims experience could be quite different to that expected.

The table below sets out the impact of the listed scenarios on the solvency ratio:

Claims experience of R8 320 (2023: R7 602) per principal member per month	164.3%		168.9%	
Claims experience 8% lower than expected	174.2%	9.9%	178.0%	9.1%
Claims experience 4% lower than expected	169.2%	4.9%	173.4%	4.5%
Claims experience 4% higher than expected	159.3%	(5.0%)	164.3%	(4.6%)
Claims experience 8% higher than expected	154.3%	(10.0%)	159.8%	(9.1%)

(v) Membership level changes

The Society's solvency level is very sensitive to any change in membership levels due to the fact that the definition of solvency is the value of the Society's accumulated funds as per Regulation 29 (hereinafter referred to as accumulated funds) divided by contribution income. Therefore, any increase in contribution income as a result of increase in membership would reduce the solvency level even though the value of the Society's accumulated funds remains unchanged.

The table below sets out the impact of the listed scenarios on the solvency ratio:

Total membership of 50 486 (2023: 53 928) principal members for the year assumed	164.3%		168.9%	
Membership 10% lower than assumed	184.7%	20.4%	189.2%	20.3%
Membership 5% lower than assumed	173.9%	9.6%	178.5%	9.6%
Membership 5% higher than assumed	155.5%	(8.8%)	160.2%	(8.7%)
Membership 10% higher than assumed	147.5%	(16.8%)	152.3%	(16.6%)

(vi) Contributions

The average contribution received per month depends on the average family size of the Society's members and actual number of dependants registered.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

19. INSURANCE RISK MANAGEMENT (continued)

19.2 Sensitivity analysis (continued)

(vi) Contributions (continued)

Changes in the membership levels could also have an effect on the average contribution received per member per month. If it is lower than assumed the Society will receive less funding than anticipated and vice versa. However, it should be borne in mind that the solvency is calculated by dividing the Society's accumulated funds by the contribution income and therefore any decrease in contribution will increase the solvency ratio.

The table below sets out the impact of the listed scenarios on the solvency ratio:

	2024		2023	
	Solvency ratio	Difference	Solvency ratio	Difference
Contribution income of R6 994 (2023: R6 691) per principal member per month assumed	164.3%		168.9%	
Contribution income 4% lower than assumed	166.8%	2.5%	171.8%	2.9%
Contribution income 2% lower than assumed	165.5%	1.2%	170.3%	1.4%
Contribution income 2% higher than assumed	163.1%	(1.2%)	167.5%	(1.4%)
Contribution income 4% higher than assumed	161.9%	(2.4%)	166.2%	(2.7%)

20. CAPITAL MANAGEMENT

To achieve the Society's primary business objective of accepting medical liability in respect of its members and their registered dependants by providing benefits for relevant healthcare services obtained (claims incurred) in return for contributions, the strategy of the Society is to ensure the financial stability and viability of the Society over the foreseeable future whilst supplementing contribution income with investment and other income.

In view of this the Board of Trustees have adopted a strategy that aims to:

- preserve capital over any 12-month period;
- target net real returns of at least 3% over a rolling 36-month period; and
- risks are minimised and non-healthcare expenditure (administration and other operating costs) are maintained at an acceptable level.

The Board of Trustees actively manage the Society's accumulated funds to ensure compliance with the Act. The Act requires a minimum solvency ratio of 25%. The solvency ratio of the Society as at 31 December 2023 was 180.8% (2022: 183.1%) and is calculated as follows:

	2023	2022
	R	R
Insurance liability for future members per Statement of Financial Position	628 500 201	625 651 463
<u>Less: Unrealised investment gains</u>	-	-
Accumulated funds per Regulation 29 of the Act	628 500 201	625 651 463
Contribution income (Insurance revenue)	347 590 214	341 761 143
Solvency ratio	180.8%	183.1%
Accumulated funds per member as at 31 December	145 688	141 262

The Board of Trustees is cognisant of the fact that the Society's solvency ratio is substantially higher than the minimum required by the Act, including the Society's risk-based capital requirement as determined by the Actuary based on the Society's specific risk profile. This is even more relevant in the current regulatory framework and a rapidly evolving South African healthcare environment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

21. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Society's accounting policies, management has made no material judgements except for the post-employment healthcare benefits liability (note 7.1), the provision for claims incurred not yet reported (note 10.2.1) and the calculation of the employer grant (note 12) that have a significant effect on the amounts recognised in the financial statements. Details of the methodologies used and the sensitivities are set out in the relevant notes.

Since medical schemes meet the definition of a mutual entity in terms of IFRS 3 the Society recognises the fulfilment of future cash flows in respect of current and future members as a liability (note 8).

22. CONTINGENT ASSET

The Society grants assistance to its members in defraying expenditure incurred in connection with rendering of any relevant health service.

Such expenditure may be in connection with a claim that is also made to the Road Accident Fund (RAF) administered in terms of the Road Accident Fund Act No. 56 of 1996.

If members are reimbursed by the RAF, they are contractually obliged to cede those payments to the Society to the extent that they have already been compensated.

23. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

No events affecting the financial statements have occurred after the end of the accounting period which in the opinion of the Board should be brought to the members' attention.

24. NON-COMPLIANCE

The following instances of non-compliance with the Act were identified during the year:

24.1 Financial soundness of benefit option

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance.

Cause

During the year the Society incurred a net healthcare deficit (insurance service results) of R73 811 467 (2022: R60 442 138). This result is expected and is aligned with the Society's reserve management strategy of ensuring the financial stability and viability of the Society over the foreseeable future.

The strategy also takes account of the need for the Society to remain competitive in relation to benefits provided contribution levels and administration costs.

Corrective action

The Society is financially sound in terms of Section 35 as confirmed by the current level of accumulated funds and the Society's solvency ratio of 180.8% (2022: 183.1%). The financial soundness and sustainability of the Society is carefully considered and managed by the Board on an on-going basis in consultation with the Actuary. It is not the strategy of the Society to make a profit and its net investment income the employer grant and substantial reserves enables it to ameliorate any net healthcare deficit whilst balancing the risk of rising claims incurred and keeping annual contribution increases in line with inflation.

The Board monitors the financial results to ensure that the net healthcare deficit is in line with the budget and any material variances are analysed and corrective action taken where necessary.

24.2 Payment of claims within 30 days

In terms of Section 59(2) of the Act, a medical scheme is required to pay a valid claim submitted to the scheme within 30 days after the day on which the claim was received.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

24. NON-COMPLIANCE (continued)

24.2 Payment of claims within 30 days (continued)

Cause

The Society endeavours to pay all claims within 30 days of receipt but the processing of some claims is occasionally delayed due to unforeseen circumstances. Delays can for example occur when providers fail to supply the Society with their banking details or when claims are referred for clinical auditing or other investigations.

Corrective action

Claims that are not paid within 30 days are actively monitored to ensure effective on-going management of this issue.

24.3 Contribution income not received within three days of becoming due

In terms of Section 26(7) of the Act, contribution income must be received within three days of becoming due in terms of the Rules.

Cause

There were a limited number of instances where the Society did not receive contributions from members within three days of these becoming due. This was mainly because of members having insufficient funds in their bank accounts at the time of collection members exiting without informing the Society and reconciling discrepancies between participating employers and the Society. The risk of default is however small because of the restricted nature of the Society and participating employer base.

Corrective action

Contributions not received within three days are actively pursued and the suspension policies are rigorously applied.

24.4 Prescribed minimum benefits (PMBs)

Regulation 8(1) of the Act states that subject to the provisions of this regulation any benefit option that is offered by a medical scheme must pay in full without co-payment or the use of deductibles the diagnosis treatment and care costs of the prescribed minimum benefit conditions.

Cause

There were a limited number of instances where the Society did not pay claims within the scope and level of care prescribed for PMBs.

Corrective action

The Society continuously reviews and enhances its processes to align such to the Council's interpretation of PMBs as new information becomes available. Where claims are identified that had not been paid within the scope of PMBs, such are re-processed as PMBs and paid accordingly.

24.5 Claims paid after termination date

Section 28(c) of the Act states that no person shall claim or accept benefits in respect of himself or herself or any dependant from any medical scheme other than the medical scheme of which he or she is a member.

Cause

The termination notification in respect of one member was received late by the Society resulting in claims with service dates after the member's termination date being paid. As at 31 December 2023 the claims had not been reversed against the member's debtor account for recovery.

Corrective action

The related claims were reversed against the member's debtor account for recovery during January 2024.