

NETCARE MEDICAL SCHEME

REGISTRATION NUMBER: 1584

ANNUAL REPORT

31 December 2024

NETCARE MEDICAL SCHEME

ANNUAL REPORT

for the year ended 31 December 2024

The reports and statements set out below comprise the annual financial statements and Report of the Board of Trustees:

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NETCARE MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2024

DESCRIPTION OF THE MEDICAL SCHEME

The Netcare Medical Scheme (the "Scheme") is a not for profit restricted membership South African Medical Scheme, registered in terms of the Medical Schemes Act 131 of 1998, as amended (the "Act").

The Scheme provides benefits to its members in a two-tier benefit structure, namely insured (risk) benefits and medical savings benefits, under a single benefit option, the Savings Option. As with previous years, the Scheme entered into a risk transfer arrangement with Netcare 911, further details of which are set out in Note 7 to the annual financial statements.

BOARD OF TRUSTEES IN OFFICE DURING THE YEAR UNDER REVIEW

S Khoosal (Chairperson)	Appointed 1 September 2017	Employer Trustee
S Khuboni	Appointed 1 August 2017	Employer Trustee
P Seetul	Appointed 1 August 2018	Employer Trustee
S Vilakazi	Appointed 1 March 2019	Employer Trustee
N Ndzwayiba	Appointed 1 September 2020	Employer Trustee
R Mokonyama	Appointed 23 June 2023	Employer Trustee
D Longueira	Term of office ended 28 June 2024	Member Trustee
M Toubkin	Appointed 1 June 2014	Member Trustee
C Maslo	Appointed 12 May 2016	Member Trustee
E van Rooyen	Appointed 4 June 2021	Member Trustee
S Machaba	Appointed 28 July 2022	Member Trustee
H Venter	Appointed 23 June 2023	Member Trustee
M Botha	Appointed 28 July 2022	Alternate Member Trustee
G Setati	Appointed 28 June 2024	Member Trustee

PRINCIPAL OFFICER

C Taylor
Private Bag X34
Benmore
2010

REGISTERED OFFICE AND POSTAL ADDRESS OF THE SCHEME

Registered Office

76 Maude Street
Sandton
2196

Postal Address

Private Bag X34
Benmore
2010

ADMINISTRATOR

Discovery Health (Pty) Ltd
1 Discovery Place
Sandton
2146

PO Box 786722
Sandton
2146

MANAGED CARE PROVIDER

Discovery Health (Pty) Ltd
1 Discovery Place
Sandton
2146

PO Box 786722
Sandton
2146

NETCARE MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2024

INVESTMENT MANAGERS

Allan Gray Life Ltd
Beach Road
V & A Waterfront
Cape Town
8081

Coronation Life Assurance Company Ltd
Boundary Terraces
1 Mariendahl Lane
Newlands
7700

Investec Assurance Ltd
36 Hans Strijdom Avenue
Foreshore
Cape Town
8001

M&G Investment Managers (Pty) Ltd
7th Floor Protea Place
30 Dreyer Street
Claremont
7708

INVESTMENT CONSULTANTS

Willis Towers Watson (Pty) Ltd
Floor 2 Illovo Edge
1 Harries Road
Illovo, Johannesburg
2196

AUDITOR

Deloitte & Touche
5 Magwa Crescent
Waterfall City
Johannesburg
Gauteng
2090

NETCARE MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2024

INVESTMENT STRATEGY OF THE SCHEME

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

The investment committee met 4 times during 2024. The mandate of the committee is to ensure that:

- The Scheme remains solvent;
- Investments are placed at minimum risk with the best possible return;
- Investments made are in compliance with the regulations of the Act; and
- A risk assessment is performed with feedback to the Trustees with recommendations.

The Trustees continued to invest funds in line with the requirements of the Act.

Investments of the Scheme are maintained in various accounts under the daily cash management services provided by the investment consultant and the administrator. The Scheme also has funds invested in the following other portfolios:

- Allan Gray Life - Domestic Stable Medical Scheme Portfolio;
- Coronation Life - Coronation Medical Aid Portfolio;
- Ninety One - Stable Money Market Fund; and
- M&G Life Inflation Plus 5% Medical Aid Fund UPF.

The Scheme ring-fenced the members' savings account balances in the Ninety One Stable Money Market Fund noted above.

SOLVENCY RATIO

	2024 R	2023 R
Insurance liability for future members	709,242,279	647,802,958
Less: Cumulative unrealised net gain on remeasurement of investments to fair value	(121,636,525)	(92,263,110)
Accumulated funds per Regulation 29 of the Act	<u>587,605,754</u>	<u>555,539,848</u>
Annualised gross contribution income	1,225,352,079	1,155,127,306
Solvency ratio (Accumulated funds/Gross annual contribution income x 100)	47.95%	48.09%

The Scheme's reserve ratio exceeds the statutory reserve requirement of 25% of gross contribution income.

REVIEW OF THE YEAR'S ACTIVITIES

The Scheme ended the financial year with a surplus after investment income of R61,439,321 (2023: R53,456,580) which has been transferred to the Insurance liability for future members (note 4 to the annual financial statements). The surplus after investment income was taken into account in determining the solvency target for 2024 as well as the contribution increases.

The results of the Scheme are set out in the attached annual financial statements, and the Trustees believe the information contained in the annual financial statements fairly presents the financial position of the Scheme at year end.

NETCARE MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2024

OPERATIONAL STATISTICS

	2024	2023	% Variance
Number of members at the end of the accounting period	16,907	16,943	-0.21%
Number of beneficiaries at the end of the accounting period	32,145	32,981	-2.53%
Average number of members for the accounting period	16,778	16,737	0.24%
Average number of beneficiaries for the accounting period	32,248	32,777	-1.61%
Dependants per member at the end of the accounting period	0.90	0.95	-4.79%
Pensioner ratio (beneficiaries age > 65)	6.01%	5.77%	4.16%
Average age per beneficiary	32.68	32.25	1.33%
Average insurance revenue per month per average beneficiary per month	R2,692	R2,496	7.84%
Average insurance service expense per average beneficiary per month	R2,686	R2,471	8.70%
Relevant healthcare expenditure ratio	96.1%	95.3%	0.82%
Relevant healthcare expenditure incurred per average beneficiary per month	R2,587	R2,379	8.72%
Directly Attributable Insurance Service Expenses (DAE) ratio	6.0%	6.0%	-0.05%
Directly Attributable Insurance Service Expenses per average beneficiary per month	R163	R151	7.78%
Operating expenditure per average beneficiary per month	R23	R23	1.45%
Insurance liability for future members per member at the end of the accounting period	R41,950	R38,234	9.72%
Return on investments as a % of investments	17.82%	11.54%	54.48%

INSURANCE RISK MANAGEMENT

A summary of the objectives, policies and procedures for managing insurance risk and the methods used to manage those risks is discussed in Note 13 to the annual financial statements.

PERSONAL MEDICAL SAVINGS ACCOUNT

In order to provide a facility for Scheme members to set funds aside to meet future healthcare costs, not covered by the benefit schedule, the Trustees have made the Savings Option available to meet this objective.

All members contribute 15% of their gross contributions into a savings account so as to help pay the members' portion of healthcare costs, up to a prescribed threshold.

Unexpended savings amounts are accumulated for the long-term benefit of the member. Interest has been accrued on savings account balances as required in terms of Circular 38 of 2011. No interest is accrued on savings contribution advances. The Scheme carries the risk of savings contribution advances.

Savings account balances are refundable when the member leaves the Scheme. The balance due to the member will be transferred to the member, or another medical scheme which provides for a similar account, after five months of the date of change.

The liability to the members in respect of the savings plan is reflected as part of the Insurance contract liability per note 4 of the annual financial statements, repayable in terms of Regulation 10 of the Act.

NETCARE MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2024

BOARD AUDIT COMMITTEE

The Board Audit Committee (the "Audit Committee") was constituted in accordance with the provisions of the Act. The Audit Committee is mandated by the Trustees by means of written terms of reference as to its membership, authority and duties. The Audit Committee (listed below) consists of five members of which two are members of the Board of Trustees:

Chairperson	A Roodis	
Employer Trustee	S Khuboni	
Employer Trustee	D Longuiera	(Term of office ended: 28 June 2024)
Member Trustee	G Setati	(Appointed: 19 September 2024)
Independent Member	C Frank	
Independent Member	L Phelane	

The members, including the Chairperson, are not officers of the Scheme or its third party Administrator. However, with the exception of the Chairperson, all members are employees of Netcare Limited.

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

The Audit Committee has reported that:

- It has carried out its duties in terms of the Act and the Trustees' written Audit Committee charter;
- The external auditors have confirmed their independence and the Audit Committee has reviewed their audit plan and performance;
- The assurance provided by the administrator and the executive committee has satisfied the Audit Committee that associated Scheme risks have been considered and addressed;
- The assurances provided by the administrator, the external auditors and the internal auditors have satisfied the Audit Committee that internal controls are adequate and effective; and
- It has reviewed the Scheme's annual financial statements, reviewed the accounting policies, obtained assurance from the external auditors and has recommended the adoption of the annual financial statements by the Trustees for presentation to the members.

The Audit Committee met on 4 occasions during the course of the year, as follows:

- 07 February 2024
- 9 April 2024
- 20 August 2024
- 7 November 2024

NETCARE MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2024

NON-COMPLIANCE MATTERS

The Trustees are of the opinion that there are no material deviations from the Act.

1. Outstanding contributions

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the Scheme. Per the Scheme rules, contributions are required to be received within three days after their due date. Instances were noted where contributions were received late.

Causes for failure

Balances after 3 days are due to defaults by direct paying members. Direct paying members are limited to pensioners or disability members no longer employed by Netcare Limited or its subsidiaries. The risk of default on payments due to the Scheme is low as the Scheme is restricted and accordingly premiums are collected via payroll.

Corrective action

Suspension policies are in place and applied where contributions are outstanding beyond the Scheme's available credit terms.

2. Payment of claims within 30 days

Nature and impact

In terms of Section 59(2) of the Act a member or provider claim should be settled within 30 days of submission. Instances were noted where settlements took more than 30 days.

Causes for failure

Delays can occur when accounts are referred for clinical audit or other investigations. These are however the exceptions, and claims are generally paid within the prescribed time.

Corrective action

The Scheme is aware of the requirements and complies as far as practically possible.

3. Investment in administrators

Nature and impact

In terms of Section 35(8)(c) of the Act a medical scheme shall not invest any of its assets in any administrator. During the year under review the Scheme had indirect investments in Administrators of Medical Schemes.

Causes for failure

The Scheme invests in pooled investment vehicles that allow investment managers 100% discretion to invest in a combination of shares and bonds that best achieve the stipulated benchmark.

Corrective action

The Scheme made an application to the Council for Medical Schemes for an exemption from this section of the Act. An exemption has been granted by the Council for Medical Schemes until 30 November 2025.

NETCARE MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2024

NON-COMPLIANCE MATTERS (continued)

4. Composition of the Board of Trustees

Nature and impact

In terms of Section 57(2) of the Act and in Rule 18(1) of the Scheme's registered Rules at least 50% of the members of the board of trustees shall be elected from amongst members.

Causes for failure

The Scheme embarked upon a member elections process during 2022 for the nomination and appointment of replacement member trustees. However, it was identified that due to an inadvertent oversight, a valid nominee's name had been omitted from the Scheme's list of nominees.

Corrective action

The matter is ongoing and the Board of Trustees is engaging with the relevant stakeholders to seek a resolution.

NETCARE MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2024

BOARD OF TRUSTEES AND SUB-COMMITTEES MEETING ATTENDANCES

The following schedule sets out the composition of the Trustees and sub-committees, and their respective meeting attendances. None of the Trustees are remunerated for their participation on the Board.

	Board Meeting		Investment Committee Meeting		Audit Committee Meeting	
	A	B	A	B	A	B
S Khoosal (Chairperson)	4	4	-	-	-	-
S Khuboni * (Investment Committee Chairperson)	4	4	4	4	4	3
P Seetul	4	3	-	-	-	-
S Vilakazi	4	4	4	4	-	-
R Mokonyana	4	4	-	-	-	-
N Ndzwayiba	4	3	-	-	-	-
S Pretorius	3	3	-	-	-	-
D Longueira *	2	2	2	2	2	2
M Toubkin	4	4	-	-	-	-
C Maslo	4	4	-	-	-	-
E van Rooyen	4	4	-	-	-	-
S Machaba	4	4	-	-	-	-
H Venter	4	4	-	-	-	-
M Botha	4	3	-	-	-	-
G Setati *	2	2	1	1	1	1
A Roditis *(Board Audit Committee Chairperson)	-	-	-	-	4	4
C Franks *	-	-	-	-	4	4
L Phelane *	-	-	-	-	4	3
C Taylor (Principal Officer)	4	4	4	4	4	4

A - total possible number of meetings that could have been attended

B - actual number of meetings attended

* - indicates Audit Committee member

GENERAL

No incidents of litigation or other negative matters occurred.

The Trustees were briefed on all relevant aspects of the terms of reference of corporate governance during the course of the year.

The Chairperson of the Board of Trustees would like to thank the Trustees and the members of the Audit Committee for their positive and meaningful contributions during the year.

NETCARE MEDICAL SCHEME

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

for the year ended 31 December 2024

The Trustees are responsible for the preparation, integrity and fair presentation of the annual financial statements of the Netcare Medical Scheme ("the Scheme"). The annual financial statements presented on pages 13 to 51 have been prepared in accordance with International Financial Reporting Standards and the Medical Schemes Act 131 of 1998, as amended, and include amounts based on judgements and estimates made by management.

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

The Trustees are satisfied that the information contained in the annual financial statements fairly present the results of operations and cash flows for the year and the financial position of the Scheme at year-end. The Trustees also prepared the required information to be included in the Trustees report and are responsible for both its accuracy and its consistency with the annual financial statements.

The Trustees are responsible for ensuring that proper accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Scheme which enables the Trustees to ensure that the annual financial statements comply with the relevant legislation.

The Scheme operates in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the Scheme are being controlled. No material breakdown in controls have been identified during the year under review.

On the basis of this review, and in light of the current financial position and available resources, the Trustees have no reason to believe that the Scheme will not be a going concern for the foreseeable future.

The Scheme's external auditor, Deloitte & Touche, are responsible for auditing the annual financial statements in terms of International Standards on Auditing and their audit report is presented on page 12 - 14.


The annual financial statements were approved by the Board of Trustees on 21 May 2025 and are signed on its behalf by:


Sanjay Khoosal (May 23, 2025 15:09 GMT+2)

S Khoosal
Chairperson



C Taylor
Principal Officer


Pariksha Seetul (May 23, 2025 13:55 GMT+2)

P Seetul
Trustee

21 May 2025

NETCARE MEDICAL SCHEME

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

for the year ended 31 December 2024

The Scheme derives its corporate governance framework from its rules, the Medical Schemes Act 131 of 1998, as amended (the "Act") and guidance provided by the Council for Medical Schemes by means of reports and circulars. In addition to this, the Trustees are considering the principles of the King Code as it relates to medical schemes.

As Trustees of the Scheme we acknowledge that our appointment is by the members of the Scheme and that we owe them a duty to exercise fiduciary responsibilities over the financial affairs of the Scheme whilst ensuring compliance with the framework of the law and rules of the Scheme.

The Trustees delegate several of its duties to service providers such as managed care organisations and administrators. These relationships are managed by means of written contracts and service level agreements. Regular meetings are held to ensure services are rendered within the framework of the contracts and agreements.

The Trustees make use of various sub-committees to assist in the execution of its duties. These sub-committees remain responsible to the main Board of Trustees of the Scheme and their activities are governed by a terms of reference framework as agreed by the Board of Trustees. Currently the following committees are in place:

- Investment Committee;
- Board Audit Committee;
- Benefit Design Committee;
- Clinical Governance Committee
- Disputes Committee;
- Exgratia Committee; and
- Governance & Risk Committee.

A code of conduct is in place to which all Trustees subscribe. It deals with conflicts of interest, duties of the Trustees and any other matters relating to unethical or perceived unethical behaviour. The Trustees are reminded of the code of conduct and their duty to members of the Scheme. This is acknowledged and agreed at Board meetings.

The Trustees are not remunerated for their services. Expenses relating to travel and training are paid by the Scheme. New Trustees appointed are duly orientated and inducted to ensure they fulfil their obligation to the membership of the Scheme.

The Trustees recognise the need for each and every staff member in the Netcare group to have access to medical aid cover and each year during benefit design the Trustees pay significant attention to ensure premiums remain affordable to all staff whilst providing benefits in line with prescribed minimum benefits.

Communication with members of the Scheme is seen as an essential component of transparent governance. Regular feedback in the form of electronic communication is submitted to members with monthly statements to communicate changes in the regulatory environment or benefit structure of the Scheme.

The number of Board members is equally split in terms of employer and member elected Trustees whose duties are explicitly stated in the rules of the Scheme. Board of Trustees meetings are arranged four times a year and where issues require urgent attention, interim meetings and discussions take place with the full Board of Trustees being appraised of decisions. Board minutes and information packs deal with all the necessary financial and clinical information relating to the Scheme. Full disclosure and transparency is fostered. The Chairperson of the Scheme was unanimously appointed by the Board of Trustees.


The Board of Trustees view good governance not only as complying with legislative provisions and applying the relevant principles of the King Code on corporate governance, but view it as integral to the success, sustainability and financial soundness of the Netcare Medical Scheme. The Trustees are satisfied that the Scheme has in all material respects complied with the provisions and spirit of its rules, the Medical Schemes Act 131 of 1998, as amended and its regulations, other than those matters noted in the Board of Trustees report.


Sanjay Khoosal (May 23, 2025 15:09 GMT+2)

S Khoosal
Chairperson



C Taylor
Principal Officer


Pariksha Seetul (May 23, 2025 13:55 GMT+2)

P Seetul
Trustee

Independent Auditor's Report

To the Members of the Netcare Medical Scheme

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Netcare Medical Scheme (the Scheme), set out on pages 15 to 53, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in members' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Netcare Medical Scheme as at 31 December 2024, and its financial performance and cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act of South Africa.

Basis for Opinion

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



Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
<p>Outstanding claim provision</p> <p>The insurance contract liability (Liability for Incurred Claims and Risk adjustment and Liability for Remaining Coverage) attributable to current members of R32 205 091 (2023: R35 351 025) included in note 4 of the financial statements is made up of the liability for incurred claims of R31 300 000 (2023: R34 500 000) and Risk adjustment of R905 091 (2023: R851 025) recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but that were only reported to the Scheme after year-end balance on the Scheme's statement of financial position.</p> <p>Sources of these outstanding claim payments include:</p> <ul style="list-style-type: none"> • Benefit changes that may result in a previously uncovered claim now being eligible for payment. • Reported claims that have not yet been paid out. • Unknown and hence unreported claims. • Closed claims that may later be re-opened and require additional payments etc. <p>The calculation of the Insurance contract liability (specifically the Liability for incurred claims (LIC) and Risk adjustment (RA)) is inherently complex and represents a key judgement for the Scheme, especially in the estimation and judgement related to the Liability for Incurred Claims and Risk Adjustment.</p> <p>The Scheme actuaries have used Bornhuetter-Ferguson method ("BF"): A standard model used to calculate the LIC and used the bootstrapping methodology to determine the Risk Adjustment (RA) for non-financial risk for the Scheme on a per option level.</p> <p>The IBNR calculation is based on several factors, which include:</p> <ul style="list-style-type: none"> • The level of homogeneity of the data; • Changes in patterns of claims and claims processing; • Changes in benefit limits; and • Changes in prescribed minimum benefits. <p>We considered the Liability for incurred Claims (the IBNR and the Risk Adjustment) as a key audit matter due to:</p> <ul style="list-style-type: none"> • The materiality of the liability; and <p>Significant judgement and estimation uncertainties in determining the future cash flow projections and the risk adjustment.</p>	<p>In evaluating the valuation of the IBNR and RA components of the LIC, we evaluated the calculations performed by Insight Actuarial Solutions (Pty) Ltd as an independent management expert who perform the liability calculations and performed procedures which included:</p> <ul style="list-style-type: none"> • Considering the design and implementation of the Scheme's controls relating to the preparation of the IBNR and RA calculation though gaining an understanding of the end-to-end claims and LIC provision business process; • We obtained the report of the Scheme's actuary relating to the LIC provision at year end and tested the appropriateness of the estimate as follows: <ul style="list-style-type: none"> ○ Evaluated the competence, capabilities and objectivity of the Scheme's actuary; ○ Obtained an understanding of the method and models used in calculating the LIC provision estimate. With the assistance of our actuarial specialists, assessed the appropriateness of the methodology and assumptions used in determining the IBNR and RA components of the LIC in terms of acceptable methodologies, industry standards, and that they meet the measurement objectives of IFRS 17. ○ We evaluated the integrity of the information used in the calculation of the estimated future cash flows and the Risk Adjustment as included in the liability for incurred claims balance insurance contract liability by performing substantive procedures to ensure the completeness and accuracy of the information. ○ With the assistance of our internal actuarial specialists, perform an independent calculation of the estimated future cash flows and the Risk Adjustment as included in the liability for incurred claims balance Insurance contract liability using historical claims data and trends and for comparing with management's valuation. • Assessed the presentation and disclosure in respect of the LIC provision and considered the adequacy of these disclosures against the

Key Audit Matter	How the matter was addressed in the audit
	<p>requirements of IFRS17 and relevant industry guidance.</p> <p>Based on the procedures performed above, we are satisfied that the methodology and assumptions applied in calculating the IBNR and RA components of the LIC are appropriate.</p>

Other Information

The Scheme’s trustees are responsible for the other information. The other information comprises the information included in the *Audited Financial Statements which includes the Report of the Board of Trustees, Statement of Responsibility by the Board of Trustees and Statement of Corporate Governance by the Board of Trustee*. The other information does not include the financial statements and our auditor’s report thereon.

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

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

Responsibilities of the Scheme’s Trustees for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.
- Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements¹

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa that have come to our attention during the course of our audit. The instances of non-compliance have been fully disclosed in Note 17 of the Financial Statements to which the report refers.

Audit tenure

As required by the Council for Medical Schemes' Circular 38 of 2018 Audit tenure, we report that Deloitte & Touche has been the auditor of Netcare Medical Scheme for twelve years.

The engagement associate director, Ilze de Villiers, has been responsible for the Netcare Medical Scheme audit for one year.

DocuSigned by:

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Deloitte & Touche

Registered Auditor

Per: Ilze de Villiers

Associate Director

26 May 2025

¹ ISA 700 (Revised), paragraphs 43 to 45.

NETCARE MEDICAL SCHEME
(Registration no. 1584)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2024

	Notes	2024 R	2023 R
ASSETS			
Financial assets at fair value through profit or loss*	1	478,216,756	429,113,610
Financial assets at fair value through profit or loss - Personal Medical Savings Account Trust funds*	1	167,864,610	163,231,452
Financial assets at amortised cost	2	57,758	79,094
Cash and cash equivalents	3	272,876,577	270,502,060
TOTAL ASSETS		<u>919,015,701</u>	<u>862,926,216</u>
LIABILITIES			
Total insurance contract liabilities		916,219,458	861,897,978
Insurance liability for future members	4.5	709,242,279	647,802,958
Insurance contract liability	4.2	206,977,179	214,095,020
Financial liabilities at amortised cost	6	2,796,243	1,028,238
Total liabilities		<u>919,015,701</u>	<u>862,926,216</u>

*Following regulatory recommendation from the Council for Medical Schemes to enhance financial reporting, the financial asset at fair value through profit or loss has been further broken down to provide a more detailed view of its components.

NETCARE MEDICAL SCHEME
(Registration no. 1584)

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2024

	Notes	2024 R	2023 R
Insurance revenue	7	1,041,590,409	981,732,181
Insurance service expense*	7	(1,039,497,869)	(971,993,724)
Net expense from reinsurance contracts held		(59,001)	(109,784)
Reinsurance expense	7	(7,241,734)	(6,799,116)
Reinsurance income	7	7,182,733	6,689,332
Insurance service result		2,033,540	9,628,673
Interest income from financial assets not measured at fair value through profit or loss	8	677,643	615,178
Investment income from investments held at fair value through profit or loss	8	40,504,419	36,313,302
Fair value gains from investments held at fair value through profit or loss	8	44,719,049	32,020,312
Net investment income		85,901,111	68,948,792
Finance expenses on Personal Medical Savings Account monies		(14,998,300)	(13,967,747)
Net insurance finance expenses		(14,998,300)	(13,967,747)
Net insurance and investment result		72,936,350	64,609,718
Asset management fees		(2,520,959)	(2,233,863)
Other operating expenses	9	(8,991,820)	(9,008,856)
Sundry income	10	15,750	89,580
Surplus for the year		61,439,321	53,456,579
Amounts attributable to future members*		(61,439,321)	(53,456,579)
Net result		-	-

*Circular 6 of 2025 issued by the CMS requires medical schemes to present 'Amounts attributable to future members' separate from the "Insurance service expenses" and the "Insurance service result". This resulted in a representation of the prior year affected line items as follows: "Amounts attributable to future members" to the value of R61,439,321 (2023: R53,456,579) are now being disclosed as a separate line item on the Statement of comprehensive income after the "Surplus for the year".

Insurance Service Expense in accordance with IFRS 17 includes amounts attributable to future members, the total value of insurance service expense therefore amounts to R1,100,937,190 (2023: R1,025,450,303). A reconciliation of these amounts has been included in note 7.

NETCARE MEDICAL SCHEME
(Registration no. 1584)

STATEMENT OF CASH FLOWS

for the year ended 31 December 2024

	Notes	2024 R	2023 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from members and providers		1,224,168,086	1,154,890,643
- Cash receipts from members - contributions	4.1	1,224,168,086	1,154,890,643
Cash paid to providers, employees and members		(1,251,458,752)	(1,147,344,970)
- Cash paid to members and providers - claims	4.1	(1,226,383,045)	(1,124,456,208)
- Cash paid to providers - non-healthcare expenditure		(7,267,066)	(9,027,494)
- Cash paid to members - savings plan refunds	4.4	(17,808,641)	(13,861,268)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(27,290,666)	7,545,673
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	1	(21,265,291)	(21,600,447)
Proceeds on disposal of investments	1	12,248,036	6,577,052
Interest received*		38,996,957	32,775,342
Dividends received*	8	2,206,440	4,118,227
Asset management fees		(2,520,959)	(2,233,863)
NET CASH FLOWS FROM INVESTING ACTIVITIES		29,665,183	19,636,311
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,374,517	27,181,984
Cash and cash equivalents at beginning of the year		270,502,060	243,320,076
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		272,876,577	270,502,060

*In the prior year, the interest received amount of R32,775,342 was incorrectly disclosed as dividend received of R4,118,227 and the dividend received amount of R4,118,227 was incorrectly disclosed as interest received of R32,775,342. This has been corrected in the current year.

NETCARE MEDICAL SCHEME
(Registration no. 1584)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

1. GENERAL INFORMATION

Netcare Medical Scheme (the Scheme) is a medical scheme that offers hospital, chronic illness and day-to-day benefits and is administered by Discovery Health (Pty) Ltd, a wholly owned subsidiary of Discovery Limited, listed in the insurance sector of the Johannesburg Stock Exchange (JSE).

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

1.1 BASIS OF PREPARATION

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

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

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

The Financial Statements are prepared in accordance with the going concern principle using the historical cost basis except for certain financial assets and liabilities, which include:

- Financial instruments at fair value through profit or loss; and
- Insurance and reinsurance assets and liabilities – measured in terms of IFRS 17 estimates.

The Statement of Financial Position is disclosed in the order of liquidity as it provides more reliable information about the transactions and conditions on the financial position of medical schemes largely due to the uncertainty around the actual identifiable operating cycle and the asset decisions taken to manage such uncertain operating cycle.

All monetary information and figures presented in these Financial Statements are stated in rand, unless otherwise indicated.

Classification of the Scheme as a mutual entity

A medical scheme is not legally defined as a mutual entity and the classification of the scheme as a mutual entity was done based on the principles set out in IFRS.

IFRS 3 defines a "mutual entity" as "An entity, other than an investor-owned entity, that provides dividends, lower costs or other economic benefits directly to its owners, members or participants. For example, a mutual insurance company, a credit union and a co-operative entity are all mutual entities."

IFRS 17 does not define a "mutual entity" however it provides a key characteristic of a mutual entity in the basis of conclusion to the standard. IFRS 17 paragraph BC265 explains that "a defining feature of an insurer that is a mutual entity is that the most residual interest of the entity is due to a policyholder and not a shareholder." The Act is not explicit that members (i.e. policyholders) hold a residual interest or are entitled to the residual interest upon the liquidation of the medical scheme. Section 64 of the Act requires the medical scheme rules to be followed in the event of liquidation.

NETCARE MEDICAL SCHEME
(Registration no. 1584)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

1.1 BASIS OF PREPARATION (continued)

Classification of the Scheme as a mutual entity (continued)

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

Consequently the Statement of Comprehensive Income reflects no total comprehensive income for the year as this is accounted for in the movement in the Liability attributable to future members.

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

Although the rules do not specify how the assets should be distributed on liquidation, IFRS 17 states that "contracts can be written, oral or implied by an entity's customary business practices. Contractual terms include all terms in a contract, explicit or implied, but an entity shall disregard terms that have no commercial substance (i.e. no discernible effect on the economics of the contract). Implied terms in a contract include those imposed by law or regulation" (IFRS 17.2). Therefore, based on customary business practices, the remaining assets of a scheme should be distributed to the members on liquidation if there are any and if the scheme does not amalgamate with another scheme. Even if the assets are distributed by a regulator or by the policyholders to an independent third party e.g. another medical scheme, an administrator or a charity, the important aspect is that the choice resides with the members or the regulator acting on behalf of the members, not with an equity holder.

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

It is therefore expected that the remaining assets of the scheme will be used to pay current and future members. Based on the above, the Scheme meets the definition of a mutual entity in terms of IFRS.

The Scheme has therefore developed an accounting policy in terms of the IFRS 17 guidance for mutual entities and the educational material as issued by the IASB and the Scheme recognises any cumulative profits or losses as part of the Liability attributable to future members (which forms part of the Insurance contract liabilities on the face of the Statement of Financial Position).

NETCARE MEDICAL SCHEME
(Registration no. 1584)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

1.2 IMPLEMENTATION OF NEW STANDARDS

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

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

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

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

Standard	Scope	Effective date
Amendments to IAS21 Lack of Exchangeability (Amendments to IAS21)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. This amendment has no further impact on the Scheme.	1 January 2025

NETCARE MEDICAL SCHEME
(Registration no. 1584)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

IMPLEMENTATION OF NEW STANDARDS (continued)

New standards, amendments and interpretations not yet effective and relevant to the Scheme (continued)

Standard	Scope	Effective date
Amendments to the Classification and Measurement of Financial Instruments – amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures.	These amendments to IFRS 9 and IFRS 7 address feedback from the post-implementation review of classification and measurement requirements. They clarify the treatment of financial liabilities settled via electronic payment systems and refine the assessment of contractual cash flows, particularly for financial assets with ESG-linked features. Additionally, they enhance disclosure requirements for equity investments designated at fair value through other comprehensive income and introduce new disclosures for financial instruments with contingent features unrelated to basic lending risks and costs. This amendment has no further impact on the Scheme.	1 January 2025
Annual improvements to IFRS Accounting Standards – Amendments to: IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS7; IFRS 9 Financial Instruments; IFRS 10 Consolidated Financial Statements; IAS 7 Statement of Cash Flows	These amendments, published in Annual Improvements to IFRS Accounting Standards – Volume 11, introduce clarifications and minor revisions to five IFRS standards, effective for annual reporting periods beginning on or after 1 January 2026. The changes address inconsistencies and potential confusion in the application of IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. Key amendments include clarifications on hedge accounting for first-time adopters, derecognition of lease liabilities, disclosure of deferred differences in fair value, determination of a 'de facto agent' in consolidated financial statements, and the use of the term 'cost method' in cash flow statements. These updates ensure consistency and improve the usability of the standards without introducing major policy changes. The Scheme will assess the additional disclosure requirements.	1 January 2026

NETCARE MEDICAL SCHEME
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

IMPLEMENTATION OF NEW STANDARDS (continued)

New standards, amendments and interpretations not yet effective and relevant to the Scheme (continued)

IFRS 18 Presentation and Disclosure in Financial Statement	The Standard was issued in April 2024 and supersedes IAS 1 Presentation of Financial Statements. The Standard provides additional requirements for the presentation and disclosure of information in the primary financial statements and the notes to improve transparency and comparability of information. IFRS 18 will impact the Scheme's Income statement and related note disclosures. The Scheme will assess the additional disclosure requirements.	1 January 2027
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1.3 INSURANCE CONTRACTS SCOPE AND GROUPING

Definition and classification

Insurance contracts are contracts under which the Scheme accepts significant insurance risk from another party (the member/policyholder) by agreeing to compensate the policyholder should a specified uncertain future event (the insured event) adversely affect the policyholder.

A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

The Scheme determines whether it has assumed significant insurance risk by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance and reinsurance contracts can also expose the Scheme to financial risk, which is not taken into account in the determination of significant insurance risk.

Significant judgements and estimates

IFRS 17 does not specify what significant insurance risk is. The Scheme's policy defines significant insurance risk as follows: The possibility that the present value of losses arising on the insurance contract exceeds 10% of the present value of income and receipts collected when applying a worst-case scenario upon inception of the insurance contract.

NETCARE MEDICAL SCHEME
(Registration no. 1584)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Separating components within insurance contracts

IFRS 17 requires an analysis of whether the contract contains components that should be separated from the insurance contract and accounted for under different IFRS Accounting Standards. IFRS 17 requires that cash flows relating to embedded derivatives, cash flows relating to distinct investment components and promises to transfer distinct goods or distinct services, other than insurance contract services, be accounted for separately.

The Scheme presently has no contracts requiring further separation or a combination of insurance contracts.

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

The investment component and the insurance component are highly interrelated as the one component cannot be measured without considering the other. Under the contracts issued by the Scheme, the PMSA can be measured separately, however, under certain benefit plans, there is a risk component that is available once the PMSA has been exhausted and once certain conditions are met. This indicates that the level of certain risk benefits available is dependent on the PMSA, and the value of risk benefits cannot be measured without considering the PMSA. This results in the two components being highly interrelated. The second indicator that the two components are highly interrelated is that members are unable to benefit from one component unless the other component of the insurance contract is also present. Under benefit plans that offer PMSAs, the PMSA and the risk portion of the plan cannot be bifurcated and the member, if electing a benefit plan with a PMSA, has to take both the PMSA and the risk component. To cancel a component of the contract, the member has to cancel the entire contract (both components).

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

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

NETCARE MEDICAL SCHEME
(Registration no. 1584)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Measurement models

IFRS 17 provides three possible measurement models.

- The default model is the General Measurement Model (GMM). The GMM is typically used for measuring long-term insurance risk and annuity contracts.
- The GMM is supplemented by the Variable Fee Approach (VFA) for contracts where policyholders have purchased investment linked insurance contracts integrated with insurance coverage (i.e. insurance contracts with direct participating features).
- The Premium Allocation Approach (PAA) is a simplified approach of the GMM for short-duration contracts such as group risk, personal lines and private medical insurance.

Insurers can elect to apply the premium allocation approach (PAA) to measure a group of insurance contracts issued or reinsurance contracts held if, at the inception of the group:

- The coverage period of each contract in the group of insurance contracts is one year or less, or
- The insurer reasonably expects that the PAA would produce a measurement of the LRC for a group of insurance contracts that would not differ materially from the measurement achieved by applying the GMM.

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

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

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

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

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

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

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

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

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

NETCARE MEDICAL SCHEME
(Registration no. 1584)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Expected fulfilment cash flows (EFCF)

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

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

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

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

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

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

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

Risk adjustment

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

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

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

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

NETCARE MEDICAL SCHEME
(Registration no. 1584)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Risk adjustment (continued)

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

For the Scheme's insurance contracts the explicit risk adjustment for non-financial risk is estimated to measure the LIC. The risk adjustment will be determined by applying a confidence level technique set at a confidence level of 75%.

Unit of account, aggregation and recognition of insurance and reinsurance contracts

Under IFRS 17, the unit of account is defined as a group of insurance contracts. The manner in which insurance contracts are grouped affects the timing of profit recognition for insurance services but does not affect the measurement of the estimated cash flows to fulfil the insurance contracts. In terms of IFRS 17, the unit of account is determined by first establishing a portfolio of insurance contracts and then creating separate cohorts within the portfolio based on the date of origination. Each such cohort is further grouped into three groupings based on estimated profitability.

Portfolio

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

The Scheme offers insurance cover against the cost of a health event.

Cohort

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

Groups

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

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

Recognition and derecognition

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

- the beginning of the coverage period;
- the date when the first payment from the member is due or actually received, if there is no due date; and
- when the Scheme determines that a group of contracts becomes onerous.

An insurance contract is derecognised when it is:

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

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

NETCARE MEDICAL SCHEME
(Registration no. 1584)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Initial and subsequent measurement

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

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

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

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

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

For insurance contracts issued at each of the subsequent reporting dates the Liability for incurred claims is:

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

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

If the group of contracts becomes onerous, the Scheme increases the carrying amount of the Liability for remaining coverage to the amounts of the fulfilment cashflows determined under the general measurement model with the amount of such an increase recognised in insurance service expenses. Subsequently, the Scheme amortises the amount of the loss component within the Liability for remaining coverage by decreasing insurance service expenses. The loss component amortisation is based on the passage of time over the remaining coverage period of contracts within an onerous group.

Insurance revenue

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

Insurance Service Expenses

Insurance service expenses include:

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

Net of:

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

**NETCARE MEDICAL SCHEME
(Registration no. 1584)**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Other incurred directly attributable insurance service expenses include:

Accredited managed care healthcare services (no risk transfer)

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

Insurance acquisition costs

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

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

Other incurred directly attributable insurance service expenses include(continued):

Accredited administration services

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

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

Insurance interest income and expenses

The non-distinct investment component (PMSA) accrues interest. This is disclosed within the insurance finance expense line item.

NETCARE MEDICAL SCHEME
(Registration no. 1584)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

RISK TRANSFER REINSURANCE

Definition

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

Unit of account

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

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

Recognition and derecognition

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

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

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

Initial and subsequent measurement

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

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

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

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

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

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

**NETCARE MEDICAL SCHEME
(Registration no. 1584)**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

RISK TRANSFER REINSURANCE (continued)

Contract boundary

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

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

Net income/(expense) from reinsurance contracts held

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

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

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

NETCARE MEDICAL SCHEME
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

CLASSIFICATION, RECOGNITION, PRESENTATION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

Offsetting financial instruments

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

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

Derecognition of financial assets and liabilities

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

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

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

FINANCIAL ASSETS

IFRS 12 Unconsolidated investment structures

The Scheme has determined that its investments in pooled funds and collective investment schemes ("funds") are investments in unconsolidated structured entities. The Scheme invests in these funds, whose objectives range from achieving medium to long-term capital growth and whose investment strategy do not include the use of leverage. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

NETCARE MEDICAL SCHEME
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

FINANCIAL LIABILITIES

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

PROVISIONS

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

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

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

CONTINGENT LIABILITY

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

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

INCOME TAX

In terms of Section 10 (1)(d) of the Income Tax Act 58 of 1962, as amended, receipts and accruals of a benefit fund are exempt from normal tax. A medical scheme is included in the definition of a benefit fund and consequently the Scheme is exempt from income tax.

NETCARE MEDICAL SCHEME
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

1. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting policy

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

Financial assets at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the surplus or deficit section of the Statement of Comprehensive Income.

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

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

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

Non-current asset	2024 R	2023 R
Fair value at the beginning of the year	592,345,062	545,301,354
Additions	21,265,291	21,600,447
Contributions	1,288,209	1,816,176
Interest re-invested	17,770,642	16,246,311
Dividends re-invested	2,206,440	3,537,960
Disposals	(12,248,036)	(6,577,052)
Withdrawals	(9,727,077)	(4,341,631)
Investment management fees#	(2,520,959)	(2,235,421)
Realised gains on disposal of investments	6,081,499	2,646,897
Unrealised gains on fair valuation of investments	38,637,550	29,373,416
Fair value at the end of the year	<u>646,081,366</u>	<u>592,345,062</u>

#Investment management fees are paid for by the respective portfolios through the disinvestment of investments.

NETCARE MEDICAL SCHEME
(Registration no. 1584)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

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

The investments included above represent investments on a look-through basis in:

	2024	2023
	R	R
Bonds	172,503,725	160,525,512
Cash and deposits	275,230,662	258,262,447
Equity	198,346,979	173,557,103
Fair value at the end of the year	<u>646,081,366</u>	<u>592,345,062</u>

Investments held at fair value through profit or loss representing units in insurance policies and collective investment schemes are made up of the following:

Allan Gray Life - Domestic Stable Medical Scheme Portfolio	175,499,934	157,406,397
Coronation Life - Coronation Medical Aid Portfolio	133,132,810	118,555,250
M&G Life Inflation Plus 5% Medical Aid Fund UPF	133,219,664	119,938,228
Ninety One - Stable Money Market Fund	36,364,348	33,213,735
Ninety One - Stable Money Market Fund - PMSA Trust Funds	167,864,610	163,231,452
	<u>646,081,366</u>	<u>592,345,062</u>

A register of investments held through the above insurance policies are available for inspection at the registered office of the Scheme.

The investment managers actively trade the underlying portfolios with reference to the market values of the underlying investments. Realised gains and losses arise when individual shares and bonds or equities are disposed within the underlying portfolios.

The weighted average effective return on the above investments was 11.4% (2023: 9.1%.)

2. FINANCIAL ASSETS AT AMORTISED COST

Accounting policy

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

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

NETCARE MEDICAL SCHEME
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

2. FINANCIAL ASSETS AT AMORTISED COST (continued)

Impairment of other receivables

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

	2024	2023
	R	R
Current asset		
Interest receivable on cash and cash equivalents	57,758	79,094
	<u>57,758</u>	<u>79,094</u>

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

3. CASH AND CASH EQUIVALENTS

Accounting policy

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

In the Statement of Cash Flows, cash and cash equivalents comprise:

- Current accounts
- Money market instruments

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

	2024	2023
	R	R
Current asset		
Current accounts	101,813,396	96,339,942
Money market instruments	171,063,181	174,162,118
	<u>272,876,577</u>	<u>270,502,060</u>

The weighted average effective interest rate on money market accounts was 9.6% (2023: 9.4%). The overall weighted average effective interest rate on cash and cash equivalents was 7.9% (2023: 7.6%).

NETCARE MEDICAL SCHEME
(Registration no. 1584)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2024

4. INSURANCE CONTRACT LIABILITY

	2024				2023			
	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC)	Total		Liability for remaining coverage (LRC)	Liability for incurred claims (LIC)	Total	
Insurance contracts issued	Present value of future cash flows	Risk adjustment			Present value of future cash flows	Risk adjustment		
Net opening balance	(1,237,647)	214,481,642	214,095,020		(1,000,984)	193,602,894	193,292,562	
Insurance service result	(1,041,590,409)	1,039,443,802	(2,092,541)		(981,732,181)	971,833,351	(9,738,457)	
Insurance revenue	(1,041,590,409)	-	(1,041,590,409)		(981,732,181)	-	(981,732,181)	
Insurance service expense	-	1,039,443,802	1,039,497,868		-	160,373	971,993,724	
Incurred claims and directly attributable expenses	-	1,009,803,392	1,009,803,392		-	-	933,154,476	
Changes in fulfilment cash flows relating to the liability for incurred claims - past service	-	(1,659,590)	(2,510,615)		-	(690,652)	3,488,223	
Changes in fulfilment cash flows relating to the liability for incurred claims - current service	-	31,300,000	32,205,091		-	851,025	35,351,025	
Finance expense from insurance contracts issued	-	14,998,300	14,998,300		-	13,967,747	13,967,747	
Total amounts recognised in comprehensive	(1,041,590,409)	1,054,442,102	12,905,759		(981,732,181)	160,373	4,229,290	
Investment component - PMSA	(183,761,670)	183,761,670	-		(173,395,125)	-	-	
Total movement	(1,225,352,079)	1,238,203,772	12,905,759		(1,155,127,306)	1,159,196,223	4,229,290	
<i>Cash flows</i>								
Contributions received	1,224,168,086	-	1,224,168,086		1,154,890,643	-	1,154,890,643	
Claims and other directly attributable expenses	-	(1,226,383,045)	(1,226,383,045)		-	(1,124,456,208)	(1,124,456,208)	
Refunds on death or resignation - PMSA#	-	(17,808,641)	(17,808,641)		-	(13,861,268)	(13,861,268)	
Total cash flows	1,224,168,086	(1,244,191,686)	(20,023,600)		1,154,890,643	(1,138,317,476)	16,573,167	
Net closing balance	(2,421,640)	208,493,728	206,977,179		(1,237,647)	214,481,642	214,095,020	

#see following page

NETCARE MEDICAL SCHEME
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. INSURANCE CONTRACT LIABILITY (continued)

	2024	2023
	R	R
4.1 Breakdown of cash flows		
Contributions received		
Risk contributions	1,040,406,416	981,495,518
PMSA contributions	182,848,601	172,309,304
Transfers received from other schemes	913,069	1,085,821
	<u>1,224,168,086</u>	<u>1,154,890,643</u>
Claims and directly attributable expenses		
Risk claims	989,553,929	904,155,278
PMSA claims	173,933,175	160,988,867
Expenses	62,895,941	59,312,063
	<u>1,226,383,045</u>	<u>1,124,456,208</u>
4.2 Breakdown of Insurance Contract Liability#		
Outstanding insurance revenue	(2,421,640)	(1,237,647)
Amounts due from members and suppliers	(8,841,503)	(6,964,359)
Impairment losses	7,060,733	5,681,060
Liability for incurred claims (Note 4.3)	31,300,000	34,500,000
Risk adjustment	905,091	851,025
Reported claims not yet paid	6,248,370	14,330,959
Forensic recoveries	(4,648,279)	(3,137,720)
Directly attributable administration expenses	5,581,867	5,297,317
	<u>35,184,639</u>	<u>49,320,635</u>
Personal Medical Savings Account Trust liability (Note 4.4)	171,792,540	164,774,385
	<u>206,977,179</u>	<u>214,095,020</u>
4.3 Liability for incurred claims (LIC)#		
Opening balance	35,351,025	29,990,652
Payments in respect of prior year	(32,840,410)	(33,478,875)
Over/(under) provision *	2,510,615	(3,488,223)
Adjustment	29,694,476	38,839,248
	<u>32,205,091</u>	<u>35,351,025</u>
Less: Risk adjustment	(905,091)	(851,025)
	<u>31,300,000</u>	<u>34,500,000</u>
4.4 Personal Medical Savings Account Trust liability		
	171,792,540	164,774,385
Balance at the beginning of the year	164,774,385	152,261,648
Plus:		
PMSA contributions received	182,848,601	172,309,304
Interest on PMSA monies	14,998,300	13,967,747
Transfers received from other schemes	913,069	1,085,821
Less:		
PMSA claims	(173,933,175)	(160,988,867)
Refunds on death or resignation	(17,808,640)	(13,861,268)
4.5 Reconciliation of Insurance liability for future members (Non-current liability)		
Balance at the beginning of the year	647,802,958	594,346,379
Amounts attributable to future members	61,439,321	53,456,579
Balance at the end of the year	<u>709,242,279</u>	<u>647,802,958</u>

#Following regulatory recommendation from the Council for Medical Schemes to enhance financial reporting, the insurance contract liability has been further broken down to provide a more detailed view of its components.

NETCARE MEDICAL SCHEME
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2024

5. REINSURANCE CONTRACT ASSETS

	2024				2023			
	Remaining Coverage Component	Incurred claims for contracts under the PAA		Total	Remaining Coverage Component	Incurred claims for contracts under the PAA		Total
		Present value of future cash flows	Risk adjustment for non-financial risk			Present value of future cash flows	Risk adjustment for non-financial risk	
Healthcare Risk – Reinsurance contracts held	-	-	-	-	-	-	-	-
Net opening balance	-	-	-	-	-	-	-	-
Net income/(expenses) from reinsurance contracts held	6,799,116	(7,182,733)	(383,617)	6,799,116	(6,689,332)	-	109,784	
Reinsurance expenses	6,799,116	-	6,799,116	6,799,116	-	-	6,799,116	
Claims recovered	-	(7,182,733)	(7,182,733)	-	(6,689,332)	-	(6,689,332)	
Total amounts recognised in comprehensive income	6,799,116	(7,182,733)	(383,617)	6,799,116	(6,689,332)	-	109,784	
Cash flows								
Premiums paid	(6,799,116)	-	(6,799,116)	(6,799,116)	-	-	(6,799,116)	
Recoveries from reinsurance	-	7,182,733	7,182,733	-	6,689,332	-	6,689,332	
Total cash flows	(6,799,116)	7,182,733	383,617	(6,799,116)	6,689,332	-	(109,784)	
Net closing balance	-	-	-	-	-	-	-	

NETCARE MEDICAL SCHEME
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

6. FINANCIAL LIABILITIES AT AMORTISED COST

Accounting policy

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

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

Unallocated funds

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

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

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

Note

Current liability	2024	2023
	R	R
<i>Financial liabilities</i>		
Sundry payables	696,771	948,287
Unallocated funds	2,099,472	79,951
Total arising from financial liabilities	<u>2,796,243</u>	<u>1,028,238</u>

At 31 December 2024 the carrying amounts of insurance and other payables approximate their fair values due to the short-term maturities of these liabilities.

NETCARE MEDICAL SCHEME
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. INSURANCE REVENUE AND SERVICE EXPENSES

	2024	2023
	R	R
Insurance revenue	1,041,590,409	981,732,181
Insurance service expenses	(1,039,497,869)	(971,993,724)
Incurred claims	(978,128,334)	(915,313,644)
Third party recoveries	1,526,406	2,631,982
Other directly attributable expenses	(62,895,941)	(59,312,062)
Accredited administration services	(38,436,592)	(36,211,387)
Accredited managed healthcare services (no risk transfer)	(24,459,349)	(23,100,675)
Net expense from reinsurance contracts held	(59,001)	(109,784)
Reinsurance expense	(7,241,734)	(6,799,116)
Reinsurance income	7,182,733	6,689,332
Total insurance service result	<u>2,033,539</u>	<u>9,628,673</u>
<i>Reconciliation of Insurance service expense per IFRS 17*</i>		
Insurance service expenses*	(1,039,497,869)	(971,993,724)
Amounts attributable to future members*	(61,439,321)	(53,456,579)
Total Insurance service expense per IFRS 17*	<u>(1,100,937,190)</u>	<u>(1,025,450,303)</u>

*Circular 6 of 2025 issued by the CMS requires medical schemes to present 'Amounts attributable to future members' separate from the "Insurance service expenses" and the "Insurance service result". This resulted in a representation of the prior year affected line items as follows: "Amounts attributable to future members" to the value of R61,439,321 (2023: R53,456,579), are now being disclosed as a separate line item on the Statement of comprehensive income before the "Surplus/deficit for the year".

Included in other directly attributable expenses above

Accredited administration services

Customer services	19,357,278	18,236,630
Information management and data control	7,106,327	6,694,921
Claims management	4,383,640	4,129,858
Member record management	3,964,414	3,734,903
Contribution management	3,481,394	3,279,846
Financial management	143,539	135,229
	<u>38,436,592</u>	<u>36,211,387</u>

Accredited managed healthcare services (no risk transfer)

Specialist and hospital utilisation management	6,600,720	6,234,062
Hospital benefit management	7,582,740	7,161,532
Pharmacy benefit management	2,447,074	2,311,144
Disease management	7,828,815	7,393,937
	<u>24,459,349</u>	<u>23,100,675</u>

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

8. INVESTMENT INCOME

Interest revenue from financial assets not measured at fair value through profit and loss	677,643	615,178
Dividend revenue from investments at fair value through profit and loss	2,206,440	3,537,960
Interest revenue from investments at fair value through profit and loss	38,297,978	32,775,342
Net gains on investments at fair value through profit and	44,719,049	32,020,312
	85,901,110	68,948,792

9. OTHER OPERATING EXPENDITURE

Accounting policy

Other operating expenses are expensed as incurred.

Note	2024 R	2023 R
Administration services	3,285,451	3,095,247
Other services		
Forensic investigations and recoveries	735,923	693,319
Internal audit services	587,827	553,796
Actuarial services	337,203	317,681
Governance and compliance	116,198	109,471
Additional services		
Quality Management and Monitoring Services	553,651	521,598
Advanced Data Analytics	462,515	435,739
Digital Service Offering	168,602	158,841
Product Innovation	111,642	105,179
Enhanced Service Offering	93,414	88,006
Enterprise risk management services	93,414	88,006
Legal Services	25,062	23,611
Administration of 3rd party recoveries	579,826	610,782
AGM Costs	-	248,088
Association fees	224,753	43,099
Auditor's remuneration - audit	836,714	484,240
Audit committee fees	45,000	60,000
Bank charges	181,813	173,496
Consultants costs	520,074	405,247
Fidelity insurance expense	48,000	40,340
Legal Fees	174,755	1,826,907
Principal Officer remuneration and related expenses	1,023,013	972,492
Registrar's levies	823,091	769,338
Subscriptions - benchmarking through health quality assessm	23,028	60,153
Sundry expenses	1,208,302	201,426
Trustees expenses	18,000	18,000
	8,991,820	9,008,856

NETCARE MEDICAL SCHEME
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

9. OTHER OPERATING EXPENDITURE (continued)

	2024	2023
	R	R
<i>Trustee expenses</i>		
Gifts		
S Khoosal	1,500	1,500
S Khuboni	1,500	1,500
S Machaba	1,500	1,500
C Maslo	1,500	1,500
R Mokonyama	1,500	1,500
N Ndzwayiba	1,500	1,500
P Seetul	1,500	1,500
G Setati	1,500	-
M Toubkin	1,500	1,500
E van Rooyen	1,500	1,500
H Venter	1,500	1,500
S Vilakazi	1,500	1,500
D Longueira	-	1,500
	18,000	18,000

None of the Trustees are remunerated for their attendance at meetings.

10. SUNDRY INCOME

Accounting policy

Amounts due by the Scheme that have legally prescribed, that is funds older than three years, are reversed and included under Sundry income.

Note

Prescribed amounts written back	<u>15,750</u>	<u>89,580</u>
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NETCARE MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2024

11 RELATED PARTY TRANSACTIONS

Discovery Health (Pty) Ltd

Discovery Health (Pty) Ltd ("Discovery"), as third party administrator and managed care organisation is deemed a related party as a result of their influence over the financial and operational functions of the Scheme, without having control. Discovery received market related administration and managed care fees as follows:

	2024	2023
	R	R
Administration fees	41,722,044	39,306,636
Managed care: Management services	24,459,349	23,100,675
Amounts owing to administrator at year-end	5,581,867	5,297,317

Discovery Third Party Recovery Services

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

Road Accident Fund recoveries	-	1,232,890
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Netcare Limited

The Netcare Limited Group is deemed a related party in that the Netcare Medical Scheme is a restricted membership scheme, and the membership comprises staff working for employer entities within this Group. Contributions received in note 8 are in part subsidised by the employer group. During the year, claims were paid by the Scheme to hospitals within the Netcare Limited Group, in respect of treatment received by the members of the Scheme at those facilities.

In addition to the above, included in the pooled investment portfolios disclosed in note 3, are shares and bonds held in Netcare Limited.

Netcare Limited Group claims paid	396,570,702	379,492,735
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Netcare 911

Netcare 911, a division of the Netcare Limited Group, and, based on utilisation, provided ambulance services to members of the Scheme during the year, for which it received market related fees. These fees are included in risk transfer arrangements in note 11.

Netcare 911 fees	7,241,734	6,799,116
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Trustees and Principal Officer

Contributions billed to, contributions received from, and claims paid in respect of Trustees of the Scheme during the year, were done so in accordance with the rules of the Scheme and the provisions of the Medical Schemes Act 131 of 1998, as amended. Accordingly, all Trustees were treated in the same manner by the Scheme as would any member have been, at arms length. Details of transactions with the Trustees and the Principal Officer are shown below:

Principal Officer remuneration and related expenses	1,023,013	972,492
Amounts in		
Risk contribution received	1,235,171	830,845
Risk claims paid	(2,200,361)	(838,991)
MSA Interest	11,714	5,602
Positive savings balances	168,415	91,531

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

In the process of applying the Scheme's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the annual financial statements:

Liability for incurred claims (LIC)

The liability for incurred claims is an estimate of the potential liability at the reporting date for risk claims that have been incurred by members but not yet reported to the Scheme. This amount is included in the Insurance Contract Liability per note 4.

13 INSURANCE RISK MANAGEMENT

Risk management objectives and policies for mitigating medical insurance risk

The primary medical insurance activity carried out by the Scheme assumes the risk of loss from members and their dependants that are directly subject to the risk. These risks relate to the health of the Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of risk claims under the contract.

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

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

Medical insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated.

Risk in terms of risk transfer arrangements

The Scheme cedes medical insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks and defined blocks of business, on a co-insurance, yearly renewable term. These risk transfer arrangements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Scheme's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. According to the terms of the capitation agreements, the suppliers provide certain minimum benefits to Scheme members, as and when required by the members. The Scheme does, however, remain liable to its members with respect to ceded medical insurance if any capitation provider fails to meet the obligations it assumes. When selecting a capitation provider the Scheme considers its stability from public rating information and from internal investigations.

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13 INSURANCE RISK MANAGEMENT (continued)

Risk management objectives and policies for mitigating insurance risk

The following table summarises the concentration of medical insurance risk on a beneficiary level, with reference to the amount of 2024 medical insurance claims paid in the 2024 financial year, by age group and in relation to the type of risk covered or benefits provided.

2024	Hospital	Chronic	Day to day	Total
Age group (in years)	(major medical)			
	R	R	R	R
< 26	112,016,949	2,431,204	37,173,945	151,622,098
26 - 35	85,889,140	2,840,042	38,034,645	126,763,827
36 - 50	163,417,562	12,178,059	72,650,653	248,246,274
51 - 65	161,076,596	15,945,112	65,259,834	242,281,542
> 65	119,865,922	9,201,252	37,456,567	166,523,741
Total	642,266,169	42,595,669	250,575,644	935,437,482

2023	Hospital	Chronic	Day to day	Total
Age group (in years)	(major medical)			
	R	R	R	R
< 26	115,435,420	2,401,135	36,478,621	154,315,176
26 - 35	78,227,434	3,104,882	37,315,413	118,647,729
36 - 50	157,629,228	11,826,984	70,078,360	239,534,572
51 - 65	144,696,458	14,929,675	58,512,667	218,138,800
> 65	99,415,649	8,206,517	29,874,797	137,496,963
Total	595,404,189	40,469,193	232,259,858	868,133,240

(The table above illustrates the benefits paid for the respective years, while the incurred claims figure in note 7 includes provisions and other items and these numbers are thus not comparable to each other.)

The Scheme's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome. The strategy is set out in the annual business plan, which specifies the benefits to be provided.

All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal. Management information including contribution income and claims ratios, is reviewed monthly. There is also a program that regularly reviews contractual premium and benefit data to ensure adherence to the Scheme's objectives.

Risk claims development

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

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13 INSURANCE RISK MANAGEMENT (continued)

Sensitivity to insurance risk

A sensitivity analysis is provided below reflecting the impact on the Scheme's reported results for the year assuming a 1% increase/(decrease) in the cost of claims incurred, with all other variables held constant.

	Increase	Decrease
	R	R
2024		
In-hospital claims incurred	(6,739,557)	6,739,557
Chronic claims incurred	(425,802)	425,802
Day-to-day claims incurred	(2,545,183)	2,545,183
Total	<u>(9,710,542)</u>	<u>9,710,542</u>
2023		
In-hospital claims incurred	(6,173,397)	6,173,397
Chronic claims incurred	(420,299)	420,299
Day-to-day claims incurred	(2,412,168)	2,412,168
Total	<u>(9,005,863)</u>	<u>9,005,863</u>

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

	2024		2023	
	LIC as at December R	Impact on SOCI* R	LIC as at December R	Impact on SOCI* R
Sensitivity of liability and claims				
<i>Unpaid claims</i>				
Insurance contract liability	206,977,179	-	214,095,020	-
Unpaid claims and expenses - 5% increase	-	10,348,859	-	10,704,751
<i>Expenses - 5% increase</i>				
Insurance service expense	1,039,497,869	-	971,993,724	-
Change in insurance service expense	-	51,974,893	-	48,599,686

*Statement of Comprehensive Income

#the impact increases the LIC by the same value

Sensitivity of risk adjustment

	2024	2023
	R	R
Risk adjustment with a 75% confidence level - as reported	905,091	851,025
Risk adjustment with a 90% confidence level	2,196,537	1,849,170

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14 FINANCIAL RISK MANAGEMENT

Overview

The Scheme is exposed to financial risk through its financial assets, insurance assets, financial liabilities and insurance liabilities. In particular, the financial risk is that the proceeds, for any reason, from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk include market risk, interest rate risk, investment risk, credit risk and liquidity risk.

The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's statutory solvency requirement.

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

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

The Scheme manages the financial risks as follows:

- The Investment Committee, a Committee of the Board of Trustees, recommends the Scheme's investment policy to the Board of Trustees for approval. The Investment Committee meets at least quarterly and reports back to the Board of Trustees on the matters included in its terms of reference.
- The Scheme has appointed reputable external asset managers to manage its investments and their performance is monitored regularly.
- An external asset consulting company has been appointed to assist in formulating the investment strategy and to provide ongoing reporting and monitoring of the asset managers.

Market risks

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

The Scheme's insurance liabilities are settled within one year and the Scheme does not discount insurance liabilities. Consequently, changes in market interest rates would not affect the Scheme's surplus or deficit arising from changes in the insurance liability.

Interest rate risk

Interest rate risk is the exposure that the Scheme has to changes in interest rates. This is not a significant risk to the Scheme as it holds no debt with the exception of the member's saving liability on which interest is paid. The main exposure to the Scheme would be a reduction in interest income on investments if interest rates were to decrease. In order to reduce the impact of any potential interest rate changes, the Scheme holds a diversified portfolio of investments both long and short term.

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

	Up to 1 month	1 - 3 months	3 - 12 months	Carrying amount
	R	R	R	R
2024				
Investments held at fair value through profit or loss	447,734,386	-	-	447,734,386
Cash and cash equivalents	272,876,577	-	-	272,876,577
Total	<u>720,610,963</u>	<u>-</u>	<u>-</u>	<u>720,610,963</u>

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14 FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

2023

Investments held at fair value
through profit or loss

418,787,959 - - 418,787,959

Cash and cash equivalents

270,502,060 - - 270,502,060

Total

689,290,019 - - 689,290,019

If interest rates changed by 1%, assuming all other variables remain constant, and the recent past is predictive of the future, the impact on return on investment and the resulting impact on the net surplus of the Scheme is as follows:

	2024	2023
	R	R
Change in investment income	<u>7,206,110</u>	<u>6,892,900</u>

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Scheme operates in South Africa and therefore its cash flows are denominated in South African Rand (ZAR). The Scheme is not directly exposed to currency risk in relation to investments as all are denominated in South African Rand.

Price risk

The Scheme is exposed to equity price risk as it invests funds in South African equities, managed by the Scheme's asset managers. The Scheme's equity portfolio is a long-term investment, and the funds invested in this portfolio are not needed in the short or medium-term. This mitigates the risk associated with short-term fluctuations in the equity market. The Scheme has appointed reputable asset managers with good track records in terms of performance.

Should the South African bond and equities markets change by 2%, assuming all other variables remain constant, and the recent past is predictive of the future, the impact on return on investment and the resulting impact on the net surplus of the Scheme would be as follows:

	2024	2023
	R	R
Equities	<u>3,966,940</u>	<u>3,471,142</u>

Credit risk

The Scheme has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and members.

The Scheme's credit risk is primarily attributable to insurance contract assets and other receivables. The amounts presented in the statement of financial position are net of unpaid accounts, estimated by the Scheme's management based on prior experience and the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit rating agencies.

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14 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The Scheme manages credit risk by:

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

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

Investments

The Scheme manages credit risk on its investment portfolios through the appointment of reputable and appropriate asset managers, extensive diversification and ongoing monitoring and management of credit risk exposures and portfolio holdings.

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

The Scheme's credit risk exposures at 31 December for the respective years were as follows:

	R
2024	
Policies of insurance	
Allan Gray Life - Domestic Stable Medical Scheme Portfolio	175,499,934
Coronation Life - Coronation Medical Aid Portfolio	133,132,810
M&G Life Inflation Plus 5% Medical Aid Fund UPF	133,219,664
Collective Investment Schemes	
Ninety One - Stable Money Market Fund	36,364,348
Ninety One - Stable Money Market Fund - PMSA Trust Funds	<u>167,864,610</u>
	<u><u>646,081,366</u></u>
2023	
Policies of insurance	
Allan Gray Life - Domestic Stable Medical Scheme Portfolio	157,406,397
Coronation Life - Coronation Medical Aid Portfolio	118,555,250
M&G Life Inflation Plus 5% Medical Aid Fund UPF	119,938,228
Collective Investment Schemes	
Ninety One - Stable Money Market Fund	33,213,735
Ninety One - Stable Money Market Fund - PMSA Trust Funds	<u>163,231,452</u>
	<u><u>592,345,062</u></u>

Cash and cash equivalents

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

Insurance receivables

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

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14 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents by monitoring the availability of funding through liquid-holding cash positions with various financial institutions. This ensures that the Scheme has the ability to fund its day-to-day operations.

The table below analyses the assets and liabilities of the Scheme into relevant maturity groupings based on the remaining period at year end to the contractual maturity date:

	Up to 1 month R	1 - 3 months R	3 - 12 months R	Total R
As at 31 December 2024				
Assets				
Financial assets at fair value through profit or loss	275,230,662	370,850,704	-	646,081,366
Financial assets at amortised cost	57,758	-	-	57,758
Cash and cash equivalents	272,876,577	-	-	272,876,577
Insurance contract assets	8,850,687	-	-	8,850,687
	<u>557,015,684</u>	<u>370,850,704</u>	<u>-</u>	<u>927,866,388</u>
Liabilities				
Insurance contract liabilities	38,927,113	8,306,050	168,594,703	215,827,866
Trade and other payables	2,796,243	-	-	2,796,243
	<u>41,723,356</u>	<u>8,306,050</u>	<u>168,594,703</u>	<u>218,624,109</u>
Net positive/(negative) liquidity*	<u>515,292,328</u>	<u>362,544,654</u>	<u>(168,594,703)</u>	<u>709,242,279</u>
As at 31 December 2023				
Assets				
Financial assets at fair value through profit or loss	258,262,447	334,082,615	-	592,345,062
Financial assets at amortised cost	79,094	-	-	79,094
Cash and cash equivalents	270,502,060	-	-	270,502,060
Insurance contract assets	4,519,612	319,779	819,273	5,658,664
	<u>533,363,214</u>	<u>334,402,394</u>	<u>819,273</u>	<u>868,584,881</u>
Liabilities				
Insurance contract liabilities	43,182,414	10,147,292	166,423,979	219,753,685
Trade and other payables	1,028,238	-	-	1,028,238
	<u>44,210,652</u>	<u>10,147,292</u>	<u>166,423,979</u>	<u>220,781,923</u>
Net positive/(negative) liquidity*	<u>489,152,562</u>	<u>324,255,102</u>	<u>(165,604,706)</u>	<u>647,802,958</u>

*Money market related funds disclosed as Financial assets at fair value through profit or loss are easily convertible into cash and cash equivalents to ensure the Scheme has sufficient liquidity to meet its obligations.

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14 FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation and hierarchy

The fair value of publicly traded financial instruments held at fair value through profit or loss and held through insurance policies, is based on quoted bid prices in an active market at the statement of financial position date.

For all financial assets and liabilities held at year end, the carrying values approximate their fair values.

Fair value by hierarchy level:

	2024	2023
	R	R
Level 2*		
Investments held at fair value through profit or loss	646,081,366	592,345,062

*Level 2 - Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Capital adequacy risk

This represents the risk that there are insufficient reserves to provide for adverse variations on actual and future experience. The Scheme manages its funds to ensure that it will be able to continue as a going concern as well as meet the solvency ratio of 25%, as regulated by the Medical Schemes Act 131 of 1998, as amended.

The Scheme had R709,2 million (2023: R647,8 million) of Liability for future members at 31 December 2024, which translated to a solvency ratio of 48.0% (2023: 49.2%).

The solvency ratio decreased from 49.2% to 48.0% and the Liability for future members increased in the current year. The financial results will be monitored closely to ensure the sustainability of the Scheme. These interventions include a number of designated service providers, managed care initiatives and continuous monitoring of the investment portfolios.

15 CONTINGENT ASSETS

The Scheme has approximately R23.9 million (2023: R22.0 million) in recoveries outstanding from the Road Accident Fund (RAF) for claims paid on behalf of members. The general likelihood of recovery of these amounts is uncertain, and the Trustees have elected not to recognise a debtor on the statement of financial position as any future recoveries are contingent on a multitude of factors. The Trustees consider, based on past experience and the current financial stability of the RAF, that the debtor, were it to be recognised would be impaired by R23.9 million (2023: R22.0 million).

16 FIDELITY COVER AND PROFESSIONAL INDEMNITY INSURANCE

The Scheme participated in fidelity insurance and professional indemnity cover provided by Ace Insurance Limited on behalf of AON South Africa (Pty) Ltd, amounting to R30 million (2023: R30 million).

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17 NON-COMPLIANCE MATTERS

The Trustees are of the opinion that there are no material deviations from the Medical Schemes Act 131 of 1998 as amended.

17.1 Outstanding contributions

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the Scheme. Per the Scheme rules, contributions are required to be received within three days after their due date. Instances were noted where contributions were received late.

Causes for failure

Balances after 3 days are due to defaults by direct paying members. Direct paying members are limited to pensioners or disability members no longer employed by Netcare Limited or its subsidiaries. The risk of default on payments due to the Scheme is low as the Scheme is restricted and accordingly premiums are collected via payroll.

Corrective action

Suspension policies are in place and applied where contributions are outstanding beyond the Scheme's available credit terms.

17.2 Payment of claims within 30 days

Nature and impact

In terms of Section 59(2) of the Act a member or provider claim should be settled within 30 days of submission. Instances were noted where settlements took more than 30 days.

Causes for failure

Delays can occur when accounts are referred for clinical audit or other investigations. These are however the exceptions, and claims are generally paid within the prescribed time.

Corrective action

The Scheme is aware of the requirements and complies as far as possible.

17.3 Investment in administrators

Nature and impact

In terms of Section 35(8)(c) of the Act a medical scheme shall not invest any of its assets in any administrator. During the year under review the Scheme had indirect investments in Administrators of Medical Schemes.

Causes for failure

The Scheme invests in pooled investment vehicles that allow investment managers 100% discretion to invest in a combination of shares and bonds that best achieve the stipulated benchmark.

Corrective action

The Scheme made an application to the Council for Medical Schemes for an exemption from this section of the Act. An exemption has been granted by the Council for Medical Schemes until 30 November 2025.

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17 NON-COMPLIANCE MATTERS (continued)

17.4 Composition of the Board of Trustees

Nature and impact

In terms of Section 57(2) of the Act and in Rule 18(1) of the Scheme's registered Rules at least 50% of the members of the board of trustees shall be elected from amongst members.

Causes for failure

The Scheme embarked upon a member elections process during 2022 for the nomination and appointment of replacement member trustees. However, it was identified that due to an inadvertent oversight, a valid nominee's name had been omitted from the Scheme's list of nominees.

Corrective action

The matter is ongoing and the Board of Trustees is engaging with the relevant stakeholders to seek a resolution.

18 CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2024.

19 SUBSEQUENT EVENTS

There were no events after the reporting date that had a material impact on the Scheme.