



Independent Auditor's Report

To the Members of Anglo Medical Scheme

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Anglo Medical Scheme (the Scheme), set out on pages 32 to 83, which comprise the statement of financial position as at 31 December 2023, 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 material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Scheme as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the 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.

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Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of the liability for incurred claims in relation to insurance contract liabilities</i></p> <p>Refer to the following disclosure in the financial statement for details:</p> <ul style="list-style-type: none"> • Note 1.3 Significant Judgements and Estimates; • Note 1.4 Insurance contracts scope and grouping; and • Note 5 Insurance contract liability. <p>As at 31 December 2023 the Scheme recognised insurance contract liabilities amounting to R283,266,000. The Scheme applied IFRS 17 - <i>Insurance Contract Liabilities</i> (“IFRS 17”) retrospectively for the first time in the current financial year ended in accounting for its insurance contract liabilities.</p> <p>The Scheme’s insurance contract liabilities comprise the liability for remaining coverage (LFRC) and the liability for incurred claims (LIC).</p> <p>In determining the LIC, the Scheme applies significant judgement and estimation uncertainties, due to the Scheme having to determine claims from healthcare events that have occurred but have not yet been reported.</p> <p>The value of the LIC from healthcare events that have occurred but have not yet been reported is the sum of the probability-weighted estimate of the expected future cash flows and the risk adjustment. The LIC reported is calculated by the Scheme’s actuaries which is reviewed by management and the Audit Committee and recommended to the Board of Trustees for approval. The LIC from healthcare events that have occurred but are not yet reported amounts to R25,762,000.</p> <p>The most significant assumptions made in the determination of the LIC are:</p> <ul style="list-style-type: none"> • the future cash flow projections; and • the risk adjustment for non-financial risk. <p><i>Future cash flow projections</i></p> <p>The future cash flow projections comprise estimates of all future claim payments, receivables from third parties as well as the directly attributable expenses arising from the healthcare events within the boundary of the insurance contracts. The Scheme’s actuaries use</p>	<p>Our audit addressed this key audit matter as follows:</p> <p>We obtained an understanding from the Scheme’s actuaries regarding the process followed in calculating the LIC from healthcare events that have occurred but have not yet been reported, which included the design and implementation of controls within the process.</p> <p>We obtained the actual claims data from the member administration system covering the year ended 31 December 2023 used in calculating the LIC from healthcare events that have occurred but are not yet reported.</p> <p>We assessed the completeness of the claims data on the member administration system by understanding management’s controls. We selected a sample of claim transactions from the claim source and agreed these to the member administration system. No material inconsistencies were noted.</p> <p>We substantively tested a sample of claims received by the Scheme in the 31 December 2023 financial year, selected from the member administration system, and evaluated the accuracy of the service and process dates and the validity of the claim against the relevant Scheme rules. No material inconsistencies were noted.</p> <p>We assessed the completeness of the claims data in the Scheme’s actuarial model by obtaining an understanding of management’s controls and testing the reconciliation between the claims data per the member administration system and the claims data per the actuarial model. No material inconsistencies were noted.</p> <p>To assess the reasonableness of the Scheme actuaries’ estimation process, we compared the actual claim results in the current year to the prior year LIC from healthcare events that have occurred but are not yet reported. We noted no matters for further consideration with respect to the estimation process.</p> <p>With the assistance of our internal actuarial experts we independently calculated the</p>

Key audit matter	How our audit addressed the key audit matter
<p>an actuarial model, based on the Scheme’s actual claim development patterns throughout the year, to determine the probability-weighted estimate of expected future cash flows. This model applies the Bornhuetter-Ferguson method.</p> <p><i>Risk adjustments for non-financial risk</i></p> <p>In determining the Scheme’s risk adjustment for non-financial risk, the Scheme uses a confidence level technique (value at risk) under IFRS 17. The Scheme’s calibrated risk adjustment (using value at risk) is such that the insurance contract liabilities are held to be sufficient at the 75th percentile of the ultimate loss distribution.</p> <p>We considered the valuation of the LIC from healthcare events that have occurred but have not yet been reported to be a matter of most significance to the current year audit due to the significant judgement and estimation uncertainties in determining the future cash flow projections and the risk adjustments for non-financial risk.</p>	<p>Scheme’s probability-weighted estimate of future cash flow projections of the LIC from healthcare events that have occurred but are not yet reported, taking into account the claims data tested above. We compared our results with that of the Scheme and did not note any material exceptions.</p> <p>With the assistance of our internal actuarial experts we tested the risk adjustment component of the LIC from healthcare events that have occurred but are not yet reported by performing the following procedures:</p> <ul style="list-style-type: none"> • We evaluated the Scheme’s methodology relative to the principles of IFRS 17 to assess whether this approach is consistent with the principles of the risk adjustment under IFRS 17. The risk adjustment covers non-financial risk relating to insurance contracts and the compensation required by the Scheme in lieu of this risk, with reference to Scheme’s risk appetite. We did not identify any matters requiring further consideration; • We tested the risk adjustment by performing independent calculations using the Scheme’s data and taking into consideration the Scheme’s risk adjustment methodology. Based on the work we performed, we did not identify any matters requiring further consideration; and • Based on the output of our independent stochastic models, we assessed whether our independently calculated liabilities are sufficient at the 75th percentile. We noted no matters requiring further consideration. <p>We performed the following procedure(s) to assess the adequacy of the LIC from healthcare events that have occurred but are not yet reported;</p> <ul style="list-style-type: none"> • We obtained the actual claims run-off report up to 31 March 2024 from the Scheme’s administrator and compared the claims paid post year-end to the LIC from healthcare events that have occurred but are not yet reported at year-end as part of subsequent event procedures. No material inconsistencies were noted.

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> • For a sample of claims from the claims run-off report, we tested the occurrence and accuracy of the claims as well as the accuracy of the related service dates by agreeing the claims to underlying supporting documents on the policy administration system and we identified no material inconsistencies. • We inquired from the Scheme’s administrator whether there were delays in processing claims at year-end that could possibly impact the claims run-off pattern subsequent to year-end. No such delays were identified. • We obtained a list of pre-authorisations approved prior to year-end from the administrator. For a sample of pre-authorisations with a service date before year-end, we requested the related claim documentation and assessed if the related claim had been included correctly in the claims run-off report up to 31 March 2024. No material inconsistencies were noted.

Other Information

The Scheme’s trustees are responsible for the other information. The other information comprises the information included in the document titled “*Anglo Medical Scheme Annual Report for the year ended 31 December 2023*”. The other information does not include the financial statements and our auditor’s report thereon.

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

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

Responsibilities of the Scheme’s Trustees for the Financial Statements

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

In preparing the financial statements, the Scheme’s trustees are responsible for assessing the Scheme’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Scheme’s trustees either intend to liquidate the



Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.
- Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related 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

As required by the Council for Medical Schemes, we report the following material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa, as amended, that have come to our attention during the course of our audit:

- **Non-compliance with Section 33 (2) (b) of the Act:**
A benefit option was not self-supporting in terms of financial performance.



Audit Tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc. has been the auditor of Anglo Medical Scheme for six years.

The engagement partner, Julianie Basson, has been responsible for Anglo Medical Scheme's audit for six years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Julianie Basson
Registered Auditor
Johannesburg, South-Africa
30 April 2024