LA HEALTH MEDICAL SCHEME

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

LA HEALTH MEDICAL SCHEME
(Registration no. 1145)

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022

CONTENTS **Pages**

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for the year ended 31 December 2022

SCHEME DETAILS

BOARD OF TRUSTEES	Mr GJ Beukman	Elected (Chairperson)
	Mr R Denge	Elected (Deputy Chairperson)
	Mr RC Barnard	Elected
	Mr A Bennett	Elected
	Mr R Bosman	Elected
	Mr H Botha	Elected
	Ms N Chidi	Elected
	Mr R de Bruyn	Elected
	Mr HA Deysel	Elected
	Mr M Dlamini	Elected
	Mr R Field	Elected
	Mr A Lemmer	Elected
	Mr S Mabunda	Elected
	Mr C Mavuso	Elected
	Ms C Nel	Elected
	Mr S Yamba	Elected
PRINCIPAL OFFICER	Mr AM de Koker	
REGISTERED OFFICE	CRF Building, Unit 7, Level 2 4 Bridal Close Tyger Falls 7530	
POSTAL ADDRESS	Postnet Suite 116 Private Bag X19 Milnerton 7435	
ADMINISTRATOR Registered address of administrator	**Discovery Health (Pty) Ltd** 1 Discovery Place Sandton 2146	
AUDITOR Registered address of auditor	**KPMG Inc** 85 Empire Road Parktown Johannesburg 2193	

LA HEALTH MEDICAL SCHEME
(Registration no. 1145)

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022

TRUSTEES' RESPONSIBILITY AND APPROVAL

The Trustees are responsible for the preparation and fair presentation of the annual financial statements of LA Health Medical Scheme, comprising the statement of financial position at 31 December 2022, and the statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act of South Africa. In addition, the Trustees are responsible for preparing the report of the Board of Trustees.

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

The Trustees have monitored the impact of the COVID-19 pandemic and consequently, long Covid, on the Scheme closely during 2022. The Trustees were provided with regular updates in respect of long COVID, regarding emerging trends in the country in general as well as within the medical industry and for the Scheme. The Scheme's strong financial position and reserve levels allow the Scheme to absorb the potential negative impact of long COVID, and it is not envisaged that it will have an impact on the Scheme's ability to pay claims as they arise.

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

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

Approval of the annual financial statements

The annual financial statements of LA Health Medical Scheme, as identified in the first paragraph, were approved by the Trustees on 12 April 2023 and are signed on their behalf by:

GJ BEUKMAN	**R FIELD**	**AM DE KOKER**
CHAIRPERSON	TRUSTEE	PRINCIPAL OFFICER

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LA HEALTH MEDICAL SCHEME
(Registration no. 1145)

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2022

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

LA Health Medical Scheme (the Scheme) is committed to the principles and practice of responsibility, accountability, fairness and transparency in its dealings with all stakeholders and applies good governance principles.

The Scheme is committed to ensure compliance within recognised frameworks and conducting its affairs based on ethical values, to ensure the adoption of risk assessment, evaluation and management processes, regular monitoring of third party administrators and providers in accordance with contractual service level agreements. This includes evaluating the performance of the Board and the Audit & Risk Committee against agreed terms of reference, the establishment and management of internal controls by assessing the adequacy and effectiveness through the reports of the internal auditor and calling on expert and professional advice when required.

BOARD OF TRUSTEES

The Board of Trustees and the Audit & Risk Committee meet regularly and monitor the performance of the Administrator and other service providers. They address a range of key issues and ensure discussion of items of policy, strategy and performance are informed and constructive.

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

INTERNAL CONTROL

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

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

GJ BEUKMAN	**R FIELD**	**AM DE KOKER**
CHAIRPERSON	TRUSTEE	PRINCIPAL OFFICER

DATE: 12 April 2023

LA HEALTH MEDICAL SCHEME
(Registration no. 1145)

REPORT OF THE AUDIT & RISK COMMITTEE

The Audit & Risk Committee hereby presents its report for the year ended 31 December 2022.

Audit & Risk Committee Members

The Audit & Risk Committee consists of the members listed below and meets at least four times per year, as per the approved terms of reference. During the financial year under review four meetings were held.

		Meetings attended
Ms F Mohamed (Chairperson)	Independent	4
Dr J Cornell	Independent	4
Ms M Moiloa (Deputy Chairperson - appointed 01 January 2022)	Independent	4
Mr A Lemmer (term ended 11 August 2022)	Trustee	2
Mr H Botha	Trustee	4
Mr R Barnard (appointed 11 August 2022)	Trustee	1

Audit & Risk Committee costs are depicted in the annual financial statements. Refer to note 15 of the annual financial statements.

Audit & Risk Committee responsibility

The Audit & Risk Committee reports that it has complied with its responsibilities as contained in the Medical Schemes Act of South Africa (the Act), and the Corporate Governance Guide to Audit & Risk Committees for Medical Schemes as issued by the South African Institute of Chartered Accountants.

The Audit & Risk Committee reports that it has complied with the formal terms of reference/audit committee charter, as approved by the Board of Trustees, regulated its affairs in compliance with the charter and discharged its responsibilities as contained therein.

The effectiveness of internal control

The Audit & Risk Committee has received reports from various assurance providers on the effectiveness of the internal financial control environment and as such has not found any significant or material non-compliance with prescribed policies and procedures.

Further, the Audit & Risk Committee noted that management controls applied during the year of assessment, e.g. the maintaining of an internal audit activity by the Scheme's administrator, has enhanced the overall internal control structure. The Audit & Risk Committee noted specifically the high level of assurance awarded to the Scheme's administrator's financial control environment.

Internal audit - business and IT

The Audit & Risk Committee reviews internal audit reports and the effectiveness of the internal audit function at each meeting. The Committee noted all findings and are comfortable that these are being dealt with accordingly.

The Committee also obtained assurances from the Administrator regarding IT risks and controls, business continuity and data recovery related to IT information security and privacy. The Committee is comfortable with assurances received.

Risk management

The Board of Trustees also appointed the Audit & Risk Committee as the Risk Committee of the Scheme. A risk register was compiled and is reviewed on a regular basis. These risks are monitored by this Committee.

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REPORT OF THE AUDIT & RISK COMMITTEE (continued)

Evaluation of annual financial statements

The Audit & Risk Committee has:

- Noted that the financial statements of the Scheme have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act of South Africa;
- Noted there were no other changes in the accounting policies other than noted in note 1.1; and
- Reviewed and discussed with the Principal Officer and external auditor the audited financial statements.

Governance

The Board of Trustees adopted the governance principles of the King Code and the King III Report. A King IV assessment has been completed on the governance and compliance instrument web-based tool. The Board of Trustees have considered the result of the King IV assessment. Further initiatives are currently being developed to achieve alignment with the code, e.g. Combined Assurance, Ethics Management & IT Governance. The Board of Trustees completed a 3 yearly independent evaluation during 2021, undertaken by BAOBAB Corporate Governance. No significant governance matters were raised.

Going concern

The Audit & Risk Committee considered the Going Concern assessment of management and is comfortable that no reason exist for the Scheme not to continue as a going concern.

Non-compliance matters

The Audit & Risk Committee takes note of the non-compliance matters as reported in note 26 to the financial statements and of the Board of Trustees' comments as contained in the Board of Trustees Report in this regard.

Annual financial statements

The Audit & Risk Committee concurs and accepts the conclusions of the external auditor on the financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the external auditor.

MS F MOHAMED
CHAIRPERSON - AUDIT & RISK COMMITTEE

AM DE KOKER
PRINCIPAL OFFICER

DATE: 12 April 2023

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Independent Auditor's Report

To the Members of LA-Health Medical Scheme

Opinion

We have audited the financial statements of LA-Health Medical Scheme (the Scheme), set out on pages 11 to 67, which comprise the statement of financial position at 31 December 2022, and the statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of LA-Health Medical Scheme at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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.

Risk claims incurred Refer to accounting policy note1.11 and risk claims incurred in note 11 to the financial statements	
Key audit matter	How the matter was addressed in our audit:
Risk claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Scheme is responsible, whether or not reported by the end of the year. The most significant expense for the Scheme relates to risk claims incurred amounting to R3 779 million at 31 December 2022. Risk claims incurred is a key driver in determining the sustainability of the Scheme. Due to the significant volume of claims processed by the Scheme, the payment of valid risk claims is dependent on the integrity of the Scheme's administration system, as well as the automated claims assessment controls. Risk claims incurred was considered a key audit matter due to the significant volume of claims processed during the year and the work effort required to be performed by the audit team.	Our audit procedures included the following: • We evaluated the accuracy of benefit limits and rules captured onto the administration system by comparing the approved benefit limits and rules of the Scheme to those captured onto the administration system. • We tested the IT controls in place to prevent unauthorised access to or changes to the administration system. • We tested, through the assistance of our own IT specialists, the automated claims assessment controls of the administration system to ensure that only valid claims were being processed and paid. • We inspected the reconciliation, performed by the Scheme administrator, between the administration system and the general ledger to assess whether the risk claims paid were accurately captured into the Scheme's accounting system.
Outstanding risk claims provision Refer to accounting policy note 1.8 and outstanding risk claims provision in note 6 to the financial statements.	
Key audit matter	How the matter was addressed in our audit

The outstanding risk claims provision (the provision) is the Scheme's estimate of the ultimate cost of settling all risk claims incurred but not yet reported (IBNR) at the reporting date. As at 31 December 2022 the outstanding risk claims amounted to R143 million
 	
The provision is determined by the Scheme's actuary as described in note 6 to the financial statements and is estimated using a range of statistical methods. Determining the provision requires judgement with regard to the assumptions applied in respect of measuring the outstanding risk claims provision which could materially affect the financial statements.
 	
Outstanding risk claims provision was considered a key audit matter due to the significant estimation involved in determining the provision.
	Our audit procedures performed included the following:
	• We, with assistance of our own actuarial specialists:
	  ○ evaluated the appropriateness of the methodology used in determining the provision against best practice.
	  ○ challenged the appropriateness of the assumptions used in the Scheme's methodology for measuring the provision by evaluating the assumptions against best practice and the current economic environment.
	  ○ Assessed whether the data used in the provision is complete and accurate.
	  ○ evaluated the qualification, competence, independence and integrity of the Scheme's actuary.
	• We calculated our own estimation of the provision to confirm the reasonability of the Scheme's provision.
	• We assessed the adequacy of the provision by comparing actual claims paid after year-end that related to the current year to the provision at year-end.
	• We evaluated whether the disclosures in the financial statements were appropriate in accordance with IAS 37, Provisions, contingent liabilities and contingent assets.

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Other information

The Scheme's trustees are responsible for the other information. The other information comprises Scheme details, Trustees' responsibility and approval, Statement of corporate governance by the Board of Trustees, and Report of the Audit Committee. 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 International Financial Reporting Standards 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.

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- 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 requirements

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.

Audit tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that KPMG Inc. firm has been the auditor of LA-Medical Scheme for 19 years.

The engagement partner, Z.A Beseti, has been responsible for LA-Medical Scheme's audit for 1 year.

KPMG Inc.

Per Z.A Beseti
Chartered Accountant (SA)
Registered Auditor
Director

20 April 2023

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LA HEALTH MEDICAL SCHEME
(Registration no. 1145)

STATEMENT OF FINANCIAL POSITION
at 31 December 2022

	Notes	2022 R	2021 R
ASSETS			
Non-current assets		4,068,115	5,275,540
Property and equipment	2	4,068,115	5,275,540
Current assets		3,922,184,047	3,595,296,233
Trade and other receivables	3	309,013,483	250,360,089
Held-to-maturity investments		2,337,710,184	2,276,151,957
Scheme funds	4.1	2,202,710,184	2,141,151,957
Medical savings account trust funds	4.2	135,000,000	135,000,000
Cash and cash equivalents		1,275,460,380	1,068,784,187
Scheme funds	5.1	833,134,263	663,983,198
Medical savings account trust funds	5.2	442,326,117	404,800,989
Total assets		**3,926,252,162**	**3,600,571,773**
FUNDS AND LIABILITIES			
Members' funds		3,044,481,729	2,794,434,811
Accumulated funds		3,044,481,729	2,794,434,811
Non-current liability		2,589,000	2,530,000
Post retirement healthcare funding liability	9	2,589,000	2,530,000
Current liabilities		879,181,433	803,606,962
Outstanding risk claims provision	6	147,485,399	159,398,594
Medical savings account trust liability	7	582,249,741	534,076,683
Trade and other payables	8	149,446,293	110,131,685
Total funds and liabilities		**3,926,252,162**	**3,600,571,773**

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LA HEALTH MEDICAL SCHEME
(Registration no. 1145)

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Notes	2022 R	2021 R
Risk contribution income	10	**4,511,039,114**	**4,261,532,411**
Relevant healthcare expenditure		**(3,883,548,029)**	**(3,481,807,036)**
Net claims incurred		(3,784,050,487)	(3,385,653,252)
Risk claims incurred	11	(3,792,522,600)	(3,394,356,159)
Third party claims recoveries		8,472,113	8,702,907
Net income/expense on risk transfer arrangements	13	1,107,250	(2,354,593)
Risk transfer arrangement fees/premiums paid		(36,245,032)	(28,277,823)
Recoveries from risk transfer arrangements		37,352,282	25,923,230
Managed care: management services	12	(100,604,792)	(93,799,191)
Gross healthcare results		**627,491,085**	**779,725,375**
Broker services fees		(114,314,673)	(99,459,123)
Administration fees	14	(390,250,320)	(363,088,836)
Sundry expenses	15	(23,724,419)	(21,280,431)
Impairment losses on healthcare receivables	16	(12,060,205)	(11,865,598)
Net healthcare results		**87,141,468**	**284,031,387**
Other income		**194,344,071**	**133,651,793**
Investment income		192,648,507	133,122,221
Scheme	17	162,282,361	112,688,308
Return on medical savings account trust monies invested		30,366,146	20,433,913
Sundry income	18	1,695,564	529,572
Other expenditure		**(31,569,621)**	**(20,433,913)**
Interest paid on medical savings accounts		(30,366,146)	(20,433,913)
Impairment loss	2	(1,203,475)	-
Net surplus for the year		**249,915,918**	**397,249,267**
Other comprehensive income		**131,000**	**(80,000)**
Actuarial gain/(loss) on post-retirement healthcare funding liability	9	131,000	(80,000)
Total comprehensive income for the year		**250,046,918**	**397,169,267**

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LA HEALTH MEDICAL SCHEME
(Registration no. 1145)

STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2022

	2022 R	2021 R
	Accumulated funds	**Accumulated funds**
Balance at 1 January	**2,794,434,811**	**2,397,265,544**
Changes in funds and reserves	**131,000**	**(80,000)**
Actuarial (loss)/gain on post retirement healthcare funding liability	131,000	(80,000)
Net surplus for the year	**249,915,918**	**397,249,267**
Balance at 31 December	**3,044,481,729**	**2,794,434,811**

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LA HEALTH MEDICAL SCHEME
(Registration no. 1145)

STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	Notes	2022	2021 restated
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from members and providers		**5,659,359,838**	**5,201,961,741**
- Cash receipts from members - contributions		5,623,036,131	5,189,198,349
- Cash receipts from members and providers – other		36,323,707	12,763,392
Cash paid to providers, employees and members		**(5,522,560,829)**	**(4,954,411,675)**
- Cash paid to providers and members – claims		(4,964,271,382)	(4,449,006,126)
- Cash paid to providers and employees – non-healthcare expenditure		(527,652,880)	(484,420,701)
- cash paid to providers and employees – refunds		(30,636,567)	(20,984,848)
Cash generated from/used in operations		**136,799,008**	**247,550,066**
Interest paid		(30,366,146)	(20,433,913)
Net cash flows from operating activities		**106,432,862**	**227,116,153**
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(59,157)	(63,351)
(Additions)/disposals to held-to-maturity investments		(61,558,227)	(1,569,651,957)
Scheme funds		(61,558,227)	(1,637,151,957)
Medical savings account trust funds		-	67,500,000
Interest income		161,860,714	119,084,655
Net cash flows from investing activities		**100,243,330**	**(1,450,630,653)**
NET (DECREASE)/INCREASE IN CASH AND CASH		**206,676,192**	**(1,223,514,500)**
Cash and cash equivalents at beginning of year		1,068,784,187	2,292,298,687
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**1,275,460,380**	**1,068,784,187**
Scheme funds		833,134,263	663,983,198
Medical savings account trust funds		442,326,117	404,800,989

GENERAL INFORMATION

LA Health Medical Scheme is a not-for-profit restricted medical scheme registered under the Medical Schemes Act of South Africa.

The Scheme offers the insurance of hospital, chronic illness and day-to-day benefits and is administered by Discovery Health (Pty) Ltd, a wholly-owned subsidiary of Discovery Holdings Limited, listed in the insurance sector of the JSE Limited.

1. PRINCIPAL ACCOUNTING POLICIES

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Schemes Act of South Africa (the Act). The financial statements are prepared on the going concern principle using the historical cost basis.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out those areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Scheme's financial statements (Note 25).

These financial statements are presented in Rands, which is the Scheme's functional currency. All amounts have been rounded to the nearest Rand. The financial statements were approved by the Trustees on 12 April 2023.

New standards, amendments and interpretations effective and relevant to the scheme:
There were no new standards, amendments and interpretations effective in the 2022 financial year and relevant to the scheme.

1.1 Basis of preparation (continued):

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

Title	Effective date - financial year commencing on
IFRS 9 Financial Instruments - IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and comprises guidance on Classification, Measurement, Impairment, Hedge Accounting and Derecognition. IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and its cash flow characteristics. A new business model was introduced which allows certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward from IAS 39. Some changes were made to the fair value option for financial liabilities to address the issue of own credit risk allowing the recognition of these changes in other comprehensive income for liabilities designated as fair value through profit or loss. The standard changes the impairment model from an incurred loss model and introduces a single "expected credit loss" impairment model for the measurement of financial assets. The standard contains a new model for hedge accounting that aligns the accounting treatment with the entity's risk management activities. Enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. For financial assets measured at amortised cost, the majority of these assets are Insurance Receivables accounted for in terms of accounting policies adopted under IFRS 4: Insurance Contracts which are scoped out of IFRS 9. As part of the IFRS 9 implementation, the Scheme assessed the classification between Insurance Receivables and Loans and Receivables and no reclassifications from Loans and Receivables to Insurance Receivables were required. The Scheme does not apply hedge accounting and the hedge accounting changes introduced have no impact on the Scheme. The introduction of the expected credit loss model and the requirement for the loss allowance to be measured at an amount equal to the lifetime expected credit losses has been assessed and deemed appropriate to be applied in determining impairment of Loans and Receivables. In determing impairment of Insurance Receivables, the incurred loss model adopted under IFRS 4: Insurance Contracts has been assessed and is reasonable and appropriate to determine impairment of Insurance Receivables and this model will continued to be applied and the expected credit loss model not adopted to determine impairment of Insurance Receivables. IFRS 4 provides a temporary exemption that permits, but does not require, the scheme to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023. A scheme may apply the temporary exemption from IFRS 9 if, and only if: • it has not previously applied any version of IFRS 9 • its activities are predominantly connected with insurance at its reporting date. The Scheme meets both the criteria and has decided to apply the exemption to defer the application of IFRS 9 to 1 January 2023.	1 Jan 2023

1.1 Basis of preparation (continued):

Classification of liabilities as current or non-current (Amendments to IAS 1) - Under existing IAS 1 requirement, entities classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2023.	1 Jan 2023
IFRS 17 - Insurance Contracts (and its related amendments) - The Standard was issued in May 2017 and supersedes IFRS 4 'Insurance Contracts'. The Standard creates one accounting model for all insurance contracts and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The Standard requires insurance contracts to be measured using updated estimates and assumptions that reflect the timing of cash flows and takes into account any uncertainty relating to insurance contracts. **Insurance Contracts** - The primary objective of the standard is to identify insurance contracts within the Scheme. The contracts issued by the Scheme are insurance contracts, indemnifying members and their dependants against the risk of loss arising as a result of a health event. Certain of these contracts contain a Personal Medical Savings Account which were previously accounted for as financial instruments. Under IFRS 17 these will be accounted for as part of the insurance contracts. **Level of aggregation** - Insurance contracts are aggregated into groups, or portfolios, of individual contracts when being measured and assessed as onerous or not. The level of aggregation has an impact on accounting for the insurance contracts, including the extent of offsetting and cross subsidisation to determine the appropriate level of aggregation in order to ultimately identify onerous contracts. A portfolio of insurance contracts comprises contracts subject to similar risks that are managed together. Once the portfolio of insurance contracts has been established, it becomes the unit of account to which the requirements of IFRS 17 are applied. All member contracts issued by LA Health are subject to similar risks and are managed together, and therefore fall into the same portfolio, with no further disaggregation required. **Contract boundary** - The contracts issued by the Scheme are in line with its financial year and therefore no contracts will be issued for a financial year after the end of that specific financial year. In addition, as no contract will exceed 12 months, no discounting will be applied. Insurance contracts issued shall be recognized from the earliest of the following: (a) The beginning of the coverage period; (b) The date when the first payment from a policyholder becomes due; and (c) For onerous contracts, when the contracts become onerous. With the insurance contracts being included in a single portfolio, and the coverage period aligning with the reporting period (financial year), the insurance contracts will be recognised from 1 January or from inception of cover should the member join the Scheme after 1 January. An exception to this would be where the Scheme as a whole is priced for a deficit position. This would mean that all contracts would be onerous and the loss would need to be recognised when the contracts become onerous. As pricing for the Scheme is done in September for the following year, the onerous contract test would be assessed at this time, with the following year's loss being recognised in the current financial year.	1 Jan 2023

KPMG

1.1 Basis of preparation (continued):

IFRS 17 Continued:

IFRS 17 - Insurance contracts - (continued) - Measurement - The Standard further provides for a simplified approach, the "premium allocation approach", for the measurement of a group of insurance contracts under certain conditions. One of those conditions is that the coverage period is one year or less. The Scheme has opted for the simplified "premium allocation approach". The insurance contract liability comprises the Liability for remaining coverage and Liability for incurred claims. Acquisition costs related to insurance contracts will be expensed as incurred. **Risk adjustment** - The Standard requires an adjustment for non-financial risk. The Scheme shall adjust the estimate of the present value of the future cash flows in order to provide for the possible financial implications of the Scheme bearing the uncertainty of the amount and timing of cash flows that may arise from non-financial risk. The objective of the risk adjustment provision for non-financial risk is to reflect the Scheme's perception of the possible economic burden which may be the result of non-financial risks. **Transition -** IFRS 17 requires that the Standard is implemented retrospectively. This requires the identification, recognition and measurement of each group of insurance contracts as if the standard had always been applied. This also results in the derecognition of current balances that would not exist under IFRS 17, and the recognition of the resulting difference in Members' funds. **Financial impact - Onerous contracts** - With the requirement to implement the Standard retrospectively, the opening balances of 2021 and 2022 will be impacted by the budgeted deficits (onerous contracts) for the respective years. The 2021 budgeted deficit unwinds in 2021 with the 2022 budgeted deficit unwinding in 2022. The original budgets, with IFRS 17 adjustments, will be the starting point in calculating the onerous contract loss. Financial Impact Risk margin on onerous contracts **-** In addition to the "best estimate" onerous contract provision above, a risk margin amount reflecting potential adverse claims experience is required. It is required that a confidence interval approach is used. A confidence interval is a range of values into which one would expect an outcome to fall with a given chance. Historic variations from budget as a percentage of claims are used to calculate a 'standard error' deviation from budget, which is then used along with the Value at Risk (VaR) formula for claims variability in the Risk Based Solvency Assessment. The Value at Risk reflects a maximum financial loss which could be expected with a given probability i.e. a 90% VaR figure would be one that the scheme only has a 1 in 10 chance of performing worse than. This margin is expected to have a material impact on the onerous contract value. LA Health has made extensive progress in the development of the necessary principles, policies and methodologies required to implement IFRS 17. Management are confident that the Scheme will be fully prepared to apply IFRS 17 to the Annual Financial Statements for the financial year ending 31 December 2023, including the required comparative figures arising from the 2022 financial year end.	1 Jan 2023

KPMG

1.2 Equipment

Equipment is reflected at historical cost less accumulated depreciation and impairments. Depreciation is charged on the straight-line basis over the estimated useful lives of the assets.

The respective depreciation rates used are:

Computer equipment	33%
Office machines & equipment	20%
Office furniture & fittings	10%

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.
Maintenance and repairs are expensed as incurred.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with its carrying amount. Gains and losses on the disposal of property and equipment is recognised in profit or loss.

Depreciation methods, residual values and useful lives of property and equipment are reviewed annually at each reporting date.

Property

As the asset is carried at cost, IFRS requires the building to be assessed for impairment on an annual basis (according to IAS 36. Para 9). The decline in value of the building is an indicator of impairment and therefore an entity is required to determine the recoverable amount.

IAS 36 defines the recoverable amount as the higher of (i) fair value less costs to sell and (ii) value in use. Where the recoverable amount is lower than the carrying amount, an impairment must be recognised. The carrying amount per the 2021 AFS is R5.1m and this valuation is R3.9m, which would indicate that this asset should be written down to R3.9m, less any estimated costs to sell, unless the value in use is at least equal to the carrying amount. IAS 36 para 30 provides guidance on determining value in use.

1.3 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 has the following financial instrument categories: Held-to-maturity investments, loans and receivables and financial liabilities. The Scheme has grouped its financial instruments into the following classes:

- Trade and other receivables;
- Held-to-maturity investments;
- Cash and cash equivalents;
- Trade and other payables; and
- Medical savings accounts.

The classification depends on the purpose for which the financial instruments were entered into. 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
Where a current legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

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

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

1.4 Financial assets: Initial and subsequent measurement

Non-derivative financial instruments are recognised initially at fair value and instruments not at fair value through profit or loss include any directly attributable transaction costs.

Held-to-maturity investments
Held-to-maturity investments are recognised initially at fair value plus any directly attributable transaction costs. When the Scheme has the positive intent and ability to hold fixed deposits to maturity, they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

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

Subsequently loans and receivables are measured at amortised cost using the effective interest method, less impairment. An impairment of trade receivables is established when there is objective evidence that the Scheme will not be able to collect all amounts due according to the original terms of the receivables.

Insurance receivables
Insurance receivables comprise contributions outstanding and recoveries from members and suppliers. Insurance receivables are recognised at cost less impairment losses. Impairment losses on insurance receivables are recognised and determined in a similar manner to impairment losses on financial assets carried at amortised cost (Note 1.7).

1.5 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities include trade and other payables. 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.

Trade and other payables
Trade and other payables are measured initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. The Scheme's trade and other payables consist of insurance and other liabilities.

Insurance payables
Insurance payables are measured initially at fair value (which approximates cost) and subsequently measured at amortised cost using the effective interest method.

Medical Savings Accounts trust liability
The medical savings account, which is managed by the Scheme on behalf of its members, represents medical savings contributions (which are a deposit component of the insurance contracts), and accrued interest thereon, net of any medical savings claims paid on behalf of members in terms of the Scheme’s registered rules.

The deposit component of the insurance contracts has been unbundled, since the Scheme can measure the deposit component separately. The insurance component is recognised as an insurance liability.

Unspent medical savings at year-end are carried forward to meet future expenses for which the members are responsible. In terms of the Act balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act.

Advances on medical savings contributions are funded from the Scheme’s funds, and the risk of impairment is carried by the Scheme.

The medical savings accounts are invested on behalf of members in call and fixed deposits with banks. These monies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

1.6 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents comprise:

- Money on call;
- Money market instruments; and
- Current accounts.

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. Cash and cash equivalents have an insignificant risk of changes in fair value.

1.7 Impairment

Financial assets carried at amortised cost
The Scheme assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset, or group of financial assets, is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an adverse impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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

If there is objective evidence that an impairment loss on a financial asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Non-financial assets

Calculation of recoverable amount
At each reporting date, the Scheme reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in profit or loss.

Reversals of impairment
An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

1.8 Outstanding risk claims provision

Risk claims outstanding comprise provisions for the Scheme's estimate of the ultimate cost of settling all risk claims incurred but not yet reported (IBNR) at the reporting date. Risk claims outstanding are determined as accurately as possible based on a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim.

Claims handling expenses are not separately accounted for as this service is provided by the Administrator and a fixed fee is paid for the full administration service including claims handling. No provision for claims handling expenses is required as the Scheme has no further liability to the Administrator at year end.

Estimated co-payments from medical savings accounts are deducted in calculating the outstanding risk claims provision. The Scheme does not discount its provision for outstanding claims since the effect of the time value of money is not considered material.

1.9 Member insurance contracts

Contracts under which the Scheme accepts significant insurance risk from another party (the member and respective registered dependents) by agreeing to compensate the member or another beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary are classified as insurance contracts.

The contracts issued compensate the Scheme's members for healthcare expenses incurred and are detailed in note 23.

1.10 Risk contribution income

Gross contributions comprise of risk contributions and medical savings account contributions.

Risk contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably assured. Risk contributions represent gross contributions after deduction of medical savings account contributions. Risk contributions are earned from the date of attachment of insurance risk, over the indemnity period on a straight-line basis and are recognised as revenue.

Risk contributions are shown before the deduction of broker service fees and other similar costs.

1.11 Risk claims incurred

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

Risk claims incurred (net of claims from medical savings accounts, recoveries from members for co-payments, recoveries from third parties (e.g. motor vehicle accident and forensic recoveries) and discounts received from service providers) comprise:

- Risk claims submitted and accrued for services rendered during the year;
- Payments under provider contracts (managed care) for services rendered to members;
- Over or under provision relating to prior year risk claims accruals;
- Risk claims incurred but not yet reported; and
- Risk claims settled in terms of risk transfer arrangements.

Anticipated recoveries under risk transfer arrangements are disclosed separately as assets and are assessed in a manner similar to the assessment of the outstanding risk claims provision and claims reported not yet paid.

1.12 Risk transfer arrangements

Risk transfer arrangements are contractual arrangements whereby a third party undertakes 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. Risk transfer arrangements do not reduce the Scheme's primary obligations to its members and their dependants, but the arrangements only decrease the loss the Scheme may incur as a result of the carrying on the business of a medical scheme.

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis.

Risk transfer claims and benefits reimbursed are presented in profit or loss and in the statement of financial position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as a risk transfer arrangement (reinsurance contract). Amounts recoverable under such contracts are recognised in the same year as the related claim.

Assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding claims provisions and claims reported not yet paid. Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the outstanding claims provisions, claims reported not yet paid, and settled claims associated with the risk transfer arrangement.

Amounts recoverable under risk transfer arrangements are assessed for impairment at each reporting date. These assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Scheme may not recover all amounts due. The Scheme gathers objective evidence that a risk transfer arrangement asset is impaired using the same process adopted for financial assets held at amortised cost. These processes are described in note 1.7.

1.13 Managed care: management services

Managed care: management services comprise amounts paid or payable to a third party for managing the utilisation, costs and quality of health care services to the members of the Scheme. Managed care: management services fees are expensed as incurred.

1.14 Liability adequacy test

At reporting date, liability adequacy tests are performed to ensure the adequacy of the member insurance contract liability.

Liabilities for insurance contracts are tested for adequacy by discounting current estimates of all future cash flows and comparing this amount to the carrying amount of the liabilities net of any related assets. Where a shortfall is identified, an additional provision is made and charged to profit or loss.

1.15 Investment income

Investment income comprises interest income.

Interest income is recognised on the effective interest method.

1.16 Interest paid on medical savings accounts

The interest paid on medical savings accounts is recognised in profit or loss using the effective interest method.

1.17 Unallocated funds

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

Unallocated funds older than three years have legally prescribed and are written back and included under other income in profit or loss.

1.18 Income tax

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

1.19 Allocation of income and expenditure to benefit options

The following items are directly allocated to benefit options:
- Risk contribution income;
- Risk claims incurred;
- Risk transfer arrangement fees;
- Administration fees;
- Managed care: management services; and
- Broker service fees.

The following item is directly allocated based on claims incurred per benefit option:
- Claims recoveries from third parties.

The remaining items are allocated based on the average number of members per benefit option per month.

1.20 Employee benefits

Defined contribution fund - post retirement healthcare

The Scheme provides post-retirement healthcare benefits to some of its current and former employees.

The Scheme's obligation in respect of its defined contribution fund is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined contribution obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the defined contribution liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Scheme determines the interest expense on the defined contribution liability for the period by applying the discount rate used to measure the defined contribution obligation at the beginning of the annual period to the then defined contribution liability, taking into account any changes in the defined contribution liability during the period as a result of contributions and benefit payments. Interest expense and other expenses related to defined contribution fund are recognised in profit or loss.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Scheme recognises gains and losses on the settlement of a defined contribution fund when the settlement occurs.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Scheme has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. PROPERTY AND EQUIPMENT

	Property	Office machines & equipment	Office furniture & fittings	Total
	R	R	R	R
Year ended 31 December 2022				
Cost				
At the beginning of the year	5,123,475	650,565	294,379	6,068,419
Additions	-	59,157	-	59,157
At the end of the year	**5,123,475**	**709,722**	**294,379**	**6,127,576**
Accumulated depreciation				
At the beginning of the year	-	(599,843)	(193,037)	(792,880)
Depreciation charges	-	(37,296)	(25,810)	(63,106)
Impairment loss	(1,203,475)	-	-	(1,203,475)
At the end of the year	**(1,203,475)**	**(637,139)**	**(218,847)**	**(2,059,461)**
Carrying amount at the end of the year	**3,920,000**	**72,583**	**75,532**	**4,068,115**

	Property	Office machines & equipment	Office furniture & fittings	Total
	R	R	R	R
Year ended 31 December 2021				
Cost				
At the beginning of the year	5,123,475	587,214	294,379	6,005,068
Additions	-	63,351	-	63,351
At the end of the year	**5,123,475**	**650,565**	**294,379**	**6,068,419**
Accumulated depreciation				
At the beginning of the year	-	(583,209)	(167,226)	(750,435)
Depreciation charges	-	(16,634)	(25,810)	(42,444)
At the end of the year	**-**	**(599,843)**	**(193,036)**	**(792,879)**
Carrying amount at the end of the year	**5,123,475**	**50,722**	**101,343**	**5,275,540**

Details of the property and equipment are recorded in an asset register which may be inspected at the registered office of the Scheme. No assets have been pledged as security.

		2022 R	2021 R
3.	**TRADE AND OTHER RECEIVABLES**		
	Insurance receivables		
	Contributions outstanding	226,836,004	199,622,715
	Amount due	226,836,004	199,622,715
	Recoveries from members and suppliers	8,456,294	7,314,576
	Amount due	24,385,246	21,198,623
	Impairment losses (note 24)	(15,928,952)	(13,884,047)
	Total receivables arising from insurance contracts	**235,292,298**	**206,937,291**
	Loans and receivables		
	Interest receivable	65,027,568	34,239,776
	Total receivables arising from loans and receivables	**65,027,568**	**34,239,776**
	Other receivables		
	Prepaid expenses	386,455	31,599
	Sundry accounts receivable	8,307,162	9,151,423
	Total receivables arising from other receivables	**8,693,617**	**9,183,022**
	Total trade and other receivables	**309,013,483**	**250,360,089**

At 31 December 2022 the carrying amounts of loans and receivables approximate their fair values due to the short-term maturities of these assets.

		2022 R	2021 R
4.	**HELD-TO-MATURITY INVESTMENTS**		
4.1	**SCHEME FUNDS**		
	Fixed deposit accounts	2,202,710,184	2,141,151,957

The weighted average effective interest rate was 7.18% (2021 - 4.73%). The short term deposits have an average maturity of 365 days (2021 - 365 days).

4.2	**MEDICAL SAVINGS ACCOUNT TRUST FUNDS**		
	Fixed deposit accounts	135,000,000	135,000,000

The weighted average effective interest rate was 6.71% (2021 - 4.49%). The short term deposits have an average maturity of 365 days (2021 - 365 days).

Total held-to-maturity investments	**2,337,710,184**	**2,276,151,957**

At 31 December 2022 the carrying amounts of held-to-maturity investments approximate their fair values due to the short term maturities of these assets.

5.	**CASH AND CASH EQUIVALENTS**		
5.1	**SCHEME FUNDS**		
	Current accounts	102,205,522	126,596,452
	Money market instruments	730,928,741	537,386,746
	Total scheme funds invested	**833,134,263**	**663,983,198**

The weighted average effective interest rate on cash and cash equivalents was 4.40% (2021 - 3.50%). These funds have an average maturity of 1 day (2021 - 1 day).

At 31 December 2022 the carrying amounts of cash and cash equivalents approximate their fair values due to the short term maturities of these assets.

5.2	**MEDICAL SAVINGS ACCOUNT TRUST FUNDS**		
	Current account	10,321	8,174,099
	Money market instruments	442,315,796	396,626,890
	Total trust funds invested	**442,326,117**	**404,800,989**

The weighted average effective interest rate on the trust funds was 6.87% (2021 - 3.50%). These funds have an average maturity of 1 day (2021- 1 day).

At 31 December 2022 the carrying amounts of the trust funds approximate their fair values due to the short-term maturities of these assets.

TOTAL CASH AND CASH EQUIVALENTS	**1,275,460,380**	**1,068,784,187**

		2022 R	2021 R
6.	**OUTSTANDING RISK CLAIMS PROVISION**		
	Outstanding risk claims provision - not covered by risk transfer arrangements	**147,485,399**	**159,398,594**
	Analysis of movement in outstanding risk claims		
	Balance at beginning of year	159,398,594	133,350,000
	Payments in respect of prior year	(147,650,006)	(128,896,462)
	Over provision in respect of prior year	11,748,589	4,453,538
	Adjustment for the current year	135,736,810	154,945,056
	Not covered by risk transfer arrangements	135,736,810	154,945,056
	Balance at end of year	**147,485,399**	**159,398,594**
	Analysis of outstanding risk claims provision		
	Estimated gross claims	154,809,494	166,270,169
	Less:		
	Estimated recoveries from medical savings accounts (Note 7)	(7,324,095)	(6,871,575)
	Balance at end of year	**147,485,399**	**159,398,594**

The Scheme's rules, in terms of the Act, provide that risk claims may only be paid if the Scheme is notified of the risk claim and documentation is submitted within 4 months following the date on which the service was rendered.

The outstanding risk claims provision is an estimate of the proportion of the risk claims liability incurred in the current financial year that is expected to be reported and only paid after the reporting date. The cost of outstanding risk claims is estimated as the difference between the risk management facility's estimate of risk claims incurred in 2022 and the actual risk claims reported and paid in 2023, for services provided in 2022.

The risk claims incurred by service date estimates are based on the Scheme's actual demographic structure and past claims. Due to differences in claiming patterns, risk claims are grouped into in-hospital, chronic and out-of-hospital claim categories, and the risk claims incurred are assessed separately for each category. Results from the assessment are regularly reconciled with actual paid risk claims and adjustments made where necessary to ensure that these results remain accurate.

Process used to determine the assumptions
The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually.

This process is done on a monthly basis and regularly reconciled with the actual experience.

The provision is determined by the Scheme's actuary and is estimated using a range of statistical methods.

6. OUTSTANDING RISK CLAIMS PROVISION (continued)

Assumptions
The assumptions that have the greatest effect on the measurement of the outstanding risk claims provision are the expected claims ratios for the most recent benefit years for the in-hospital, chronic and out-of-hospital categories of claims. These are used for assessing the outstanding risk claims provision for the 2022 and 2021 benefit years.

Reasonability checks
This estimation was tested against estimations produced by the following calculations:
- Actual risk claims paid in 2022 for 2021;
- Traditional "chain ladder" methods, using risk claims development patterns derived from 2021 and 2022 as well as an analysis of the development patterns of December 2022 in isolation (i.e. adjustments for seasonality); and
- An analysis of risk claims already paid in 2023 for 2022.

Refer to note 23 for an analysis of the impact of changes in assumptions and sensitivities to changes in key variables.

		2022 R	2021 R
7.	**MEDICAL SAVINGS ACCOUNT (MSA) TRUST LIABILITY**		
	Balance on MSA liability at the beginning of the year	534,076,683	460,579,945
	Add:		
	MSA contributions received for the current year (Note 10)	1,139,210,306	1,058,952,774
	Transfers received from other medical schemes	676,932	1,067,817
	Return on medical savings account trust monies invested	30,366,146	20,433,913
	Less:		
	Claims paid to or on behalf of members (Note 11)	(1,091,443,759)	(985,972,918)
	Refunds on death or resignation	(30,636,567)	(20,984,848)
	Balance on MSA liability at the end of the year	**582,249,741**	**534,076,683**

In accordance with the rules of the Scheme, the MSA is underwritten by the Scheme.

MSAs contain a demand feature. In terms of Regulation 10 of the Act, any credit balance on a member's MSA must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option, and enrols in another benefit option or medical scheme without a MSA, or does not enrol in another medical scheme.

Estimated claims to be paid out of members' MSA in respect of claims incurred in 2022 but not reported: (Note 6)	**7,324,095**	**6,871,575**

Actual interest earned, net of related expenses, is paid on MSA. Investment of MSA trust monies managed by the Scheme on behalf of its members, has been separately disclosed under notes 4 and 5.

The mismatch between the MSA trust liability and the MSA trust funds relate to timing differences. These differences are cleared after year-end.

At 31 December 2022 the carrying amount of the MSA trust liability approximates its fair value, since it is payable on demand. These amounts were not discounted to present values due to their demand feature.

		2022 R	2021 R
8.	**TRADE AND OTHER PAYABLES**		
	Insurance liabilities		
	Reported claims not yet paid	72,980,738	61,774,104
	Member balances	13,637,900	21,366,708
	Supplier balances	59,342,838	40,407,396
	Unallocated receipts	28,721,179	996,631
	Total liabilities arising from insurance contracts	**101,701,917**	**62,770,735**
	Other liabilities		
	Broker fees	2,624,855	3,143,951
	Related party balance	42,180,654	39,456,085
	Discovery Health (Pty) Ltd (Note 20)	42,180,654	39,456,085
	Other payables and accrued expenses	2,088,867	3,939,914
	Audit fee accrual	850,000	821,000
	Total financial liabilities	**47,744,376**	**47,360,950**
	Total trade and other payables	**149,446,293**	**110,131,685**

At 31 December 2022 the carrying amounts of other liabilities approximate their fair values due to the short-term maturities of these liabilities.

		2022 R	2021 R
9.	**POST RETIREMENT HEALTHCARE FUNDING LIABILITY**		
	Provision for post retirement healthcare funding		
	Change in liability		
	Opening balance	2,530,000	2,246,000
	Service cost	39,000	38,000
	Interest cost	282,000	287,000
	Actuarial gain arising from demographic assumptions	(78,000)	(148,000)
	Actuarial gain/(loss) arising from financial assumptions	(87,000)	162,000
	Actuarial loss other	34,000	66,000
	Benefits paid	(131,000)	(121,000)
	Closing balance	**2,589,000**	**2,530,000**
	Change in plan assets		
	Contributions by employer	131,000	121,000
	Benefits Paid	(131,000)	(121,000)
	Closing Balance	-	-
	Statement of comprehensive income		
	Service cost	39,000	38,000
	Interest cost	282,000	287,000
	Amount recognised in profit or loss	**321,000**	**325,000**
	Other comprehensive income		
	Actuarial loss/(gain)	131,000	(80,000)
	Amount recognised in other comprehensive income	**131,000**	**(80,000)**
	Reconciliation of item in statement of financial position		
	Opening value	2,530,000	2,246,000
	Employer contribution	(131,000)	(121,000)
	Amount recognised in profit or loss	321,000	325,000
	Amount recognised in other comprehensive income	(131,000)	80,000
	Closing value	**2,589,000**	**2,530,000**
	Key valuation assumptions		
	Discount rate	11.89%	11.44%
	Medical aid inflation	8.93%	8.77%
	Sensitivity of results		
	1% increase in medical aid inflation		
	Increase in liability	315,000	323,000
	Increase in service cost and interest cost	45,000	44,000
	1% decrease in medical aid inflation		
	Decrease in liability	265,000	269,000
	Decrease in service cost and interest cost	38,000	38,000

		2022 R	2021 R
10.	**RISK CONTRIBUTION INCOME**		
	Gross contributions per registered rules	5,650,249,420	5,320,485,185
	Less: medical savings account contributions received*	(1,139,210,306)	(1,058,952,774)
	Risk contribution income per statement of comprehensive income	**4,511,039,114**	**4,261,532,411**

* The medical savings account contributions are received by the Scheme in terms of Regulation 10(1) and the Scheme's registered rules and held in trust on behalf of members. Refer to note 7 for more detail on how these monies were utilised.

11.	**RISK CLAIMS INCURRED**		
	Current year claims per registered rules	4,858,527,272	4,328,357,253
	Movement in outstanding risk claims provision	(11,913,196)	26,048,594
	Over provision in respect of prior year (Note 6)	(11,748,590)	(4,453,538)
	Adjustment for current year	(164,606)	30,502,132
	Claims paid from medical savings accounts*	(1,091,443,759)	(985,972,918)
	Claims incurred excluding claims incurred in respect of risk transfer arrangements	3,755,170,318	3,368,432,929
	Claims incurred in respect of risk transfer arrangements	37,352,282	25,923,230
	Risk claims incurred	**3,792,522,600**	**3,394,356,159**

* Claims are paid on behalf of the members from medical savings accounts in terms of Regulation 10(3) and the Scheme's registered benefits. Refer to note 7 for a breakdown of the movement in these balances.

12.	**MANAGED CARE: MANAGEMENT SERVICES**		
	Clinical claims review and management	30,168,971	28,139,757
	Disease management	32,197,614	30,015,742
	Pharmaceutical benefit management	10,063,879	9,379,919
	Network management	28,174,328	26,263,773
		100,604,792	**93,799,191**

		2022 R	2021 R
13.	**NET EXPENSE ON RISK TRANSFER ARRANGEMENTS**		
	Capitation fees paid	(36,245,032)	(28,277,823)
	Recoveries under risk transfer arrangements	37,352,282	25,923,230
		1,107,250	**(2,354,593)**

During 2022 the Scheme had three risk transfer arrangements in place. The methodologies used to determine the claims covered by these arrangements are set out below.

1. Risk transfer arrangement providing optometry services for members on the LA KeyPlus option.

   The utilisation experience for these members is obtained from the service provider. The average cost to the Scheme for consultations, lenses, frames and contact lenses is calculated and multiplied by the utilisation experience to estimate the claims under this arrangement.

2. Risk transfer arrangement providing dentistry services to members on the LA KeyPlus and Focus options.

   The Scheme had access to the actual claims relating to these members and has disclosed these claims paid under this arrangement.

3. Risk transfer arrangement covering treatment for Scheme members diagnosed with diabetes mellitus.

   Members on all benefit options, excluding LA KeyPlus, may choose to use Discovery Health (Pty) Ltd for diabetes-related treatment and care. The Scheme had access to the actual claims relating to these members and has disclosed these claims paid under this arrangement.

13. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS (continued)

Service providers in 2022		Nature of risk covered	Term	Basis of fees
Optical Management	**Iso Leso Optics (Pty) Ltd**	Iso Leso Optics (Pty) Ltd is an accredited managed care organisation providing services to and in respect of optometric services and/or optical dispensing services and supplies, as stipulated in the Agreement. This relates to the LA KeyPlus option only.	Renewable annually.	The capitation fee is based on the number of beneficiaries on the LA KeyPlus option.
Dental Benefit Management	**Dental Risk Company (Pty) Ltd**	Dental Risk Company (Pty) Ltd is a managed care organisation providing services relating to dental services rendered by the DRC Network of Dental Providers, as stipulated in the Agreement. This relates to the LA KeyPlus and Focus options only.	Renewable annually.	The capitation fee is based on the number of beneficiaries on the LA KeyPlus and Focus options.
Disease Management	**Discovery Health (Pty) Ltd**	Discovery Health (Pty) Ltd is a managed care organisation providing specialised diabetes and cardiometabolic management services as stipulated in the Agreement. This relates to all Benefit Options of the Scheme excluding KeyPlus.	Contract commenced 01 April 2021 and continue until 31 December 2024.	The capitation fee is based on the number of enrolled beneficiaries per month.

		2022 R	2021 R
14.	**ADMINISTRATION FEES**		
	Accredited services		
	Customer services	153,099,045	142,437,652
	Information management and data control	56,195,462	55,689,165
	Member record management	31,339,778	29,158,740
	Claims management	34,669,446	26,791,844
	Contribution management	27,542,786	25,626,060
	Broker Remuneration management	4,476,068	4,161,497
	Financial management	1,124,493	1,045,673
	Other services		
	Marketing expenditure	56,107,839	52,198,878
	Forensic investigations and recoveries	5,805,015	10,866,523
	Internal Audit	4,658,615	4,338,131
	Distribution services	2,351,213	2,190,262
	Governance and compliance	920,040	854,909
	Additional services		
	Quality management and monitoring services	4,373,841	4,076,713
	Digital service offering	1,350,852	1,257,634
	Advanced data analytics	3,658,255	
	Product innovation	868,927	805,451
	Enhanced service offering	744,794	692,405
	Enterprise risk management services	744,794	692,405
	Legal services	219,057	204,895
		390,250,320	**363,088,836**
15.	**SUNDRY EXPENSES**		
	Actuarial/Consulting fees	2,545,145	894,785
	NMG Consulting fees	893,923	894,785
	Tender Process Consulting fees	851,972	-
	Ad Hoc Consulting fees	799,250	-
	Association fees	928,465	872,891
	Audit & Risk Committee expenses	65,119	58,820
	Audit fees	918,709	832,560
	Audit services - current year	850,000	821,000
	Under/(over) provision - prior year	41,155	(14,200)
	Other services	27,554	25,760
	Board of Trustees' reimbursements and remuneration (Note 22)	3,413,951	2,636,190
	Council for Medical Schemes fees	4,059,899	3,916,525
	Depreciation	63,106	42,444
	Election costs	-	1,101,099
	Fidelity premiums	11,724	10,959
	Insurance	52,171	50,173
	Legal expenses	213,959	697,851
	Managed care: management services (non-accredited)	353,940	339,672
	Medical emergency call centre	477,275	440,444
	Meeting facility costs	134,674	24,794
	Public relations and communications	368,801	307
	Rental equipment	79,716	88,706
	Other administration expenses	10,037,765	9,272,211
	Bank charges	549,233	498,902
	Office support	154,266	148,955
	Sundry expenses	632,787	500,049
	Post retirement healthcare costs	190,000	204,000
	Printing, stationery and postage	22,341	30,314
	Staff costs	8,489,138	7,889,991
		23,724,419	**21,280,431**

		2022 R	2021 R
16.	**IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES**		
	Insurance receivables		
	Members' and service providers' portions that are not recoverable	12,060,205	11,865,598
	Increase in impairment	2,044,905	95,025
	Written off	10,015,300	11,770,573
		12,060,205	**11,865,598**
17.	**INVESTMENT INCOME**		
	Income from investments		
	Interest on cash and cash equivalents	3,239,624	3,547,655
	Income from investments	159,042,737	109,140,653
		162,282,361	**112,688,308**
18.	**SUNDRY INCOME**		
	Prescribed unallocated deposits written back	143,174	164,437
	Prescribed credits written back	1,552,390	102,684
	Other income	-	262,451
		1,695,564	**529,572**

19. EVENTS AFTER THE REPORTING DATE

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

20. RELATED PARTY TRANSACTIONS

Parties with significant influence over the Scheme:

Board of Trustees
There were 16 elected trustees during the year.

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

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

Key management personnel:
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees and Principal Officer. This disclosure deals with full-time personnel who are compensated on a salary basis (Principal Officer), and Board of Trustee members who are paid a monthly retainer and reimbursed for costs incurred.

Close family members include close family members of the Board of Trustees and Principal Officer, and are also related parties.

Transactions with related parties

The following provides the total transaction amounts, which have been entered into with related parties for the relevant financial year. These transactions are done at arm's length.

Key management personnel (Board of Trustees and Principal Officer) and their close family members

	2022 R	2021 R
Statement of Comprehensive Income		
Gross contributions received	1,507,881	1,468,540
Gross claims incurred	1,191,133	1,481,913
Office of the Principal Officer	4,733,166	4,638,588
Board of Trustees' reimbursements and remuneration (Note 22)	3,413,951	2,636,190
Interest on medical savings account balances	2,223	2,123
Statement of Financial Position		
Medical savings account balances	53,409	46,308

20. RELATED PARTY TRANSACTIONS (continued)

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

Transaction	Nature of transactions and terms and conditions thereof
Contributions received	This constitutes the contributions paid by the related parties as members of the Scheme, in their individual capacity. All contributions were on the same terms as those applicable to other members.
Claims incurred	This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to other members.
Medical savings account balances	The amounts owing to the related parties relate to medical savings account balances to which the parties have a right. The amounts are all current, and would need to be payable on demand should an appropriate claim be issued, or should the member resign from the Scheme.
Medical savings account interest	Interest is earned on positive medical savings account balances at an average effective interest rate of 6.71% (2021: 4.49%) per annum.

20. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties

	2022 R	2021 R
Discovery Health (Pty) Ltd - Administrator		
Statement of comprehensive income		
Administration fees paid	390,250,320	363,088,836
Medical emergency call centre (Note 15)	477,275	440,444
Discovery Health (Pty) Ltd - managed care organisation		
Statement of comprehensive income		
Managed care: management services	100,604,792	93,799,191
Statement of financial position		
Balance due to Discovery Health (Pty) Ltd at year end (Note 8)	42,180,654	39,456,085

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

Administration and managed care management service agreements

Notwithstanding the Signature Date, this Agreement shall be effective as from the Commencement Date and shall endure for an initial period of 5 (five) calendar years ("Initial Period"), subject to earlier termination in accordance with the provisions of this Agreement. The Scheme reserves the right to renew this Agreement after the Initial Period for successive periods of 12 (twelve) calendar months each. Should the Scheme not wish to renew the Agreement, it shall give the Administrator written notice of termination not less than 6 (six) calendar months prior to the expiry of the Initial Period or a renewal period, as the case may be. If the Scheme does not give notice of termination in accordance with this clause, this Agreement shall automatically renew for successive periods of 12 (twelve) calendar months.

21. SURPLUS FROM OPERATIONS PER BENEFIT OPTION

2022	LA CORE	LA COMPREHENSIVE	LA FOCUS	LA ACTIVE	LA KEYPLUS	TOTAL
In-hospital costs covered	100%, no limit	100%, no limit	100%, no limit	100%, no limit	100%, no limit	
Medical savings account	Yes	Yes	Yes	Yes	No	
Chronic conditions	Covering: PMB plus HIV plus Additional conditions	Covering: PMB plus HIV plus Additional conditions	Covering: PMB plus HIV	Covering: PMB plus HIV	Covering: PMB plus HIV	
	R	R	R	R	R	R
Risk contribution income	**300,379,274**	**117,087,111**	**754,700,003**	**3,151,407,313**	**187,465,413**	**4,511,039,114**
Relevant healthcare expenditure	**(312,204,184)**	**(111,551,676)**	**(585,094,895)**	**(2,715,481,570)**	**(159,215,704)**	**(3,883,548,029)**
Net claims incurred	(308,572,206)	(110,343,047)	(560,241,668)	(2,650,278,000)	(154,615,565)	(3,784,050,486)
Risk claims incurred	(308,889,254)	(110,446,738)	(562,023,050)	(2,656,000,176)	(155,163,382)	(3,792,522,600)
Third party claims recoveries	317,048	103,691	1,781,382	5,722,176	547,817	8,472,114
Net income/ (expense) on risk transfer arrangements	287,377	73,458	(2,912,446)	1,503,862	2,154,998	1,107,249
Risk transfer arrangement fees/premiums paid	(1,855,760)	(474,361)	(17,801,635)	(9,711,304)	(6,401,973)	(36,245,033)
Recoveries from risk transfer arrangements	2,143,137	547,819	14,889,189	11,215,166	8,556,971	37,352,282
Managed care: management services	(3,919,355)	(1,282,087)	(21,940,781)	(66,707,432)	(6,755,137)	(100,604,792)
Gross healthcare results	**(11,824,910)**	**5,535,435**	**169,605,108**	**435,925,743**	**28,249,709**	**627,491,085**
Broker services fees	(3,209,268)	(1,560,661)	(24,576,580)	(79,491,482)	(5,476,682)	(114,314,673)
Administration fees	(15,732,441)	(5,146,343)	(88,071,407)	(267,766,727)	(13,533,402)	(390,250,320)
Sundry expenses	(921,055)	(301,587)	(5,143,246)	(15,775,169)	(1,583,362)	(23,724,419)
Impairment losses on healthcare receivables	(463,107)	(150,992)	(2,641,429)	(7,992,900)	(811,777)	(12,060,205)
Net healthcare results	**(32,150,781)**	**(1,624,148)**	**49,172,446**	**64,899,465**	**6,844,486**	**87,141,468**
Other income	7,626,601	2,492,855	42,912,976	130,295,758	11,015,881	194,344,071
Scheme	6,363,345	2,079,943	35,804,949	108,713,807	11,015,881	163,977,925
Return on medical savings account trust monies invested	1,263,256	412,912	7,108,027	21,581,951	-	30,366,146
Other expenditure	(1,263,256)	(412,912)	(7,108,027)	(21,581,951)	-	(30,366,146)
Impairment loss	(46,883)	(15,336)	(262,469)	(797,979)	(80,808)	(1,203,475)
Net surplus / (deficit) for the year	**(25,834,319)**	**440,459**	**84,714,926**	**172,815,293**	**17,779,559**	**249,915,918**
Average membership	***3,689***	***1,207***	***20,653***	***62,790***	***6,359***	***94,697***

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21. SURPLUS FROM OPERATIONS PER BENEFIT OPTION (continued)

2021	LA CORE	LA COMPREHENSIVE	LA FOCUS	LA ACTIVE	LA KEYPLUS	TOTAL
In-hospital costs covered	100%, no limit	100%, no limit	100%, no limit	100%, no limit	100%, no limit	
Medical savings account	Yes	Yes	Yes	Yes	No	
Chronic conditions	Covering: PMB plus HIV plus Additional conditions	Covering: PMB plus HIV plus Additional conditions	Covering: PMB plus HIV	Covering: PMB plus HIV	Covering: PMB plus HIV	
	R	R	R	R	R	R
Risk contribution income	**314,598,579**	**124,155,537**	**687,225,373**	**2,950,853,974**	**184,698,948**	**4,261,532,411**
Relevant healthcare expenditure	**(285,791,370)**	**(110,973,752)**	**(512,950,616)**	**(2,431,521,623)**	**(140,569,675)**	**(3,481,807,037)**
Net claims incurred	(281,723,810)	(109,652,368)	(489,301,197)	(2,369,740,072)	(135,235,805)	(3,385,653,253)
Risk claims incurred	(282,138,641)	(109,794,434)	(491,099,367)	(2,375,509,939)	(135,813,778)	(3,394,356,160)
Third party claims recoveries	414,831	142,066	1,798,170	5,769,867	577,973	8,702,907
Net income/ (expense) on risk transfer arrangements	(30,049)	24,859	(3,684,325)	-	1,334,922	(2,354,593)
Risk transfer arrangement fees/premiums paid	(3,961,000)	(2,718,883)	(15,252,924)	-	(6,345,016)	(28,277,823)
Recoveries from risk transfer arrangements	3,930,951	2,743,742	11,568,599	-	7,679,938	25,923,230
Managed care: management services	(4,037,511)	(1,346,243)	(19,965,094)	(61,781,551)	(6,668,792)	(93,799,191)
Gross healthcare results	**28,807,209**	**13,181,785**	**174,274,757**	**519,332,351**	**44,129,273**	**779,725,374**
Broker services fees	(3,043,654)	(1,519,234)	(20,984,599)	(68,820,285)	(5,091,351)	(99,459,123)
Administration fees	(16,205,725)	(5,403,536)	(80,135,815)	(247,978,440)	(13,365,320)	(363,088,836)
Sundry expenses	(921,089)	(307,278)	(4,544,367)	(13,990,807)	(1,516,890)	(21,280,431)
Impairment losses on healthcare receivables	(508,884)	(169,390)	(2,528,222)	(7,813,689)	(845,413)	(11,865,598)
Net healthcare results	**8,127,857**	**5,782,347**	**66,081,754**	**180,729,130**	**23,310,299**	**284,031,386**
Other income	5,802,342	1,933,372	28,808,383	89,048,230	8,059,466	133,651,793
Scheme	4,858,299	1,618,812	24,121,249	74,560,054	8,059,466	113,217,880
Return on medical savings account trust monies invested	944,043	314,560	4,687,134	14,488,176	-	20,433,913
Other expenditure	(944,043)	(314,560)	(4,687,134)	(14,488,176)	-	(20,433,913)
Net surplus for the year	**12,986,156**	**7,401,159**	**90,203,003**	**255,289,184**	**31,369,765**	**397,249,266**
Average membership	***3,950***	***1,317***	***19,531***	***60,438***	***6,524***	***91,759***

22. TRUSTEES' REIMBURSEMENTS AND REMUNERATION 2022

		Location	Subsistence and accommodation R	Travelling R	Conference and other fees R	Telephone R	Strategic session R	Retainer fee R	Total R
	Barnard, RC	Gqeberha	6,140	23,685	-	-	4,537	160,968	195,330
	Bennett, A	Johannesburg	8,079	26,791	-	-	7,973	160,968	203,811
*	Beukman, GJ	Langebaan	7,912	16,250	133,241	3,600	6,521	193,140	360,664
	Bosman, R	Johannesburg	12,249	33,643	-	-	4,967	160,968	211,827
	Botha, H	Mossel Bay	5,828	21,953	-	-	5,779	160,968	194,528
	De Bruyn, R	Pretoria	8,216	33,914	-	-	5,957	160,968	209,055
	Chidi, N	Pretoria	11,590	34,231	-	-	5,606	160,968	212,395
	Denge, R	Johannesburg	9,951	30,189	-	3,600	5,666	177,036	226,442
	Deysel, HA	Queenstown	15,866	30,164	-	-	6,384	160,968	213,382
	Dlamini, M	Johannesburg	7,005	27,365	-	-	-	160,968	195,338
	Field, R	Cape Town	1,051	1,717	-	-	5,160	160,968	168,896
	Lemmer, A	Gqeberha	6,288	25,918	-	-	2,670	160,968	195,844
	Mabunda, S	Johannesburg	10,103	28,859	-	-	3,464	160,968	203,394
	Mavuso, C	Johannesburg	9,799	27,111	-	-	2,787	160,968	200,665
	Nel, C	Durban	8,974	31,789	-	-	5,840	160,968	207,571
	Yamba, S	East London	17,491	28,684	-	-	7,666	160,968	214,809
$			**146,542**	**422,263**	**133,241**	**7,200**	**80,977**	**2,623,728**	**3,413,951**

Note * : Conference costs and other fees, this is a cost paid to the service provider for IFHP attendance fees of the Chairman.
Note $: Physical meetings were held in 2022 whereas virtual meetings were held in 2021, hence the increase in remuneration costs.

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22. TRUSTEES' REIMBURSEMENTS AND REMUNERATION 2021

	Location	Subsistence and accommodation R	Travelling R	Conference and other fees R	Telephone R	Strategic session R	Retainer fee R	Total R
Allan, J	Johannesburg	-	-	-	-	-	71,700	71,700
Barnard, RC	Gqeberha	1,128	3,107	-	-	3,531	151,572	159,338
Bennett, A	Johannesburg	1,639	4,768	-	-	7,525	151,572	165,504
Beukman, GJ	Langebaan	6,947	7,539	-	3,600	6,830	181,860	206,776
Bosman, R	Johannesburg	1,647	4,682	-	-	6,112	151,572	164,013
Botha, H	Mossel Bay	1,128	3,525	-	-	2,236	151,572	158,461
Chidi, N	Pretoria	1,639	4,025			-	75,786	81,450
De Bruyn, R	Pretoria	1,128	3,175	-	-	6,142	151,572	162,017
Denge, R	Johannesburg	1,639	3,354	-	1,200	6,470	156,616	169,279
Deysel, HA	Queenstown	3,138	6,115	-	2,400	9,175	161,660	182,488
Dlamini, M	Johannesburg	1,639	5,590	-	-	5,690	151,572	164,491
Field, R	Cape Town	278	197	-	-	6,932	151,572	158,979
Lemmer, A	Gqeberha	1,128	2,101	-	-	6,002	151,572	160,803
Louwrens, P	Johannesburg	-	-	-	-	5,436	71,700	77,136
Mabunda, S	Johannesburg	1,639	3,747	-	-	-	75,786	81,172
Mavuso, C	Johannesburg	1,639	2,871	-	-	-	75,786	80,296
Nel, C	Durban	4,004	(220)	-	-	6,390	151,572	161,746
Nobatana, N	Cape Town	-	-	-	-	5,822	71,700	77,522
Vorster, A	Cape Town	278	(6,996)	-	-	6,528	71,700	71,510
Yamba, S	East London	3,138	2,585	-	-	-	75,786	81,509
		33,775	**50,165**	**-**	**7,200**	**90,822**	**2,454,228**	**2,636,190**

23. INSURANCE RISK MANAGEMENT REPORT

Nature and extent of risks arising from insurance contracts

The primary insurance activity carried out by the Scheme indemnifies covered members and their dependants against the risk of loss arising as a result of the occurrence of a health event (i.e. an event relating to the health of the Scheme's beneficiary). As such, the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Insurance events are, by nature, random and the actual number and size of events during any one year may vary from those estimated using established techniques. Risk transferred under risk transfer arrangements has been disclosed under note 13.

This section summarises these risks and the ways in which these risks are managed.

Insurance risk

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Scheme faces under its insurance contracts is that the actual claim payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency and severity of claims are greater than estimated.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.

Factors that aggravate insurance risk include changes in membership distribution and major unanticipated demographic movements, adverse experience regarding the cost of prescribed minimum benefits and unusually adverse experience due to seasonal patterns.

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

Hospital benefits

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

Chronic Illness Benefit (CIB)

On all benefit options the Scheme provides cover for the Prescribed Minimum Benefit (PMB) chronic conditions and HIV/AIDS. On two of the Options, the Scheme provides extended cover for a defined list of additional chronic conditions.

Day-to-day benefits

The day-to-day benefits, which includes medical savings accounts, cover the cost of out-of-hospital health care services, such as visits to general practitioners and dentists as well as prescribed acute medicine.

23. INSURANCE RISK MANAGEMENT REPORT (continued)

The risks associated with the types of benefits offered to members are addressed below:

Hospital benefit risk

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

Certain factors that impact on hospital claims are shown below:

Key indicators	2022	2021	% Increase/ (decrease)
Admission rate	20.69%	17.58%	17.69
Events per 1 000 lives	206.94	175.77	17.73
Average length of stay (days)	4.58	4.73	(3.17)
Average cost per event	R 52,775	R 56,859	(7.18)
Average cost per life per month	R 576	R 541	6.49

Initiatives used by the Scheme to manage the risk associated with admission rate include:
- The development of protocols for various procedures;
- The "See your doctor first" initiative which requires members to see their doctor prior to an elective admission; and
- The amendment to the pre-authorisation length of stay benchmarks.

Chronic Illness Benefit (CIB) risk

Frequency and severity of claims
The main factors impacting the frequency and severity of chronic claims are the number of claimants and the cost per claimant. An increase/decrease in the number of claimants results in an increase/decrease in the frequency of claims. Higher increases in claimants and severity of claims may be attributed to increases in the number of claimants at older ages or beneficiaries who are more sickly. Conversely, lower prevalence rates may be indicative of a healthier membership.

23. INSURANCE RISK MANAGEMENT REPORT (continued)

The mix between the various chronic conditions impacts the frequency and severity of claims. Certain factors that impact chronic cost are shown below:

Condition	2022	2021	% Increase/ (decrease)
Claimants per 1000 lives	14.78	14.64	0.92
Amount paid per life per month	R 53	R 53	1.21

Day-to-day benefit risk

Frequency and severity of claims
The Above Threshold Benefit component of the LA Comprehensive option results in the largest day-to-day risk to the Scheme after the threshold is reached. The frequency and severity of claims are driven by the number of claimants, and their health statuses.

Concentration of insurance risk
The following table, based on service date claims (net of adjustments), summarises the concentration of insurance risk, with reference to the carrying amount, per beneficiary, of the insurance claims incurred for service years 2022 and 2021, by age group and in relation to the type of risk cover/benefits provided.

Claims incurred for 2022 service year per beneficiary

Age grouping (in years)	In-hospital R	Chronic R	Day-to-day R	Total R
< 26	5,502	75	1,500	7,077
26 – 35	11,372	315	3,768	15,455
36 – 50	12,490	874	4,717	18,081
> 50	27,690	2,386	8,441	38,517

Claims incurred for 2021 service year per beneficiary

Age grouping (in years)	In-hospital R	Chronic R	Day-to-day R	Total R
< 26	4,369	80	1,369	5,818
26 – 35	10,157	305	3,748	14,211
36 – 50	11,272	860	4,508	16,640
> 50	27,101	2,263	8,000	37,365

23. INSURANCE RISK MANAGEMENT REPORT (continued)

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 since it is believed that this reduces the variability of the outcomes on the different benefit options.

The strategy is set out in the annual business plan, which specifies the benefits to be provided, taking into consideration the profile of each benefit option and contributions required to fund expenses.

All contracts are negotiated and renewed annually. The Scheme has the right to change the terms and conditions of each contract at renewal. Contracts can be terminated at any time during the year, subject to written notice as required in terms of the contract. Management information, including contribution income and claims ratios by option, is reviewed monthly.

Risk transfer arrangements
The Scheme entered into capitation agreements to cover specific risks. The Scheme has contracts with the Centre for Diabetes and Endocrinology (CDE), Iso Leso and Dental Risk Company.

Risk in terms of risk transfer arrangements
According to the terms of these capitation agreements, the suppliers provide certain specified benefits to Scheme members, as and when required by the members. The Scheme does, however, remain liable to its members if the suppliers fail to meet the obligations they assume.

Claims development
Claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within one year and the majority of cases within four months. At year end, a provision is made for those risk claims outstanding that are not yet reported at that date. Details regarding the subsequent risk claims development in respect thereof have been disclosed in note 6.

Risk management objectives and policies for mitigating insurance risk
The Scheme manages its insurance risk through benefit limits and sub-limits, application of clinical protocols, approval procedures for transactions that exceed set limits, pricing guidelines, pre-authorisation and case management, service provider profiling, and the regular monitoring of emerging issues.

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

23. INSURANCE RISK MANAGEMENT REPORT (continued)

The following factors affect the frequency and severity of claims:

- Fee-for-service provider reimbursement combined with a third-party payer creates the incentive for over servicing of members. The Scheme uses alternative reimbursement arrangements such as fixed fees and capitation fees to mitigate this risk;
- The demographic profile of the membership base i.e. older, sickly members require more frequent and more intense treatment than younger, healthier members. This risk is managed through the regular updating of internal risk management models which assess the impact of any changes to the Scheme's demographic profile;
- Technological advances in healthcare generally increases the cost of treatment. This may be due to either the increased price of the new technology or the increased quantity of treatment. This risk is mitigated through a rigorous health technology assessment process which determines whether the technology is cost-effective and whether it should be funded; and
- The price of covered services affects the severity of claims. This risk is mitigated by the Scheme's Rules, which specify the maximum rate at which each treatment is funded. The Scheme also manages this risk through annual tariff agreements with certain provider groups.

Outstanding risk claims provision

There are some sources of uncertainty that need to be considered in the estimate of the liability that the Scheme will ultimately pay for claims made under insurance contracts.

Process used to determine the assumptions
Refer to note 6.

Changes in assumptions and sensitivities to changes in key variables

The table on the next page outlines the sensitivity of insured liability estimates to particular movements in assumptions used in the estimation process. It should be noted that this is a deterministic approach with no correlations between the key variables. For each sensitivity illustrated, all other assumptions have been left unchanged.

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, assessment of changes to that variable may be required in the future.

23. INSURANCE RISK MANAGEMENT REPORT (continued)

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

The impact on the liability and income caused by changes in relevant risk variables:

	Increase in liability %	Increase in liability 2022 R	Increase in liability 2021 R
In-hospital claims incurred	1% increase in claims costs	27,432,492	23,952,304
Chronic claims incurred	1% increase in claims costs	1,536,064	1,460,129
Out-of-hospital risk claims incurred	1% increase in claims costs	8,716,845	8,024,602

The Scheme is most vulnerable to changes in membership distribution and changes in the underlying rate of inflation, which drives a number of assumptions.

Sensitivity of the Scheme's profitability and reserves to changes in variables that have a material effect on them

The Scheme's profitability, reserves and therefore solvency are most sensitive to changes in risk claims development patterns. Other assumptions that are considered include assumptions regarding utilisation trends, the impact of new technology and the expected demographic profile of the Scheme's membership.

Long COVID, as is understood, has had a marginal impact on the scheme, which continues to be monitored closely. However, we have assumed that each service month is subject to the same development patterns and this should therefore not have a significant impact on the reserving process.

24. FINANCIAL RISK MANAGEMENT REPORT

Overview

The Scheme is exposed to financial risk through its financial assets, financial liabilities and insurance assets and liabilities. In particular, the key financial risk is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market 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 financial performance.

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 are sufficient to fund members' reasonable benefit expectations.

The Audit & Risk Committee has been mandated by the Board of Trustees to monitor the implementation and maintenance of these risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Scheme, if a counterparty to an insurance contract or a financial instrument fails to meet its contractual obligations.

The Scheme’s principal financial assets exposed to credit risk include held-to-maturity investments, cash and cash equivalents and trade and other receivables. The Scheme’s credit risk is primarily attributable to its insurance and other receivables.

Insurance and other receivables
Trade and other receivables comprise of insurance receivables, loans and interest. The main components of insurance receivables are in respect of:
- Receivables for contributions due from members; and
- Receivables for amounts recoverable from service providers and members in respect of claims debt.

The Scheme manages credit risk by:
- Actively pursuing all contributions not received after 3 days of becoming due, as required by Section 26(7) of the Act;
- Monthly reconciliations between the Administrator and the Employer are discussed for possible suspensions of memberships;

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.

Details of the process to estimate the impairment provision are included in note 1.7.

24. FINANCIAL RISK MANAGEMENT REPORT (continued)

Investments

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.

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

Impairment losses

The ageing of insurance receivables at year end was:

	Gross 2022 R	**Impairment 2022 R**	**Gross 2021 R**	**Impairment 2021 R**
Not past due	217,125,950	-	196,630,365	-
Past due 0 - 30 days	4,735,166	-	3,509,792	-
Past due 31 - 90 days	3,037,485	-	2,117,186	-
Past due 91 days +	26,321,003	15,928,952	18,563,995	13,884,047
Total	**251,219,604**	**15,928,952**	**220,821,338**	**13,884,047**

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

	Trade and other receivables		
	Insurance receivables		
	Contribution debtors	Member and service provider claims debtors	**Total**
	R	R	**R**
Balance as at 1 January 2021	**-**	**13,789,021**	**13,789,021**
Increase in impairment	-	95,026	95,026
Balance as at 31 December 2021	**-**	**13,884,047**	**13,884,047**
Balance as at 1 January 2022	**-**	**13,884,047**	**13,884,047**
Increase in impairment	-	2,044,905	2,044,905
Balance as at 31 December 2022	**-**	**15,928,952**	**15,928,952**

24. FINANCIAL RISK MANAGEMENT REPORT (continued)

Investments

The table below shows the exposure limit and balance of cash or deposits held (excluding MSA trust funds) at five major counterparties at year end.

Counterparty	2022		2021	
	Exposure limit	Balance	Exposure limit	Balance
	R	R	R	R
1	1,266,033,538	511,502,686	1,172,574,089	484,952,479
2	1,266,033,538	648,099,896	1,172,574,089	672,034,116
3	1,266,033,538	786,173,311	1,172,574,089	724,662,064
4	1,266,033,538	254,937,424	1,172,574,089	174,619,343
5	1,266,033,538	777,931,854	1,172,574,089	622,357,600

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

Credit quality of financial assets and insurance receivables

The credit quality of financial assets that are neither past due nor impaired can be assessed by historical information about counterparty default rates:

	2022 R	2021 R
Insurance receivables		
Counterparties without external credit rating:		
Contribution debtors	226,836,004	199,622,715
Members' claim debtors	20,319,955	15,577,961
Providers' claim debtors	4,063,647	5,620,662

Contribution debtors
On analysing the credit quality of contribution debtors, the Scheme collected 91% of these amounts in January 2023. This indicates a high credit quality relating to these debtors.

Member claim debtors
These debtors are active and withdrawn members of the Scheme. Active members are expected to have similar credit quality to the contribution debtors.

Provider claim debtors
These debtors are the healthcare providers of the Scheme. The amounts due to the Scheme are offset against future payments to be made to these providers.

Cash and cash equivalents and medical savings account trust funds

Counterparties with external credit ratings

Banks with high credit ratings	**3,613,170,563**	**3,344,936,144**

24. FINANCIAL RISK MANAGEMENT REPORT (continued)

Unconsolidated investment structures

The Scheme invests monies in reputable funds which promise returns. The Scheme views these funds as unconsolidated structured entities. The Scheme monitors the performance of the funds closely to ensure high earnings without unnecessary exposure to risk.

The money market funds included in cash and cash equivalents meet the definition of investment structures. The Scheme has investments in Nedbank Corporate Money Market Fund, Stanlib Corporate Money Market Fund and Ninety One Corporate Money Market Fund amounting to R221.7m, R256.8m and R252.4m respectively. The exposure is limited to the investment in these structures.

Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The availability of funding through liquid cash positions with various institutions ensures that the Scheme has the ability to fund day-to-day operations. The Scheme has complied with the requirements regarding the nature and categories of assets as prescribed by Section 35 and Regulation 30 of the Act.

On average 95% of the Scheme's insurance liabilities are settled within four months after the claim was incurred and the remaining liability is settled within eight months.

A maturity analysis for financial liabilities, including insurance liabilities is provided below:

As at 31 December 2022	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R
Medical savings account trust liability (Note 7)	582,249,741	-	-
Trade and other payables (Note 8)	149,446,293	-	-
Outstanding risk claims provision (Note 6)	147,485,399	-	-

As at 31 December 2021	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R
Medical savings account trust liability (Note 7)	534,076,683	-	-
Trade and other payables (Note 8)	110,131,685	-	-
Outstanding risk claims provision (Note 6)	159,398,594	-	-

Market risk

Market risk is the risk that changes in the market, such as interest rates and equity prices which 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.

Currency risk

All of the Scheme's benefits are Rand-denominated and therefore the Scheme does not have significant currency risk.

Price risk
The Scheme is not exposed to equity security price risk or commodity risk.

24. FINANCIAL RISK MANAGEMENT REPORT (continued)

Interest rate risk

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

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

As at 31 December 2022	**Up to 1 month**	**More than 1 month**	**Non-interest bearing**	**Total**
	R	**R**	**R**	**R**
Call accounts and fixed deposits	165,210,184	2,037,500,000	-	2,202,710,184
Current accounts	102,205,522	-	-	102,205,522
Money market instruments	730,928,741	-	-	730,928,741
Medical savings account trust funds	442,326,117	135,000,000	-	577,326,117
Total	**1,440,670,564**	**2,172,500,000**	**-**	**3,613,170,564**

As at 31 December 2021	**Up to 1 month**	**More than 1 month**	**Non-interest bearing**	**Total**
	R	**R**	**R**	**R**
Call accounts and fixed deposits	68,500,000	2,072,651,957	-	2,141,151,957
Current accounts	126,596,452	-	-	126,596,452
Money market instruments	537,386,746	-	-	537,386,746
Medical savings account trust funds	404,800,989	135,000,000	-	539,800,989
Total	**1,137,284,187**	**2,207,651,957**	**-**	**3,344,936,144**

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

	2022	**2021**
Held-to-maturity investments		
Scheme funds	5.84%	4.73%
Medical savings account trust funds	5.76%	4.49%
Cash and cash equivalents		
Scheme funds	4.99%	3.50%
Medical savings account trust funds	4.99%	3.50%

24. FINANCIAL RISK MANAGEMENT REPORT (continued)

Market risk (continued)

Sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) accumulated funds and surplus or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2022.

	Surplus or deficit and accumulated funds	
	100bp Increase R	**100bp Decrease R**
31 December 2022	36,131,706	(36,131,706)
Sensitivity (net)	**36,131,706**	**(36,131,706)**
31 December 2021	33,449,361	(33,449,361)
Sensitivity (net)	**33,449,361**	**(33,449,361)**

Legal risk
Legal risk is the risk that the Scheme will be exposed to in respect of contractual obligations which have not been provided for. At 31 December 2022 the Scheme did not consider there to be any significant concentration of legal risk that had not been provided for.

Capital management

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

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

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

	2022 R	**2021 R**
Total members' funds per statement of financial position	3,044,481,729	2,794,434,811
Accumulated funds per Regulation 29	**3,044,481,729**	**2,794,434,811**
Annualised gross contributions (Note 10)	**5,650,249,420**	**5,320,485,185**
Solvency margin		
= Accumulated funds/annualised gross contribution income x 100%	**53.88%**	**52.52%**

The required solvency has been maintained throughout the year.

24. FINANCIAL RISK MANAGEMENT REPORT (continued)

Fair value estimation

The carrying value less impairment of loans and other receivables and payables are assumed to approximate their fair values due to their short-term nature.

The medical savings accounts contain a demand feature. In terms of Regulation 10 to the Act, any credit balance on a member's medical savings account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option, and enrols in another benefit option or medical scheme without a medical savings account or does not enrol in another medical scheme. Therefore the carrying value of the medical savings accounts are deemed to be equal to their fair values, which is the amount payable on demand. The amounts were not discounted, due to the demand feature.

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

Valuation of financial instruments
The Scheme measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted in an active market for an identical instrument).
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Scheme's financial instruments, measured at fair value at the end of the reporting period, are all categorised as Level 1 investments.

Unconsolidated investment structures
The Scheme has involvement with investment funds in which it invests but it does not consolidate. The investment funds meet the definition of structured entities because:

- The voting rights in the funds are not dominant rights in deciding who controls them because they relate to the administrative tasks only;
- each fund's activities are restricted by prospectus; and
- the funds have narrow and well-defined objectives to provide investment opportunities.

Breakdown of investments

The assets of the portfolio (excluding Medical Savings Account Trust Funds) must be invested in accordance with Annexure B of the Regulations to the Act.

The investments for the purposes of the financial statements comprise held-to-maturity investments and cash and cash equivalents.

Held-to-maturity investments
Held-to-maturity investments are made up of the following year end balances:

	2022 R	2021 R
Fixed deposits	2,337,710,184	2,276,151,957
Total	**2,337,710,184**	**2,276,151,957**

Cash and cash equivalents
Cash and cash equivalents are made up of the following year end balances:

	2022 R	2021 R
Current accounts	102,215,843	134,770,551
Money market instruments	1,173,244,537	934,013,636
Total	**1,275,460,380**	**1,068,784,187**

24. FINANCIAL RISK MANAGEMENT REPORT (continued)

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

	Held-to-maturity investments	Financial liabilities at amortised cost	Loans and receivables	Insurance receivables and payables	Total carrying amount
	R	R	R	R	R
For the year ended 31 December 2022					
Held-to-maturity investments					
Scheme funds	2,202,710,184	-	-	-	**2,202,710,184**
Medical savings account trust funds	135,000,000	-	-	-	**135,000,000**
Cash and cash equivalents					
Scheme funds	-	-	833,134,263	-	**833,134,263**
Medical savings account trust funds	-	-	442,326,117	-	**442,326,117**
Trade and other receivables	-	-	73,721,185	235,292,298	**309,013,483**
Medical savings accounts	-	(582,249,741)	-	-	**(582,249,741)**
Trade and other payables	-	(47,744,376)	-	(101,701,917)	**(149,446,293)**
	2,337,710,184	(629,994,117)	1,349,181,565	133,590,381	**3,190,488,013**
For the year ended 31 December 2021					
Held-to-maturity investments					
Scheme funds	2,141,151,957	-	-	-	**2,141,151,957**
Medical savings account trust funds	135,000,000	-	-	-	**135,000,000**
Cash and cash equivalents					
Scheme funds	-	-	663,983,198	-	**663,983,198**
Medical savings account trust funds	-	-	404,800,989	-	**404,800,989**
Trade and other receivables	-	-	43,422,798	206,937,291	**250,360,089**
Medical savings accounts	-	(534,076,683)	-	-	**(534,076,683)**
Trade and other payables	-	(47,360,950)	-	(62,770,735)	**(110,131,685)**
	2,276,151,957	(581,437,633)	1,112,206,984	144,166,556	**2,951,087,865**

25. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Scheme makes estimates and assumptions concerning the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Outstanding risk claims provision
The critical estimates and judgements relating to the outstanding claims provision are set out under note 6.

26. NON-COMPLIANCE MATTERS

26.1 Contributions not received within three days of it becoming due

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

There were instances, during the year, where the Scheme received contributions after three days of becoming due, however, there are no contracts in place agreeing to this arrangement.

The procedures that the Scheme follows regarding these contributions are set out in Note 24.

26.2 Claims payments in excess of 30 days

In exceptional cases claims were paid later than 30 days after date of submission. This usually resulted from members or providers submitting claims without the necessary details required for these payments to be made.

These are isolated cases and thus do not have a material effect on the Scheme.

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

26.3 Sustainability of benefit options

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

At 31 December 2022 two of the Scheme's benefit options did not comply with Section 33(2):

Option	2022 Net healthcare deficit R	2021 Net healthcare surplus R
LA Comprehensive	(1,624,148)	5,782,347
LA Core	(32,150,781)	8,127,857

The Board of Trustees addresses the sustainability of all Options during their annual strategic conference and subsequent budgetary process. Fair consideration was given to the affordability of the benefits in this Option for its registered beneficiaries, by taking into account investment income.

27. COMMITMENTS AND OTHER CONTINGENT LIABILITIES

The Scheme does not have any commitments or contingent liabilities outstanding at 31 December 2022.

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2022.

1. DESCRIPTION OF MEDICAL SCHEME

1.1 Terms of registration

LA Health Medical Scheme is a not-for-profit restricted Scheme registered in terms of the Medical Schemes Act, No 131 of 1998 (the Act), as amended.

1.2 Benefit options within LA Health Medical Scheme

The Scheme offers five benefit options to members within local government.
LA Core;
LA Comprehensive;
LA Focus;
LA Active; and
LA KeyPlus.

1.3 Medical Savings Account trust liability

On all benefit options except LA KeyPlus, members pay an agreed sum, less than or limited to 25% of their gross contributions, into a medical savings account (MSA). The full annual amount is made available for use on 1 January of each year although members only contribute towards this monthly. The MSA provides members with adequate cover for medical expenses they may incur outside of hospital, up to a prescribed limit, for different types of medical treatment such as dental care, optometry and acute medicine.

The balance remaining in the MSA at the end of each calendar year is carried over to the following year for the benefit of the member.

Actual interest earned, net of related expenses, is paid on Medical Savings Accounts.

The MSA is reflected as a current liability in the financial statements and is repayable in terms of Regulation 10 of the Act.

Investment of MSA trust monies, managed by the Scheme on behalf of its members, have been separately disclosed as a current asset in the financial statements.

1.4 Risk transfer arrangements

Iso Leso (Pty) Ltd and the Dental Risk Company (Pty) Ltd manage some of the primary care costs on the LA KeyPlus and Focus options. The Scheme entered into a new risk transfer arrangement with Discovery Health (Pty) Ltd which is a registered managed care organisation providing specialised diabetes and cardiometabolic management services on all the benefit options of the Scheme excluding Keyplus option, commencement date 1 April 2021.

2. MANAGEMENT

2.1 Board of Trustees in office during the year under review

		Date elected	Date term ends
Mr GJ Beukman	Elected (Chairperson)	01-May-92	30-Jun-24
Mr R Denge	Elected (Deputy Chairperson)	01-Jul-18	30-Jun-24
Mr RC Barnard	Elected	01-Jul-19	30-Jun-27
Mr A Bennett	Elected	01-Oct-98	30-Jun-24
Mr R Bosman	Elected	01-Jul-05	30-Jun-24
Mr H Botha	Elected	01-Jul-15	30-Jun-27
Ms N Chidi	Elected	01-Jul-21	30-Jun-27
Mr R de Bruyn	Elected	01-Oct-09	30-Jun-27
Mr HA Deysel	Elected	01-Jul-00	30-Jun-24
Mr M Dlamini	Elected	01-Jul-18	30-Jun-24
Mr R Field	Elected	01-Oct-96	30-Jun-24
Mr A Lemmer	Elected	01-Jul-05	30-Jun-24
Mr S Mabunda	Elected	01-Jul-21	30-Jun-27
Mr C Mavuso	Elected	01-Jul-21	30-Jun-27
Ms C Nel	Elected	01-Jul-15	30-Jun-27
Mr S Yamba	Elected	01-Jul-21	30-Jun-27

2.2 Principal Officer

Mr AM de Koker
CRF Building, Unit 7, Level 2
4 Bridal Close
Tyger Falls
7530

2.3 Registered office address and postal address

CRF Building, Unit 7, Level 2	Postnet Suite 116
4 Bridal Close	Private Bag X19
Tyger Falls	Milnerton
7530	7435

2.4 Scheme's administrator during the year

Discovery Health (Pty) Ltd	
1 Discovery Place	PO Box 652509
Sandton	Benmore
2146	2010

2.5 Principal Banker

First National Bank
PO Box 1153
Johannesburg
2000

2.6 Auditor

KPMG Inc.	
KPMG Crescent	Private Bag 9
85 Empire Road	Parkview
Parktown	2122
2193	

3. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

3.1 Operational statistics

2022	LA CORE	LA COMP *	LA FOCUS	LA ACTIVE	LA KEYPLUS	TOTAL
Number of members at end of the accounting period	3,602	1,166	21,204	63,492	6,480	95,944
Average number of members for the accounting period	3,689	1,207	20,653	62,790	6,359	94,698
Average number of beneficiaries for the accounting period	5,299	1,520	52,459	166,326	14,855	240,459
Beneficiaries per member	1.44	1.26	2.54	2.65	2.34	2.54
Average age per beneficiary	67.57	69.91	26.71	28.74	28.26	29.25
Pensioner ratio (beneficiaries >65 years old)	68.69%	70.57%	1.27%	3.29%	1.32%	4.65%
Average risk contribution per member per month	R6,785.32	R8,085.57	R3,045.20	R4,182.45	R2,456.89	R3,969.66
Average risk contribution per beneficiary per month	R4,724.28	R6,421.01	R1,198.88	R1,578.93	R1,051.65	R1,563.34
Average relevant healthcare expenditure per member per month	R7,052.43	R7,703.31	R2,360.84	R3,603.91	R2,086.65	R3,417.47
Average relevant healthcare expenditure per beneficiary per month	R4,910.26	R6,117.45	R929.46	R1,360.52	R893.17	R1,345.88
Administration fee per member per month	R356.28	R356.28	R356.28	R356.28	R178.17	R338.96
Average sundry expense per member per month	R31.27	R31.25	R31.41	R31.54	R31.39	R31.49
Average broker fees per member per month	R72.49	R107.77	R99.17	R105.50	R71.78	R100.60
Managed care: management services per member per month	R88.77	R88.77	R88.77	R88.77	R88.77	R88.77
Relevant healthcare expenditure as a percentage of risk contributions	103.9%	95.3%	77.5%	86.2%	84.9%	86.1%
Non-healthcare expenditure as a percentage of risk contributions	6.8%	6.1%	16.0%	11.8%	11.5%	11.9%
Return on investments						7.18%
Accumulated funds per member at 31 December						R31,732
Average medical savings account balance per member at 31 December						R6,069

* - LA Comprehensive

3. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

3.1 Operational statistics

2021	LA CORE	LA COMP *	LA FOCUS	LA ACTIVE	LA KEYPLUS	TOTAL
Number of members at end of the accounting period	3,826	1,263	19,837	60,523	6,683	92,132
Average number of members for the accounting period	3,950	1,317	19,531	60,438	6,524	91,760
Average number of beneficiaries for the accounting period	5,761	1,680	49,065	159,670	15,240	231,416
Beneficiaries per member	1.46	1.28	2.51	2.64	2.34	2.52
Average age per beneficiary	66.91	69.75	26.60	28.50	27.90	29.25
Pensioner ratio (beneficiaries >65 years old)	66.85%	70.32%	1.28%	3.23%	1.15%	4.65%
Average risk contribution per member per month	R6,637.80	R7,856.45	R2,932.19	R4,068.72	R2,359.28	R3,870.17
Average risk contribution per beneficiary per month	R4,550.83	R6,160.34	R1,167.20	R1,540.08	R1,009.96	R1,534.58
Average relevant healthcare expenditure per member per month	R6,029.99	R7,022.32	R2,188.61	R3,352.65	R1,795.59	R3,162.05
Average relevant healthcare expenditure per beneficiary per month	R4,134.12	R5,506.29	R871.21	R1,269.03	R768.65	R1,253.80
Administration fee per member per month	R342.58	R342.58	R342.58	R342.58	R171.32	R328.41
Average sundry expense per member per month	R30.17	R30.16	R30.18	R30.06	R30.18	R30.10
Average broker fees per member per month	R64.22	R96.14	R89.54	R94.89	R65.04	R90.33
Managed care: management services per member per month	R85.36	R85.36	R85.36	R85.36	R85.36	R85.36
Relevant healthcare expenditure as a percentage of risk contributions	90.8%	89.4%	74.6%	82.4%	76.1%	81.7%
Non-healthcare expenditure as a percentage of risk contributions	6.6%	6.0%	15.8%	11.5%	11.3%	11.6%
Return on investments						4.71%
Accumulated funds per member at 31 December						R30,331
Average medical savings account balance per member at 31 December						R5,797

* - LA Comprehensive

3.2 Results of operations

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

3.3 Reserve accounts

There are no reserve accounts.

3.4 Outstanding risk claims

Movements on the outstanding risk claims provisions are clearly set out in the notes to these financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

3.5 Accumulated funds ratio

	2022 R	2021 R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per statement of financial position	3,044,481,729	2,794,434,811
Accumulated funds per Regulation 29	**3,044,481,729**	**2,794,434,811**
Gross contribution income (Note 10)	**5,650,249,420**	**5,320,485,185**
Accumulated funds ratio per Regulation 29	**53.88%**	**52.52%**

3.6 COVID-19

LA Health experienced some impact from COVID-19 during 2022 and in accordance with global developments and trends, noted a marginal impact of long COVID on the scheme. The Trustees have closely monitored the impact of long COVID on the scheme during 2022 and were provided with regular updates in respect of long COVID regarding the emerging trends globally, in the country in general as well as within the medical industry and for the Scheme.

4. INVESTMENT AND FIXED ASSET POLICY

The Board of Trustees continue to invest excess funds in line with the requirements of Annexure B of the Regulations of the Act. There has been no change in the policy during the current year.

5. AUDIT & RISK COMMITTEE

An Audit & Risk Committee, established in accordance with the provisions of the Act, is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of five members of which two are members of the Board of Trustees. The majority of the members, including the Chairperson, are not officers of the Scheme or its third party administrator. The Committee met virtually four times during 2022.

The Chairperson of the Board, the external auditor and the internal auditors of the Administrator are invited to attend all Audit & Risk Committee meetings and have unrestricted access to the Chairperson of the Committee.

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

6. NON-COMPLIANCE MATTERS

6.1 Contributions not received within three days of it becoming due

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

There were instances, during the year, where the Scheme received contributions after three days of becoming due, however, there are no contracts in place agreeing to this arrangement.

The procedures that the Scheme follows regarding these contributions are set out in Note 23 to the financial statements.

6.2 Claims payments in excess of 30 days

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

6.3 Sustainability of benefit options

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At 31 December 2022 two of the Scheme's benefit options did not comply with Section 33(2):

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The Board of Trustees addresses the sustainability of all Options during their annual strategic conference and subsequent budgetary process. Fair consideration was given to the affordability of the benefits in this Option for its registered beneficiaries, by taking into account investment income.

7. ROUTINE CMS INSPECTION

The CMS performed a routine inspection at the Scheme in 2020 and issued the Scheme with directives in terms of Section 6(2)(a) of the Financial Institutions (Protection of Funds) Act 28 of 2021 on 15 December 2020. Since the last reporting period, the Scheme has complied with the directives, except for three directives, which have been appealed in terms of section 49 of the Medical Schemes Act. No date has been set for the appeal yet and therefore those directives remain suspended until a ruling is made by the CMS Appeals Committee.

8. BOARD OF TRUSTEE AND AUDIT COMMITTEE MEETING ATTENDANCE REGISTER

	Board of Trustees							Audit & Risk Committee				Strategy conference	Annual General Meeting	Risk Assessment Workshop
	16-02-2022	13-04-2022	19-05-2022	30-06-2022	11-08-2022	20-10-2022	24-11-2022	13-04-2022	07-07-2022	19-10-2022	23-11-2022	18-20/05/2022	29/06/2022	Sept/Oct 2023
Board of Trustees member														
R Barnard *	✓	✓	✓	✓	✓	✓	✗	-	-	✓	✗	✓	✓	-
A Bennett	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓	✗	-
G Beukman (Chairperson)	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-
R Bosman	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-
H Botha *	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓	-
N Chidi	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-
R de Bruyn	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓	✗	-
R Denge	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-
H Deysel	✗	✓	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-
M Dlamini	✓	✓	✗	✓	✓	✓	✗	-	-	-	-	✗	✓	-
R Field	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-
A Lemmer *	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	✓	✓	-
S Mabunda	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-
C Mavuso	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-
C Nel	✗	✓	✓	✓	✓	✓	✓	-	-	-	-	✓	✗	-
S Yamba	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-
Audit & Risk Committee														
F Mohamed (Chairperson)	-	✓	-	-	✓	-	✓	✓	✓	✓	✓	✓	✓	-
J Cornell	-	-	-	-	-	-	-	✓	✓	✓	✓	-	-	-
M Moiloa	-	-	-	-	-	✓	-	✓	✓	✓	✓	-	-	-

* Trustee Audit & Risk Committee member

Attended meeting	✓
Apology for non attendance	✗
No meeting/Not required to be in attendance	-