# RHODES UNIVERSITY MEDICAL SCHEME
(Registration Number 1013)

## ANNUAL FINANCIAL STATEMENTS
## FOR THE YEAR ENDED
## 31 DECEMBER 2024

**RHODES UNIVERSITY MEDICAL SCHEME**
**REGISTRATION NUMBER 1013**
**ANNUAL FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2024**

The reports and statements set out below comprise the annual financial statements presented to the members of Rhodes University Medical Scheme.

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## STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation and fair presentation of the annual financial statements of Rhodes University Medical Scheme, comprising the statement of financial position at 31 December 2024, and the statements of comprehensive income, changes in members' funds and cash flows for the year ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with IFRS® Accounting Standards and in the manner required by the Medical Schemes Act of South Africa, no. 131 of 1998 as amended.

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

The Trustees are satisfied that the information contained in the financial statements fairly presents the financial performance for the year and the financial position of the scheme at year end. The Trustees also prepared the other information included in the financial report and are responsible for both its accuracy and its consistency with the financial statements.

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

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

The going concern basis has been adopted in preparing the financial statements. The Trustees have no reason to believe that the scheme will not be a going concern in the foreseeable future, based on forecasts for 2025 and available cash resources. These financial statements support the viability of the scheme.

The scheme’s external auditor is responsible for auditing the financial statements in terms of International Standards on Auditing and their report is presented on pages 4 to 9. PricewaterhouseCoopers Inc. was given unrestricted access to all financial records and related data, including minutes of all meetings of members, the Board of Trustees and Committees of the Board. The Board believes that all representations made to the independent auditors during their audit were valid and appropriate.

The financial statements were approved by the Board of Trustees on 16 April 2025 and are signed on its behalf.

| | | |
|---|---|---|
| **E. KNOESEN** | **PROF R.B. WALKER** | **M.D. ARENDSE** |
| **CHAIRPERSON** | **TRUSTEE** | **PRINCIPAL OFFICER** |

## STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Rhodes University Medical Scheme is committed to the principles and practices of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Trustees are satisfied that these standards have been met. The Trustees are proposed and elected by the members of the scheme in terms of the rules of the scheme.

### BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the administrator and service providers according to service level agreements. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive. The performance of the Board and individual Trustees is evaluated annually taking into account their attendance at meetings.

### NON-COMPLIANCE MATTERS

The trustees do not consider that the non-compliance matters discussed in note 26 have had a significant impact on the operations of the scheme or on the annual financial statements.

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board of Trustees is accountable for the process of risk management and internal controls. The ultimate responsibility for the implementation of the internal controls and risk management has been delegated to the administrator.  Risks are reviewed and identified annually and appropriate strategies are implemented. These actions are monitored quarterly by the Board and monthly by the Principal Officer.

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

Internal control audits are performed on a regular basis. The Trustees have reviewed the disaster recovery procedures of the Administrator, all of which are fully documented.

The Trustees call on experts and professional advice as and when required.

The scheme conducts its affairs in accordance with standards of acceptable corporate practice and conduct as it applies to medical schemes and trustees.

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.

| | | |
|---|---|---|
| **E. KNOESEN** | **PROF R.B. WALKER** | **M.D. ARENDSE** |
| **CHAIRPERSON** | **TRUSTEE** | **PRINCIPAL OFFICER** |

**TO BE REPLACED BY FINAL AUDIT REPORT - PROVIDED BY PWC**

**Independent Auditor's Report**

**To the Members of Rhodes University Medical Scheme**

*Opinion*

We have audited the financial statements of Rhodes University Medical Scheme (the Scheme), set out on pages 8 to 56, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income 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 Rhodes University Medical Scheme as at 31 December 2024, 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Outstanding claims provision* | |
| The outstanding claims provision of R3 million at year-end described in notes 6 and 14 to the financial statements, is a provision recognised for claims incurred prior to year-end but only reported to the Scheme after year-end. | We obtained the claims provision as calculated by the Scheme's management. |
| The outstanding claims provision is calculated using the statistical methods such as the chain ladder. This method is based on claims development patterns derived from a period of 12 months prior to the calculation date. It is therefore assumed claims are fully run-off after 12 months. The use of the chain ladder method makes the implicit assumption that historical development patterns will apply in the future. | The chain ladder method, as applied by the Scheme's management, is widely used and accepted within the medical scheme industry. We found it to be acceptable for purposes of determining the outstanding claims provision. |
| We identified this as a matter of most significance to the current year audit because of the impact of estimation uncertainty on the projected claim pattern. A material change in the actual claims pattern or a change in value of claims can cause a material change in the provision. | We compared the data used in the model to the member administration system and did not note any material inconsistencies. |
| | The main input into the model, being the historical claims patterns and the member data, was tested on a sample basis by corroborating the claim service date, the claim amount as per the registered scheme rules, and the claim type, to claims documentation. |
| | We performed our own independent calculation of the claims provision based on the actual claims processed. The difference between the result of our calculation and that of the management estimate was considered to be acceptable. |

*Other Information*

The Scheme's trustees are responsible for the other information. The other information comprises Statement of the responsibility by the Board of Trustees, Statement of corporate governance by the Board of Trustees and the Board of Trustee report. 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.

* 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**

*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.

**PricewaterhouseCoopers Inc.**
***Director: A Rathan***
***Registered Auditor***
***Port Elizabeth***
**16 April 2025**

**RHODES UNIVERSITY MEDICAL SCHEME**
**REGISTRATION NUMBER 1013**
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## STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2024

| | Notes | 2024 R | 2023 R |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | 78 043 766 | 51 243 368 |
| Financial assets at fair value through profit or loss | 5 | 56 401 395 | 51 243 368 |
| Financial assets at amortised cost | 6 | 21 642 371 | - |
| **Current Assets** | | 45 613 069 | 62 717 210 |
| Financial assets at amortised cost | 6 | 33 869 799 | 51 645 073 |
| Trade and other receivables | 7 | - | - |
| Cash and cash equivalents | 8 | 11 743 271 | 11 072 137 |
| **Total assets** | | 123 656 835 | 113 960 578 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Insurance contract liabilities | 11.2 | 121 827 196 | 111 499 667 |
| **Current Liabilities** | | 1 829 639 | 2 460 911 |
| Trade and other payables | 9 | 230 891 | 282 365 |
| Reinsurance contract liabilities | 10 | 46 060 | 44 887 |
| Insurance contract liabilities | 11.1 | 1 552 688 | 2 133 659 |
| **Total liabilities** | | 123 656 835 | 113 960 578 |

**RHODES UNIVERSITY MEDICAL SCHEME**
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**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2024**

| | Notes | 2024<br>R | 2023<br>R |
|---|---|---|---|
| Insurance revenue | 12 | 73 831 827 | 68 284 188 |
| Insurance service expenses | 12 | (84 376 601) | (76 641 664) |
| Net income/(expense) of reinsurance contracts held | | 52 243 | ( 292 235) |
| Reinsurance expenses from reinsurance contracts held | 15 | ( 523 055) | ( 514 369) |
| Reinsurance income from reinsurance contracts held | 15 | 575 298 | 222 134 |
| **Insurance service result** | | (10 492 531) | (8 649 711) |
| Investment income from financial assets | 16 | 7 820 700 | 8 591 507 |
| Net fair value gains on fair value investments | 5 | 3 876 916 | 913 070 |
| **Net investment income** | | 11 697 616 | 9 504 577 |
| **Net healthcare result** | | **1 205 085** | **854 866** |
| Sundry income | | 80 411 | 45 082 |
| Other operating expenses | 17 | ( 922 400) | ( 814 484) |
| Investment fund management fees | | ( 273 423) | ( 50 055) |
| Investment consulting | | ( 89 673) | ( 35 409) |
| **Total comprehensive income for the year** | | - | - |
| Amounts attributable to future members | 11.2 | 10 327 529 | 5 472 126 |

**RHODES UNIVERSITY MEDICAL SCHEME**
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**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2024**

| | Notes | 2024<br>R | 2023<br>R |
|---|---|---|---|
| **CASH USED BY OPERATING ACTIVITIES** | | | |
| Cash receipts from members | | 73 349 713 | 68 668 847 |
| Cash paid to providers, employees and members | | (75 077 649) | (69 390 578) |
| Cash paid for claims | | (68 205 084) | (63 226 519) |
| Cash paid to providers - accredited administration fees | | (3 995 527) | (3 744 104) |
| Cash paid to providers - managed care fees | | (1 412 555) | (1 323 659) |
| Cash payments to reinsurers | | ( 521 882) | ( 502 053) |
| Cash paid to providers and employees | | ( 942 601) | ( 594 243) |
| Cash outflow from operations | | (1 727 936) | ( 721 731) |
| **CASH GENERATED BY INVESTING ACTIVITIES** | | | |
| Investment income | 16 | 5 612 689 | 8 439 921 |
| Proceeds from financial assets at FVTPL | 5 | 19 911 278 | - |
| Payments on purchase of financial assets at FVTPL | 5 | (20 000 000) | (30 000 000) |
| Payments on purchase of financial assets at amortised cost (Non - current) | | (20 000 000) | - |
| Proceeds from financial assets at amortised cost (Current) | 6 | 49 999 458 | 74 300 000 |
| Payments on purchase of financial assets at amortised cost (Current) | 6 | (33 000 000) | (49 999 458) |
| Cash inflow from investing activities | | 2 523 425 | 2 740 463 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | 795 489 | 2 018 732 |
| Cash and cash equivalents at the beginning of year | | 10 887 775 | 8 869 043 |
| Cash and cash equivalents at the end of year | 8 | 11 683 264 | 10 887 775 |

**General information**

Refer to the Board of Trustees report for general information related to the scheme.

## 1. Basis of preparation

The financial statements have been prepared in accordance with the Medical Schemes Act, No. 131 of 1998, which requires additional disclosures for registered medical schemes, and IFRS Accounting Standards issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value in terms of IFRS 9 and insurance and reinsurance assets and liabilities measured in terms of IFRS 17.

IFRS Accounting Standards comprise IFRS Accounting Standards, IAS Standards and Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

The financial statements are prepared on the going concern principle. Amounts in the financial statements have been rounded to the nearest Rand value.

The South African Rand is the functional and presentation currency of the scheme.

The preparation of the financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the scheme's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 22. Refer to notes 2 and 3 for the significant judgements and estimates applicable to the scheme. Management does not have the power to amend the audited financial statements once issued.

*a) Standards, amendments and interpretations to existing standards that are effective and apply to the scheme*

- IAS 1 Presentation of Financial Statements

  - *Classification of Liabilities as Current or Non-current*: Under existing IAS 1 requirements, 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 Board 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.

  - *Disclosure of Accounting Policies*: The amendments require schemes to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

**1. Basis of preparation – continued**

*a) Standards, amendments and interpretations to existing standards that are effective and apply to the scheme - continued*

These amendments are effective for the scheme's period end commencing 1 January 2024. These amendments did not have a material impact on the scheme's financial statements.

*b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the scheme*

The following standards, amendments and interpretations to published standards have been published and are mandatory for the scheme's accounting periods beginning on or after 1 January 2025. These standards have not been early adopted.

- IFRS 7 Financial Instruments: Disclosures - Amendments to the Classification and Measurement of Financial Instruments

The amendments to IFRS 7 introduce additional disclosure requirements to enhance transparency for investors regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features, for example features tied to ESG-linked targets.

These amendments are effective for the scheme's period end commencing 1 January 2026. These amendments will not have a material impact on the scheme's financial statements.

- IFRS 7 Financial Instruments: Disclosures - Annual Improvements to IFRS Accounting Standards - Volume 11 - Gain or loss on derecognition

Narrow scope amendment to delete an obsolete reference that remained in IFRS 7 following the publication of IFRS 13 Fair Value Measurement and to make the wording of the requirements of IFRS 7 relating to disclosure of a gain or loss on derecognition consistent with the wording and concepts in IFRS 13.

This amendment is effective for the scheme's period end commencing 1 January 2026. This amendment will not have a material impact on the scheme's financial statements.

- IFRS 9 Financial Instruments - Amendments to the Classification and Measurement of Financial Instruments

Narrow scope amendments to address diversity in accounting practice by making the classification and measurement requirements of IFRS 9 more understandable and consistent, by:

  - Clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features; and
  - Clarifying the date on which a financial asset or financial liability is derecognised when a liability is settled through electronic payment systems. These amendments also introduce an accounting policy option to allow an entity to derecognise a financial liability before it delivers cash on the settlement date is specified criteria are met.

These amendments are effective for the scheme's period end commencing 1 January 2026. These amendments will not have a material impact on the scheme's financial statements.

**1. Basis of preparation – continued**

*b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the scheme - continued*

- IFRS 18 Presentation and Disclosure in Financial Statements

  IFRS 18 is the culmination of the IASB's Primary Financial Statements project.

  IFRS 18 introduces three sets of new requirements to improve reporting of financial performance and give users of financial statements a better basis for analysing and comparing entities:

  - Improved comparability in the statement of profit or loss (income statement) through the introduction of three defined categories for income and expenses - operating, investing and financing - to improve the structure of the income statement, and a requirement for all entities to provide new defined subtotals, including operating profit.
  - Enhanced transparency of management-defined performance measures with a requirement for entities to disclose explanations of those entity-specific measures that are related to the income statement.
  - More useful grouping of information in the financial statements through enhanced guidance on how to organise information and whether to provide it in the primary financial statements or in the notes, as well as a requirement for entities to provide more transparency about operating expenses.
  - This Standard replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged.

  This standard is effective for the scheme's period end commencing 1 January 2027. These amendments will not have a material impact on the scheme’s financial statements, but could potentially affect the disclosures.

- IAS 7 Statement of Cash Flows - Annual Improvements to IFRS Accounting Standards - Volume 11 - Cost method

  Narrow scope amendment to replace the term "cost method" with "at cost" following the earlier removal of the definition of "cost method" from IFRS Accounting Standards.

  This amendment is effective for the scheme's period end commencing 1 January 2026. This amendment will not have a material impact on the scheme’s financial statements.

## 2. Significant judgements

2.1.1 *Assessment as to whether the scheme is a mutual entity*

A medical scheme is not legally defined as a mutual entity and the assessment as to whether a medical scheme is a mutual entity was done based on the principles set out in IFRS Accounting Standards.

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

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

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

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

## 2. Significant judgements - continued

2.1.1 *Assessment as to whether the scheme is a mutual entity - continued*

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

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

The scheme has therefore developed an accounting policy in terms of the IFRS 17 guidance for mutual entities and the educational material as issued by the IASB and the scheme recognises any cumulative surpluses or deficits as part of the insurance liability attributable to future members (which forms part of the insurance contract liabilities on the face of the statement of financial position).

Consequently the statement of comprehensive income reflects no total comprehensive income for the year. The movement in the insurance liability attributable to future members is included in the insurance service expenses line.

Due to the scheme being categorised as a mutual entity in terms of IFRS 17, the assessment of onerous contracts is also affected.

2.1.2 *Unit of account*

Judgement has been applied as to how the scheme determined the unit of account for the measurement of its insurance contracts. Management has assessed their portfolio of the scheme as a whole due to the holistic pricing methodologies and risk management strategies that are applied on a scheme level.

The above is demonstrated by the following:

- Hospital claims are managed on a scheme level;
- Chronic conditions are managed on a scheme level;
- The risk transfer arrangement is based on conditions;
- Pricing and benefits are determined at a scheme level to ensure the scheme is sustainable; and
- Risk (utilisation and concentration) is managed holistically.

In addition to the above, the scheme is applying the exemption to grouping as allowed in IFRS 17. Laws and regulations specifically constrain the scheme's practical ability to set different prices or levels of benefits for members with different characteristics. The Medical Schemes Act, No. 131 of 1998 prohibits the scheme from setting different prices for its members. As such, the scheme does not group contracts in various profitability groupings.

## 2. Significant judgements - continued

2.1.3 *Risk adjustment - liability for incurred claims (LIC)*

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

The risk adjustment was calculated at the portfolio level as the scheme doesn't have groups due to laws constraining the scheme's ability to set a price for different members. The confidence level method was used to derive the overall risk adjustment for non-financial risk. In the confidence level method, the risk adjustment is determined by applying a confidence level to run-off triangles used to calculate the LIC. The confidence level is set to 75%.

The methods and assumptions used to determine the risk adjustment for non-financial risk were applied consistently in 2023 and 2024.

2.1.4 *Risk adjustment - risk transfer arrangements*

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the scheme to the reinsurer. The same methodology applies to the risk transfer agreements as for the insurance contracts with regards to the determination of the risk adjustment.

## 3. Significant estimates

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. This provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the financial statements.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. Future cash flows are estimated using deterministic scenarios.

For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to note 22.

3.1.1 *Estimates of future cash flows to fulfil insurance contracts*

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

## 3. Significant estimates - continued

3.1.1 *Estimates of future cash flows to fulfil insurance contracts - continued*

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

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

3.1.2 *Methods used to measure the insurance contracts*
The scheme estimates insurance liabilities in relation to claims incurred for healthcare contracts.

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

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

Run-off triangles are used in situations where it takes time after the treatment date for the full extent of the claims to become known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

The following was taken into account when estimating the LIC:

- The homogeneity of the data;
- Changes in the pattern of claims;
- Changes in the composition of members and their beneficiaries;
- Changes in benefit limits; and
- Changes in the prescribed minimum benefits.

## 4. Principle accounting policies

The following are the principle accounting policies used by the scheme, which are consistent with those applied in the comparatives.

### 4.1 Insurance contracts

4.1.1 *Definition*
Insurance contracts are contracts under which the scheme accepts significant insurance risk from a member by agreeing to compensate the member if a specified uncertain future event adversely affects the member. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The scheme uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the scheme has the possibility of a loss) and whether the accepted insurance risk is significant.

**4. PRINCIPAL ACCOUNTING POLICIES – continued**

**4.1 Insurance contracts - continued**

4.1.2 *Unit of account*
The scheme has assessed its portfolio to be at a scheme level as a whole.

Please refer to note 2 for the assessment.

The scheme has applied the exemption not to perform profitability groupings as allowed by IFRS 17 and included all contracts in the same group. The scheme has further assessed that there are no facts and circumstances to indicate that a group was onerous at inception date.

4.1.3 *Contract boundary*
The scheme uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed annually, where necessary.

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

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

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

The scheme has assessed all its contracts and determined all contracts to have a boundary of one calendar year.

4.1.4 *Recognition and derecognition*
The group of insurance contracts issued are initially recognised from the earliest of the following:

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

The scheme uses the Premium Allocation Approach (PAA) for measuring contracts with a coverage period of one year or less.

An insurance contract is derecognised when it is:

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

If the modification does not comply with all the requirements of IFRS 17, the scheme treats the changes in cash flow as changes in estimates of fulfilment cash flows (FCF).

## 4. PRINCIPAL ACCOUNTING POLICIES – continued

### 4.1 Insurance contracts - continued

4.1.5 *Initial and subsequent measurement*

For insurance contracts issued, on initial recognition, the scheme measures the liability for remaining coverage (LRC) as the amount of contributions received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

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

a. The LRC; and
b. The LIC, comprising the FCF related to past service allocated to the scheme at the reporting date.

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

a. Increased for contributions received in the period;
b. Decreased for insurance acquisition cash flows paid in the period; and
c. Decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

The insurance contract liabilities consist of two components:

a. the insurance liability attributable to current members; and
b. the insurance liability attributable to future members.

The insurance liability attributable to future members consists of accumulated profits or losses of the scheme and it is:

a. increased by net surpluses for the period; and
b. decreased by the net deficits for the period.

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

a. Best estimate of fulfilment cash flow; and
b. Risk adjustment for non-financial risk.

The scheme has elected to include contribution debtors in the LIC.

Refer to notes 2.1.3 and 3.1.1 for the significant judgements and estimates used to determine the LIC and the estimates to determine the fulfilment cash flow.

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

4.1.6 *Insurance revenue*

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

## 4. PRINCIPAL ACCOUNTING POLICIES – continued

### 4.1 Insurance contracts - continued

4.1.6 *Insurance revenue - continued*

For the group of insurance contracts measured under the PAA, the scheme recognises insurance revenue based on the expected pattern of release of risk over the coverage period of the group of contracts, unless the expected pattern of incurring the insurance service expenses differs significantly from the coverage period.

4.1.7 *Expenses*

Insurance service expenses include:

a. Incurred claims and benefits;
b. Other incurred directly attributable insurance service expenses;
c. Changes that relate to past service (i.e. changes in the FCF relating to the LIC);
d. Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components); and
e. Amounts attributable to future members.

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

### 4.2 Reinsurance contracts

4.2.1 *Definition*

Risk transfer arrangements are contractual arrangements entered into by the scheme with a provider. The provider is paid a fixed fee per member per month to cover the risk of the number of incidents that occur during a specified period and the cost of providing the service. Risk transfer arrangements do not reduce the scheme's primary obligations to its members and their dependents. While the scheme's risk transfer arrangement meets the definition of a reinsurance contract under IFRS 17 and accounted for as such, the scheme's risk transfer provider does not meet the definition of a reinsurer.

4.2.2 *Unit of account*

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

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

## 4. PRINCIPAL ACCOUNTING POLICIES – continued

### 4.2 Reinsurance contracts - continued

4.2.3 *Recognition and derecognition*

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

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

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

Refer to 4.1.4 under insurance contracts for guidance on modifications and derecognition.

4.2.4 *Initial and subsequent measurement*

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

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

a. The remaining coverage; and
b. The incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

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

a. Increased for ceding contributions paid in the period; and
b. Decreased for the amounts of ceding contributions recognised as reinsurance expenses for the services received in the period.

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

4.2.5 *Contract boundary*

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

The scheme's capitation agreement held has a duration of one year, but is cancellable with the notice period agreed to between the parties.

Net income/(expense) from reinsurance contract held:
The scheme presents the financial performance of groups of reinsurance contracts held on a gross basis.

Reinsurance income consists of:

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

Reinsurance expenses consists of:

a. Reinsurance expenses;
b. Other directly attributable insurance service expenses; and
c. Effect of changes in risk of reinsurer non-performance.

## 4. PRINCIPAL ACCOUNTING POLICIES – continued

### 4.2 Reinsurance contracts - continued

4.2.5 *Contract boundary - continued*

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

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

### 4.3 Financial assets

The scheme's financial assets comprise of financial assets measured at fair value through profit or loss (FVTPL), financial assets measured at amortised cost and trade and other receivables.

***Recognition and initial measurement***

On initial recognition trade receivables and debt securities issued are recognised when they are originated and all other financial assets are recognised when the scheme becomes a party to the contractual provisions of the instrument.

All financial assets are initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets with maturity dates of more than 3 months up to 12 months at inception are classified as current investments, whereas financial assets with maturity dates of more than 12 months at inception are classified as non-current investments. Financial assets at FVTPL forming part of the scheme's long term investment strategy are classified as non-current

***Classification and subsequent measurement***

The scheme classifies its financial assets in the following categories: at fair value through profit or loss and at amortised cost. Management determines the classification of its financial assets at initial recognition.

Financial assets are not reclassified subsequent to their initial measurement unless the scheme changes its business model for managing financial assets, in which cases all affected financial assets are reclassified in the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- it is held within a business model whose objective it is to hold assets to collect contractual cash flows; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on principle amounts outstanding on specified dates.

## 4. PRINCIPAL ACCOUNTING POLICIES – continued

### 4.3 Financial assets - continued

***Classification and subsequent measurement - continued***

All financial assets not classified as measured at amortised cost will be measured at fair value through profit or loss. On initial recognition, the scheme may irrevocably designate an asset that otherwise meet the criteria to be measured at amortised cost as at fair value through profit or loss if by doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

***Subsequent measurement and gains and losses***

a. *Financial assets at fair value through profit or loss*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

b. *Financial assets at amortised cost*

These assets are subsequently measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in “gain/(loss) on derecognition of financial assets measured at amortised cost”. Impairment losses are presented as separate line item in the statement of profit or loss and reduces the amortised cost of the financial asset.

***Derecognition***

The scheme derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it is transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control over the transferred asset.

The scheme enters into a transaction whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred asset is not derecognised.

## 4. PRINCIPAL ACCOUNTING POLICIES – continued

### 4.3 Financial assets - continued

***Impairment***

a. *Trade receivables (does not include members that are in arrears)*

The scheme assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

For trade receivables, the scheme applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

b. *Debt instruments and other instruments carried at amortised cost*

For debt investments and other instruments at amortised cost the scheme assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried and other instruments at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

***Equity instruments***

The scheme subsequently measures all equity investments at fair value. Dividends from such investments continue to be recognised in surplus or deficit as investment income financial assets when the group's right to receive payments is established.

Net fair value gains/(losses) on fair value investments are recognised in gains/(losses) in the statement of comprehensive income as applicable.

***Offsetting financial instruments***

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparty.

### 4.4 Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks and other short-term liquid investments that are readily convertible (within 3 months) to a known amount of cash and are subject to an insignificant risk of change in value.

### 4.5 Trade and other receivables

Trade receivables comprise sundry debtors, such as expenses paid in advance. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

## 4. PRINCIPAL ACCOUNTING POLICIES – continued

### 4.5 Trade and other receivables - continued

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### 4.6 Provisions

Provisions are recognised when the scheme has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money and the risks specific to the liability using a pre-tax discount rate. The underwriting of the discount is recognised as finance cost.

### 4.7 Trade and other payables

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

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

### 4.8 Structured entities

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

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

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

The change in fair value of each fund is included in the statement of comprehensive income in ‘Net gains/ (losses) on financial instruments held at fair value through profit or loss’.

## 4. PRINCIPAL ACCOUNTING POLICIES – continued

### 4.9 Investment income from financial assets

Investment income consists of interest on investments and the current bank account. Interest is recognised as it accrues in surplus or deficit according to the effective interest method. Dividends are recognised as investment income in the statement of comprehensive income as it is received.

### 4.10 Impairment losses

A financial asset not carried at fair value through surplus or deficit is assessed at each reporting period as to whether it is impaired. Losses are recognised in surplus or deficit and reflected in an allowance account.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Calculation of recoverable amount*

The recoverable amounts of the scheme's receivables carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at the effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

*Reversals of impairment*

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

### 4.11 Reimbursement from the Road Accident Fund (RAF)

The scheme grants assistance to its members in defraying expenditure incurred in connection with the rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act no. 56 of 1996 (the RAFA). If the member is reimbursed by the RAF, they are obliged contractually to cede that payment to the scheme to the extent that they have already been compensated by the scheme.

A reimbursement from the RAF is a possible asset that arises from claims submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the scheme. The contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the contingent asset and the related income are recognised in the annual financial statements of the period in which the virtual certainty occurs. Amounts received from members in respect of reimbursements from the RAF are recognised as a reduction in incurred claims.

## 4. PRINCIPAL ACCOUNTING POLICIES – continued

### 4.12 Income tax

In terms of Section 10(1)(d) of the Income Tax Act 58 of 1962, as amended, receipts and accruals of a benefit fund are exempt from normal tax. A medical scheme is included in the definition of a benefit fund and consequently the scheme is exempt from income tax. As a result, the scheme does not provide for income tax or deferred tax.

### 4.13 Insurance contract liabilities to future members

This represent the reserves of the scheme. The funds are mainly held as statutory reserves in lieu of solvency requirements as required by the Act.

### 4.14 Comparative figures

Comparative figures have been reclassified where considered necessary.

## 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

| | 2024<br>R | 2023<br>R |
|---|---|---|
| **Investments** | | |
| Stanlib Enhanced Yield Fund | - | 20 040 296 |
| Allan Gray Life Domestic Stable Medical Portfolio | 22 890 027 | 15 563 905 |
| M&G Life Inflation Plus 5% Medical Aid Fund | 22 944 841 | 15 639 167 |
| Prescient Specialist Income Fund | 10 566 527 | - |
| | 56 401 395 | 51 243 368 |
| Financial assets at fair value through profit and loss (FVTPL) | | |
| As at 1 January | 51 243 368 | 20 017 599 |
| Fair value adjustments on investments at FVTPL | 3 876 916 | 913 070 |
| Contributions to investment | 20 000 000 | 30 000 000 |
| Withdrawal of investment | (19 911 278) | - |
| Income capitalised to FVTPL investments | 1 465 812 | 362 754 |
| Investment manager fees | ( 273 423) | ( 50 055) |
| As at 31 December | 56 401 395 | 51 243 368 |
| | | |
| Investments at FVTPL include the following: | | |
| Bonds | 27 980 515 | 23 047 772 |
| Deposits with banks | 13 507 335 | 16 506 396 |
| Equity (including property unit trusts) | 14 913 545 | 11 689 200 |
| | 56 401 395 | 51 243 368 |

Investments at FVTPL consist of the investments in the Allan Gray Life Domestic Stable Medical Portfolio, M&G Life Inflation Plus 5% Medical Aid Fund and Prescient Specialist Income Fund, of which the underlying assets comprise cash, bond and equity instruments. These do not have a specified maturity date and form part of the scheme's long term investment strategy.

*Fair value hierarchy of investments*

Non-current investments are stated at quoted market prices. All investments are on level 1 of the fair value hierarchy.

## 6. FINANCIAL ASSETS AT AMORTISED COST

| | 2024 | 2023 |
|---|---|---|
| Long term deposits (before accrued interest) | 20 000 000 | - |
| Accrued interest | 1 642 371 | - |
| | 21 642 371 | - |

The weighted average effective return on non-current investments was 9.88%. These investments are measured at amortised cost using the effective interest rate. These deposits were invested for 2 years.

As at 31 December 2024 and 2023 the carrying amounts of long term deposits approximate their fair values.

| | 2024 | 2023 |
|---|---|---|
| Short term deposits (before accrued interest) | 33 000 000 | 49 999 458 |
| Accrued interest | 869 799 | 1 645 615 |
| | 33 869 799 | 51 645 073 |

The weighted average effective return on current investments was 8.38% (2023: 9.23%). These investments are measured at amortised cost using the effective interest rate. These deposits were invested for periods ranging from 4 months to 1 year.

As at 31 December 2024 and 2023 the carrying amounts of short term deposits approximate their fair values.

## 7. TRADE AND OTHER RECEIVABLES

| | 2024 | 2023 |
|---|---|---|
| Accrued interest on investments | - | - |

Accrued interest is shown as part of the balances of the financial assets at amortised cost and cash and cash equivalents.

## 8. CASH AND CASH EQUIVALENTS

| | 2024<br>R | 2023<br>R |
|---|---|---|
| Deposits on call accounts | 1 550 000 | - |
| Current accounts | 533 264 | 1 287 775 |
| Short term deposits | 9 600 000 | 9 600 000 |
| Accrued interest | 60 007 | 184 362 |
| | 11 743 271 | 11 072 137 |
| Cash and cash equivalents excluding accrued interest | 11 683 264 | 10 887 775 |

As at 31 December 2024 and 2023 the carrying amounts of cash and cash equivalents approximate their fair values due to the short-terms maturities of these assets. The weighted average effective interest rate on short-term deposits was 7.61% (2023: 8.20%). The carrying value has been determined at amortised cost using the effective interest rate method.

Unclaimed amounts which had not been presented for payment due to banking details not having been loaded on the system yet, amounted to R 325 034 (2023: R 177 758) at year-end.

## 9. TRADE AND OTHER PAYABLES

| | 2024 | 2023 |
|---|---|---|
| Accrued expenses | 42 685 | 133 415 |
| Provision for audit fees | 188 206 | 148 950 |
| | 230 891 | 282 365 |

The carrying amounts of trade and other payables approximate their fair values because of the short-term nature of these liabilities.

## 10. REINSURANCE CONTRACT LIABILITIES

| | 2024 | | |
|---|---|---|---|
| | Remaining Coverage Component<br>R | Incurred claims for contracts under the PAA<br>R | Total<br>R |
| Opening reinsurance contract liabilities | - | ( 44 887) | ( 44 887) |
| Net expense/(income) of reinsurance contracts held | | | |
| Reinsurance expense | ( 523 055) | - | ( 523 055) |
| Claims recovered | - | 575 298 | 575 298 |
| Net expense of reinsurance contracts held | ( 523 055) | 575 298 | 52 243 |
| Cash flows | | | |
| Premiums paid | 521 882 | - | 521 882 |
| Recoveries from reinsurance | - | ( 575 298) | ( 575 298) |
| Total cash flows | 521 882 | ( 575 298) | ( 53 416) |
| Transfer of remaining coverage to incurred claims | 1 173 | ( 1 173) | - |
| Net balance as at 31 December | - | ( 46 060) | ( 46 060) |
| Closing reinsurance contract liabilities | - | ( 46 060) | ( 46 060) |
| Net balance as at 31 December | - | ( 46 060) | ( 46 060) |

**10. REINSURANCE CONTRACT LIABILITIES - continued**

| | | 2023 | |
|---|---|---|---|
| | Remaining Coverage Component R | Incurred claims for contracts under the PAA R | Total R |
| Opening reinsurance contract liabilities | - | ( 32 571) | ( 32 571) |
| Net expense/(income) of reinsurance contracts held | | | |
| Reinsurance expense | ( 514 369) | - | ( 514 369) |
| Claims recovered | - | 222 134 | 222 134 |
| Net (income) of reinsurance contracts held | ( 514 369) | 222 134 | ( 292 235) |
| Cash flows | | | |
| Premiums paid | 502 053 | - | 502 053 |
| Recoveries from reinsurance | - | ( 222 134) | ( 222 134) |
| Total cash flows | 502 053 | ( 222 134) | 279 919 |
| Transfer of remaining coverage to incurred claims | 12 316 | ( 12 316) | - |
| Net balance as at 31 December | - | ( 44 887) | ( 44 887) |
| Closing reinsurance contract liabilities | - | ( 44 887) | ( 44 887) |
| Net balance as at 31 December | - | ( 44 887) | ( 44 887) |

The risk adjustment factors on the reinsurance contracts are as follows:

| | | |
|---|---|---|
| IBNR provision (included in claims recovered) | 94 | 33 529 |
| Risk adjustment % | 9.27% | 4.11% |
| Risk adjustment value | 9 | 1 378 |

As these amounts are not considered significant by the Board of Trustees, the risk adjustment factor for reinsurance contracts has not been accounted for.

**11. INSURANCE CONTRACT LIABILITIES**

Insurance contract liabilities is made up of the following two components:

- Liability attributable to current members; and
- Liability attributable to future members.

| | 2024 R | 2023 R |
|---|---|---|
| Insurance contract liabilities - Current liability attributable to current members | 1 552 688 | 2 133 659 |
| Insurance contract liabilities - Non-current liability attributable to future members | 121 827 196 | 111 499 667 |
| | 123 379 884 | 113 633 326 |

## 11.1 LIABILITY ATTRIBUTABLE TO CURRENT MEMBERS

Reconciliation of the liability for remaining coverage and the liability for incurred claims

| | 2024 | | | |
|---|---|---|---|---|
| **Insurance contracts issued** | **Liability for Remaining Coverage R** | **Liability for Incurred Claims R** | **Risk adjustment factor R** | **Total R** |
| **Insurance contract liabilities as at 1 January** | 260 960 | 1 642 760 | 229 939 | 2 133 659 |
| **Insurance revenue** | | | | |
| New contracts and contracts measured under the PAA | (73 831 827) | - | - | (73 831 827) |
| **Total insurance revenue** | (73 831 827) | - | - | (73 831 827) |
| **Insurance service expenses** | | | | |
| Incurred claims and other directly attributable expenses | - | 73 322 853 | 463 275 | 73 786 128 |
| Changes that relate to past service - adjustment to the LIC | - | ( 41 880) | ( 229 939) | ( 271 819) |
| **Total insurance service expenses** | - | 73 280 973 | 233 336 | 73 514 309 |
| **Insurance service result** | (73 831 827) | 73 280 973 | 233 336 | ( 317 518) |
| **Total amounts recognised in comprehensive income** | (73 831 827) | 73 280 973 | 233 336 | ( 317 518) |
| Other changes: Contribution receivables to LIC | 457 798 | ( 457 798) | - | - |
| **Cash flows** | | | | |
| Premiums received | 73 349 713 | - | - | 73 349 713 |
| Incurred claims and other directly attributable expenses paid | | (73 613 166) | - | (73 613 166) |
| **Total cash flows** | 73 349 713 | (73 613 166) | - | ( 263 453) |
| **Insurance contract liabilities as at 31 December** | 236 644 | 852 769 | 463 275 | 1 552 688 |

**Comprising of:**

| | | |
|---|---|---|
| ***Trade and other receivables*** | | (5 076 874) |
| Contribution receivables | (5 159 134) | |
| Less Provision for impairment losses on contribution receivables | 82 260 | |
| Accounts receivable: Providers/Members | | ( 44 678) |
| ***Trade and other payables*** | | 1 210 965 |
| Net contributions received in advance | 236 644 | |
| Remittances initiated but not yet paid | 525 274 | |
| Accredited administration and managed care fees payable | 449 047 | |
| ***Outstanding claims provision*** | | 5 000 000 |
| ***Risk adjustment factor for non-financial risk*** | | 463 275 |
| | | 1 552 688 |

**11.1 LIABILITY (ASSET) ATTRIBUTABLE TO CURRENT MEMBERS - continued**

Reconciliation of the liability/(asset) for remaining coverage and the liability for incurred claims

| | 2023 | | | |
|---|---|---|---|---|
| **Insurance contracts issued** | **Liability for Remaining Coverage R** | **Liability for Incurred Claims R** | **Risk adjustment factor R** | **Total R** |
| **Insurance contract liabilities/(Insurance contract assets) as at 1 January** | 180 727 | (1 341 182) | 165 162 | ( 995 293) |
| **Insurance revenue** | | | | |
| New contracts and contracts measured under the PAA | (68 284 188) | - | - | (68 284 188) |
| **Total insurance revenue** | (68 284 188) | - | - | (68 284 188) |
| **Insurance service expenses** | | | | |
| Incurred claims and other directly attributable expenses | - | 71 064 969 | 229 939 | 71 294 908 |
| Changes that relate to past service - adjustment to the LIC | - | ( 91 171) | ( 165 162) | ( 256 333) |
| **Total insurance service expenses** | - | 70 973 798 | 64 777 | 71 038 575 |
| **Insurance service result** | (68 284 188) | 70 973 798 | 64 777 | 2 754 387 |
| **Total amounts recognised in comprehensive income** | (68 284 188) | 70 973 798 | 64 777 | 2 754 387 |
| Other changes: Contribution receivables to LIC | ( 304 426) | 304 426 | - | - |
| **Cash flows** | | | | |
| Premiums received | 68 668 847 | - | - | 68 668 847 |
| Incurred claims and other directly attributable expenses paid | | (68 294 282) | - | (68 294 282) |
| **Total cash flows** | 68 668 847 | (68 294 282) | - | 374 565 |
| **Insurance contract liabilities as at 31 December** | 260 960 | 1 642 760 | 229 939 | 2 133 659 |

**Comprising of:**

| | | |
|---|---|---|
| ***Trade and other receivables*** | | (4 671 883) |
| Contribution receivables | (4 701 335) | |
| Less Provision for impairment losses on contribution receivables | 29 452 | |
| Accounts receivable: Providers/Members | | ( 41 302) |
| ***Trade and other payables*** | | 1 016 905 |
| Net contributions received in advance | 260 960 | |
| Remittances initiated but not yet paid | 342 428 | |
| Accredited administration and managed care fees payable | 413 517 | |
| ***Outstanding claims provision*** | | 5 600 000 |
| ***Risk adjustment factor for non-financial risk*** | | 229 939 |
| | | 2 133 659 |

**11.2 INSURANCE CONTRACT LIABILITIES - LIABILITY ATTRIBUTABLE TO FUTURE MEMBERS**

Reconciliation of the insurance liability attributable to future members:

| | 2024 R | 2023 R |
|---|---|---|
| Opening balance | 111 499 667 | 106 027 541 |
| Movement in insurance liability attributable to future members | 10 327 529 | 5 472 126 |
| Closing balance | 121 827 196 | 111 499 667 |

## 12. INSURANCE REVENUE AND SERVICE EXPENSES

| | Notes | 2024 R | 2023 R |
|---|---|---|---|
| **Insurance revenue** | | | |
| Insurance revenue from contracts measured under the PAA | | 73 831 827 | 68 284 188 |
| **Total insurance revenue** | | 73 831 827 | 68 284 188 |
| **Insurance service expenses** | | | |
| Incurred claims and other directly attributable expenses | 13 | (74 090 952) | (71 260 709) |
| Changes that relate to past service - adjustment to LIC | 14 | 41 880 | 91 171 |
| Amounts attributable to future members | | (10 327 529) | (5 472 126) |
| **Total insurance service expenses** | | (84 376 601) | (76 641 664) |
| **Net income/(expenses) from reinsurance contracts held** | | | |
| Reinsurance expenses - contracts measured under the PAA | 15 | ( 523 055) | ( 514 369) |
| **Total expenses from reinsurance contracts held** | | ( 523 055) | ( 514 369) |
| Claims recovered | 15 | 575 298 | 222 134 |
| **Total income from reinsurance contracts held** | | 575 298 | 222 134 |
| **Total insurance service result** | | (10 492 531) | (8 649 711) |

## 13. INCURRED CLAIMS AND OTHER DIRECTLY ATTRIBUTABLE EXPENSES

| | Notes | 2024 R | 2023 R |
|---|---|---|---|
| *Incurred claims (scheme risk)* | | (62 785 898) | (60 336 466) |
| Current year claims per registered rules | | (62 785 898) | (60 336 466) |
| Third party claim recoveries | | - | - |
| *Incurred claims (reinsurance contracts)* | 15 | ( 575 298) | ( 222 134) |
| *Managed care: management services* | | (1 421 838) | (1 330 476) |
| Hospital utilisation management | | ( 688 878) | ( 644 600) |
| Pharmacy benefit management | | ( 517 393) | ( 484 087) |
| Disease management | | ( 215 567) | ( 201 789) |
| *Accredited administration services* | | (4 021 774) | (3 763 478) |
| Member record management | | ( 256 709) | ( 240 175) |
| Contribution management | | ( 291 628) | ( 272 915) |
| Claims management | | ( 888 196) | ( 831 101) |
| Financial management | | ( 574 613) | ( 537 761) |
| Information management and data control | | (1 025 972) | ( 960 063) |
| Customer services | | ( 984 656) | ( 921 463) |
| Net impairment losses: Trade and other receivables | 18 | ( 52 808) | 56 622 |
| Outstanding claims provision at year end | | (5 000 000) | (5 600 000) |
| Reversal of risk adjustment factor (opening balance) | | 229 939 | 165 162 |
| Recognition of risk adjustment factor (closing balance) | | ( 463 275) | ( 229 939) |
| Adjustments to the risk adjustment factor | | ( 233 336) | ( 64 777) |
| Incurred claims and other directly attributable expenses | 12 | (74 090 952) | (71 260 709) |

## 14. CHANGES THAT RELATE TO PAST SERVICE - ADJUSTMENTS TO THE LIC

| | Notes | 2024 R | 2023 R |
|---|---|---|---|
| *Outstanding claims provision* | | | |
| Balance at beginning of year | | 5 600 000 | 3 000 000 |
| Payments in respect of prior year | | (5 558 120) | (2 908 829) |
| Overprovision in prior year | 11.1, 12 | 41 880 | 91 171 |

## 15. NET INCOME/(EXPENSE) OF REINSURANCE CONTRACT HELD

The scheme entered into the following reinsurance contract during the respective years.

| | | 2024 R | 2023 R |
|---|---|---|---|
| ER24 REINSURANCE CONTRACT | | | |
| Reinsurance expenses from reinsurance contract held | 12 | ( 523 055) | ( 514 369) |
| Reinsurance income from reinsurance contract held | 12, 13 | 575 298 | 222 134 |
| Net income/(expense) | | 52 243 | ( 292 235) |

During the year under review, the scheme had a capitation agreement in place for the duration of the financial year with ER24 in respect of emergency and ambulance benefits.

Reinsurance income relating to the contracts in place are calculated on the basis of:

- ER24: utilisation figures calculated at deemed scheme rates.

## 16. INVESTMENT INCOME FROM FINANCIAL ASSETS

| | 2024 R | 2023 R |
|---|---|---|
| Interest on cash and cash equivalents | 968 351 | 870 029 |
| Interest on financial assets at amortised cost | 4 968 018 | 5 653 061 |
| Interest on financial assets at FVTPL | 1 640 976 | 2 001 253 |
| Dividends on financial assets at FVTPL | 243 355 | 67 164 |
| | 7 820 700 | 8 591 507 |

## 17. OTHER OPERATING EXPENSES

| | 2024 R | 2023 R |
|---|---|---|
| Audit fee | ( 310 664) | ( 240 649) |
| Bank charges | ( 20 982) | ( 22 457) |
| Fidelity guarantee and professional indemnity insurance | ( 17 200) | ( 11 400) |
| Management fee (emergency services) | ( 27 178) | ( 25 364) |
| Other expenses | ( 34 831) | ( 28 977) |
| Postage and courier costs | ( 39 522) | ( 34 469) |
| Principal officer's fees and expenses | ( 258 237) | ( 254 986) |
| Printing and stationery | ( 22 900) | ( 18 296) |
| Real time processing | ( 89 606) | ( 78 724) |
| Registrar's levies | ( 60 136) | ( 57 079) |
| Total trustees' remuneration and consideration expenses (refer note 21) | - | ( 3 526) |
| *Other administration services* | ( 41 144) | ( 38 557) |
| Secretarial | ( 41 144) | ( 38 557) |
| | ( 922 400) | ( 814 484) |

## 18. NET IMPAIRMENT LOSSES: TRADE AND OTHER HEALTHCARE RECEIVABLES

| | 2024 R | 2023 R |
|---|---|---|
| Contributions that are not collectable | ( 52 808) | 56 622 |
| Movement in provision | ( 52 808) | 56 622 |
| | ( 52 808) | 56 622 |

## 19. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

Refer to notes 2 and 3 for the significant judgements and estimates applicable to the scheme.

The table below reflects the impact of a change in the incurred claims and reported amounts attributable to future members caused by changes in key variables:

| | Change in variable | Impact on insurance contract liability to future members 2024 R | Impact on insurance contract liability to future members 2023 R |
|---|---|---|---|
| Chronic claims incurred | 1% increase in incurred claims | 44 667 | 42 290 |
| In hospital claims incurred | 1% increase in incurred claims | 321 207 | 318 021 |
| Day to day claims incurred | 1% increase in incurred claims | 261 985 | 243 054 |

## 20. RELATED PARTY TRANSACTIONS

Momentum Thebe Ya Bophelo (Pty) Ltd, the administrator and managed care provider provides key management information to the scheme. Momentum Thebe Ya Bophelo (Pty) Ltd participates in the financial and operational activities of the Scheme, but does not control the scheme.

Administration and managed care fees for the year ended 31 December 2024 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 5 484 756 (2023: R 5 132 509).

Amounts due and outstanding to Momentum Thebe Ya Bophelo (Pty) Ltd regarding administration and managed care fees as at 31 December 2024 were R 452 441 (2023: R 417 917). Amounts due to the administrator are payable on the first working day of the following month.

Principal Officer fees and expenses for the year ended 31 December 2024 amounted to R 258 237 (2023: R 254 586).

Amounts due and outstanding for Principal Officer fees as at 31 December 2024 were R 21 060 (2023: R 20 000). Amounts due are payable on receipt of an invoice.

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, Principal Officer and members of the audit committee. The amounts include close family members of the Board of Trustees and the Principal Officer. (Refer to Note 21 for Trustee expenses)

Transactions with key management personnel were:

| | 2024 R | 2023 R |
|---|---|---|
| Contributions received | 522 710 | 487 260 |
| Claims paid | 728 143 | 731 485 |

These transactions were all concluded in terms of the rules of the scheme.

## 21. TRUSTEES' EXPENSES

| 2023 | Travel | Other costs | Total |
|---|---|---|---|
| D. Sewry (chairperson) | - | 400 | 400 |
| G. Armstrong | - | 400 | 400 |
| R.B. Walker | - | 400 | 400 |
| S.C.M. Smailes | - | 399 | 399 |
| E. Knoesen | 1 129 | 399 | 1 528 |
| J. Pillay | - | 399 | 399 |
| Total | 1 129 | 2 397 | 3 526 |

The trustees are not remunerated for their services as trustees.

No trustee expenses were incurred during 2024.

## 22. MEDICAL INSURANCE RISK MANAGEMENT

The scheme issues healthcare contracts. These contracts compensate members and their beneficiaries in the event of a healthcare event. The scheme is therefore exposed to the uncertainty of the severity and timing of the healthcare event. As the scheme undertakes to compensate the members and their beneficiaries, the scheme is exposed to insurance risk. This section summarises these risks and the way in which the scheme manages them.

**Risk management objectives and policies for mitigating insurance risk**

The primary insurance activity carried out by the scheme assumes the risk of loss from members and their dependants that are directly subject to the risk. These risks relate to the health of the scheme members; as such the scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The scheme also has exposure to market risk through its investment activities.

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

Certain risks are mitigated by entering into risk transfer arrangements. In this regard the scheme specifically decided to transfer all risks relating to emergency and ambulance services to an external service provider.

The scheme uses several methods to assess and monitor insurance risk exposure 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 severity of claims is greater than expected.

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

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 across the board by a change in any subset of the portfolio. The scheme has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories of risks to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risks include lack of risk diversification in terms of type and amount of risk, geographical location and demographics of members recovered.

Hospital benefits cover all costs incurred by members, whilst they are in the hospital to receive pre-authorised treatment for certain medical conditions.

## 22. MEDICAL INSURANCE RISK MANAGEMENT - continued

**Risk management objectives and policies for mitigating insurance risk - continued**

Chronic benefits cover the cost of certain prescribed medicines consumed by members for chronic conditions and diseases, such as high blood pressure, cholesterol and asthma.

Day-to-day benefits cover the cost of all out of hospital medical attention, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines.

Specialist benefits cover the cost of all visits by members to specialists and of the out of hospital procedures performed by specialists. Specialist benefits also include radiology and pathology benefits provided to the members.

The scheme's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The strategy is set out in the annual business plan, which specifies the benefits to be provided, the preferred target market and demographic split of this market.

All the contracts are annual in duration and the scheme has the right to change the terms and conditions of the contract at renewal. Management information including contribution income and claims ratios, target market and demographic split is reviewed monthly. There is also an underwriting review programme that reviews a sample of contracts on a quarterly basis to ensure adherence to the scheme's objectives.

**Expense risk**

Expense risk is the risk of unexpected increases in policy maintenance, claim handling and other costs relating to fulfilment of insurance contracts. The risk is managed through budgeting and periodic cost evaluations.

**Changes from the previous period**

There were no significant changes in the scheme's objectives, policies and processes for managing risk and the methods used to measure risk.

**Methods used and assumptions made**

Methods used and assumptions made for insurance liabilities assessment are disclosed in note 3.1.2.

**Impact of legislation and regulation**

The medical scheme industry is governed by the Medical Schemes Act. The governance under the Act is fulfilled by a statutory body, the Council for Medical Schemes. Various legislative measures restrict the scheme from fully managing its insurance risk, the main factor being that the scheme is not allowed to risk rate its members at all. This severely increases the risk in a risk pool with a too high load of above average claimers.

Managed care initiatives such as disease management programmes and participation in wellness programmes, are implemented to reduce risk.

**Sensitivity to Insurance Risk**

The most significant medical insurance risk that the scheme faces is the risk that contributions are not sufficient to cover the claims expenditure and other expenses, and still have a sufficient surplus to maintain the solvency ratio of the scheme at the required level.

## 22. MEDICAL INSURANCE RISK MANAGEMENT - continued

**Sensitivity to Insurance Risk - continued**

The following table summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred, by age group and in relation to the type of risk covered/benefits provided:

**2024**

| Age grouping (in years) | Number of Beneficiaries | Chronic R | In Hospital R | Day to day R | Total R | Claims per Beneficiary R |
|---|---|---|---|---|---|---|
| 0 - 4 | 143 | 26 065 | 407 538 | 510 129 | 943 732 | 6 600 |
| 5 - 19 | 542 | 161 173 | 483 111 | 2 638 651 | 3 282 935 | 6 057 |
| 20 - 39 | 505 | 348 274 | 3 155 766 | 4 547 073 | 8 051 113 | 15 943 |
| 40 - 59 | 721 | 1 530 990 | 8 214 780 | 8 069 889 | 17 815 659 | 24 710 |
| 60 - 79 | 484 | 1 855 549 | 14 120 206 | 7 904 478 | 23 880 233 | 49 339 |
| >80 | 112 | 544 638 | 5 739 288 | 2 528 300 | 8 812 226 | 78 681 |
| **Total** | **2 507** | **4 466 689** | **32 120 689** | **26 198 520** | **62 785 898** | |

**2023**

| Age grouping (in years) | Number of Beneficiaries | Chronic R | In Hospital R | Day to day R | Total R | Claims per Beneficiary R |
|---|---|---|---|---|---|---|
| 0 - 4 | 116 | 12 499 | 353 841 | 437 440 | 803 780 | 6 929 |
| 5 - 19 | 520 | 165 508 | 725 852 | 2 462 621 | 3 353 981 | 6 450 |
| 20 - 39 | 516 | 408 985 | 4 871 434 | 4 543 132 | 9 823 551 | 19 038 |
| 40 - 59 | 700 | 1 306 709 | 9 330 174 | 7 966 719 | 18 603 602 | 26 577 |
| 60 - 79 | 492 | 1 827 240 | 13 166 884 | 7 125 185 | 22 119 309 | 44 958 |
| >80 | 124 | 508 021 | 3 353 960 | 1 770 262 | 5 632 243 | 45 421 |
| **Total** | **2 468** | **4 228 962** | **31 802 145** | **24 305 359** | **60 336 466** | |

**Risk transfer arrangements**

The scheme entered into a capitation agreement with ER24. The capitation agreement is in substance, the same as a non-proportional commercial reinsurance contract.

*Risk in terms of risk transfer arrangements*

The scheme cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined blocks of business, on a co-insurance, yearly renewable term, excess or catastrophe excess basis. This contract spreads the risk and minimises the effect of losses. The amount of each risk retained depends on the scheme's evaluation of the specific risk, subject in certain circumstances, to maximum limits on the basis of characteristics of coverage. According to the terms of the contract, the third party agrees to reimburse the ceded amount in the event the claim is paid. According to the terms of the capitation agreement, the suppliers provide certain minimum benefits to all scheme members, as and when required by the members. The scheme does, however, remain liable to its members with respect to ceded insurance if any reinsurer (or supplier) fails to meet the obligations it assumes. When selecting a reinsurer (or supplier), the scheme considers its relative security. The security of the reinsurer (or supplier) is assessed from public rating information and from internal investigations.

**Underwriting risk**

Underwriting risk is the risk that the actual exposure of the scheme in respect of outstanding claims will exceed prudent estimates of such outstanding risk claims.

## 22. MEDICAL INSURANCE RISK MANAGEMENT - continued

### 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. In the majority of cases, claims are resolved within four months from the time they are reported to the scheme. At year-end, a provision is made for the liability for incurred claims.

### Sensitivity analysis to insurance risk variables

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

Table for sensitivity analysis does not show the sensitivity before and after the impact of the scheme being a mutual entity.

| As at 31 December 2024 | LIC | Impact on LIC | Impact on profit/loss |
|---|---|---|---|
| Insurance contract liabilities | 1 552 688 | | |
| ***Unpaid claims and expenses - 5% increase*** | | | |
| Insurance contract liabilities | | 77 634 | 77 634 |
| ***Expenses - 5% increase*** | | | |
| Insurance service expense | | | (4 218 830) |

| | |
|---|---|
| Risk adjustment with a 75% confidence level - as reported | 463 275 |
| Risk adjustment with a 80% confidence level | 600 908 |

| As at 31 December 2023 | LIC | Impact on LIC | Impact on profit/loss |
|---|---|---|---|
| Insurance contract liabilities | 2 133 659 | | |
| ***Unpaid claims and expenses - 5% increase*** | | | |
| Insurance contract liabilities | | 106 683 | 106 683 |
| ***Expenses - 5% increase*** | | | |
| Insurance service expense | | | (3 832 083) |

| | |
|---|---|
| Risk adjustment with a 75% confidence level - as reported | 229 939 |
| Risk adjustment with a 80% confidence level | 290 756 |

The above analysis is based on a change in one assumption, whilst holding all other assumptions constant. This is unlikely to occur and changes in certain assumptions could be correlated. No further changes were made by the scheme in the methods and assumptions used in preparing the above analysis. To further demonstrate the sensitivity to insurance risk, the risk adjustment at a 80% confidence level has also been disclosed.

Any change in the risk adjustment will impact the incurred claims and other directly attributable expenses in insurance service expenses with an equal and opposite impact on the amounts attributable to future members in insurance services expenses. The net impact on profit or loss for any change in the risk adjustment would therefore be nil.

## 23. FINANCIAL RISK MANAGEMENT

### 23.1 General

The scheme's activities expose it to a variety of financial risks, including the effects of changes in interest rates and market risk. The scheme's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the investments which the scheme holds to meet its obligations to its members.

Risk management and investment decisions are carried out by the Board of Trustees. The Board of Trustees identifies, evaluates and economically hedges (where appropriate) financial risk associated with the scheme's investment portfolio. The Board of Trustees provides principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investing excess liquidity.

### 23.2 Market Risk

Market risk is the inherent risk associated with the underlying counterparty or asset class. These inherent risks will influence the levels of income and/or capital valuation achieved over time and therefore affect the scheme income and insurance contract liability for future members. The investment management process employed seeks to manage the market risk with a view of optimising the risk/reward profile of the scheme, whilst being compliant with Annexure B of the Medical Schemes Act.

*Diversification and concentration*

The asset class diversifications and concentrations are shown below. The sensitivity of the market risks show the illustrated impact of the surplus/deficit of the various asset classes.

| | December 2024 | | December 2023 | |
|---|---|---|---|---|
| **Asset class** | **R** | **%** | **R** | **%** |
| Cash | 78 190 599 | 64.57 | 77 393 629 | 69.02 |
| Bonds | 27 980 515 | 23.11 | 23 047 772 | 20.55 |
| Equity (including property unit trusts) | 14 913 545 | 12.32 | 11 689 200 | 10.43 |
| Total | **121 084 659** | **100.00** | **112 130 601** | **100.00** |

*Asset manager allocation*

**Allocation as at December 2024**

| Manager | Mandate | Investment vehicle | Rand | % |
|---|---|---|---|---|
| Rhodes Universal Medical Scheme Cash | Liquidity/Cash | Segregated | 64 683 264 | 53.42 |
| Allan Gray Life Domestic Stable Medical Portfolio | Policy/Pool | Pooled | 22 890 027 | 18.90 |
| M & G Life Inflation Plus 5% Medical Aid Fund | Policy/Pool | Pooled | 22 944 841 | 18.95 |
| Prescient Specialist Income Fund | Unit Trust/Pool | Pooled | 10 566 527 | 8.73 |
| | | | **121 084 659** | **100.00** |

**Allocation as at December 2023**

| Manager | Mandate | Investment vehicle | Rand | % |
|---|---|---|---|---|
| Rhodes Universal Medical Scheme Cash | Liquidity/Cash | Segregated | 60 887 233 | 54.30 |
| STANLIB Enhanced Yield Fund | Unit Trust/Pool | Pooled | 20 040 296 | 17.87 |
| Allan Gray Life Domestic Stable Medical Portfolio | Policy/Pool | Pooled | 15 563 905 | 13.88 |
| M & G Life Inflation Plus 5% Medical Aid Fund | Policy/Pool | Pooled | 15 639 167 | 13.95 |
| | | | **112 130 601** | **100.00** |

## 23. FINANCIAL RISK MANAGEMENT - continued

### 23.2 Market Risk - continued

*Counter party analysis*

| Asset Class | Top 5 Holdings as at December 2024 | Ratings (Moody's at December 2024) | % of portfolio |
|---|---|---|---|
| **Cash** | Nedbank Limited | Aaa.za | 30.78 |
| | ABSA Bank Limited | Aaa.za | 10.94 |
| | FirstRand Bank Limited | Aaa.za | 10.74 |
| | GBS Mutual Bank | | 8.26 |
| | The Standard Bank of South Africa | Aaa.za | 1.87 |
| | | | |
| **Bonds** | RSA Bond | | 10.33 |
| | The Standard Bank of South Africa | | 2.32 |
| | FirstRand Bank Limited | | 1.76 |
| | Standard Bank Group Limited | | 0.88 |
| | ABSA Bank Limited | | 0.71 |
| | | | |
| **Property** | Hyprop Investments Limited | | 0.16 |
| | NEPI Rockcastle Plc | | 0.12 |
| | Fortress REIT Limited | | 0.10 |
| | Vukile Investment Property Securitisation (Pty) Ltd | | 0.09 |
| | Growthpoint Properties Ltd | | 0.08 |
| | | | |
| **Equity** | British American Tobacco Limited | | 0.87 |
| | Standard Bank Group Limited | | 0.86 |
| | Naspers Limited | | 0.66 |
| | Anheuser-Busch InBev SA NV | | 0.60 |
| | FirstRand Limited | | 0.56 |

| Asset Class | Top 5 Holdings as at December 2023 | Ratings (Moody's at December 2023) | % of portfolio |
|---|---|---|---|
| **Cash** | Nedbank Limited | Aa1.za | 20.89 |
| | ABSA Bank Limited | Aa1.za | 17.38 |
| | FirstRand Bank Limited | Aa1.za | 11.19 |
| | Investec Bank Limited | Aa1.za | 9.63 |
| | GBS Mutual Bank | | 6.24 |
| | | | |
| **Bonds** | RSA Bond | | 5.81 |
| | ABSA Bank Limited | | 3.23 |
| | Investec Bank Limited | | 2.46 |
| | The Standard Bank of South Africa | | 2.19 |
| | FirstRand Bank Limited | | 1.10 |

## 23. FINANCIAL RISK MANAGEMENT - continued

### 23.2 Market Risk - continued

*Diversification and concentration - continued*

*Counter party analysis - continued*

| Asset Class | Top 5 Holdings as at December 2023 | Ratings (Moody's at December 2023) | % of portfolio |
|---|---|---|---|
| **Property** | Thekwini Fund 17 (RF) Limited | | 0.49 |
| | Equities Property Fund Limited | | 0.30 |
| | Amber House Fund 2 (RF) Limited | | 0.25 |
| | Thekwini Fund 18 (RF) Limited | | 0.25 |
| | Resilient Property Income Fund | | 0.19 |
| | | | |
| **Equity** | British American Tobacco Limited | | 0.68 |
| | Standard Bank Group Limited | | 0.59 |
| | Anheuser-Busch InBev SA NV | | 0.51 |
| | Naspers Limited | | 0.45 |
| | Glencore Xstrata Plc | | 0.40 |

*Sensitivity analysis: Cash*

**Basis:**
The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of interest (see table below). i.e. +1% suggests the closing market value could have been R 78 911 169 if the interest had been higher by 1% during 2024 as compared to the actual interest rate. A one percent increase in the interest at the reporting date would have increased cash by R 720 569 (2023 an increase of R 716 409). An equal change in the opposite direction would have decreased cash by R 720 569 (2023 a decrease of R 716 409).

| % Change | Return of Index | Adjusted closing value | Difference |
|---|---|---|---|
| | | R | R |
| 2% | 10.51% | 79 631 738 | 1 441 139 |
| 1% | 9.51% | 78 911 169 | 720 569 |
| 0% | 8.51% | 78 190 599 | - |
| -1% | 7.51% | 77 470 030 | ( 720 569) |
| -2% | 6.51% | 76 749 461 | (1 441 139) |

*Sensitivity analysis: Bonds*

**Basis:**
The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of investment performance (see table below). i.e. +1% suggests the closing market value could have been R 28 219 294 if the investment performance had been higher by 1% during 2024 as compared to the market investment performance. A one percent increase in the investment return at the reporting date would have increased bonds by R 238 799 (2023 an increase of R 210 098). An equal change in the opposite direction would have decreased bonds by R 238 779 (2023 a decrease of R 210 098).

| % Change | Return of Index | Adjusted closing value | Difference |
|---|---|---|---|
| | | R | R |
| 2% | 19.18% | 28 458 074 | 477 559 |
| 1% | 18.18% | 28 219 294 | 238 779 |
| 0% | 17.18% | 27 980 515 | - |
| -1% | 16.18% | 27 741 736 | ( 238 779) |
| -2% | 15.18% | 27 502 956 | ( 477 559) |

## 23. FINANCIAL RISK MANAGEMENT - continued

### 23.2 Market Risk - continued

*Diversification and concentration - continued*

*Sensitivity analysis: Equity*

**Basis:**

The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of investment performance (see table below). i.e. +5% suggests the closing market value could have been R 15 570 883 if the investment performance had been higher by 5% during 2024 as compared to the market investment performance. a 5% increase in the investment performance at the reporting date would have increased the equity valuation by R 657 339 (2023 an increase of R 534 975). An equal change in the opposite direction would have decreased the equity valuation by R 657 339 (2023 a decrease of R 534 975).

The change will have an impact on the scheme's surplus/deficit.

| % Change | Return of Index | Adjusted closing value | Difference |
|---|---|---|---|
| | | R | R |
| 10% | 23.44% | 16 228 222 | 1 314 677 |
| 5% | 18.44% | 15 570 883 | 657 339 |
| 0% | 13.44% | 14 913 545 | - |
| -5% | 8.44% | 14 256 206 | ( 657 339) |
| -10% | 3.44% | 13 598 867 | (1 314 677) |

*Sensitivity analysis: Currency*

The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of currency (see table below). i.e. +5% suggests the closing market value could have been R 6 438 076, if the currency weakened by 5% during 2024. A currency weakness of 5% would have increased the market value by R 306 575 (2023 an increase of R 181 466). An equal change in the opposite direction would have decreased the market valuation by R 306 575 (2023 a decrease of R 181 466).

| % Change | Exchange rate | Adjusted closing value | Difference |
|---|---|---|---|
| | | R | R |
| 10% | 20.72 | 6 744 651 | 613 150 |
| 5% | 19.78 | 6 438 076 | 306 575 |
| 0% | 18.84 | 6 131 501 | - |
| -5% | 17.90 | 5 824 925 | ( 306 575) |
| -10% | 16.95 | 5 518 350 | ( 613 150) |

Notes

1. The benchmarks used are the following:
   - Cash (STeFI Composite Index)
   - Bonds (All Bond Index)
   - Equity (All Share Index)

2. The 0% line reflects the actual closing value of the respective asset classes. The adjusted closing values are a reflection of the sensitivity of the return around the index. For the less volatile indices; i.e. Cash and bonds, a sensitivity of 1% and 2% is used and for the more volatile indices, i.e. equity, a sensitivity of 5% and 10% is used.

## 23. FINANCIAL RISK MANAGEMENT - continued

### 23.2 Market Risk - continued

*Diversification and concentration - continued*

3. National Long-term Credit Ratings. (Moody's)

**Aaa.za**
Issuers or issues rated Aaa.za demonstrate the strongest creditworthiness relative to other domestic issuers.
**Aa.za**

Issuers or issues rated Aa.za demonstrate a very strong creditworthiness relative to other domestic issuers.
**A.za**
Issuers or issues rated A.za present above-average creditworthiness relative to other domestic issuers.

4. Investment Risk and Investment Return
Seeking higher investment returns is typically associated with taking additional risk through exposure to asset classes such as equities and bonds where the capital is at risk. Additional investment risk is typically associated with higher variability in asset prices. Also, the extent to which actual investment returns differ from expected returns is greater.

*Unconsolidated structured entities*

The scheme's investments in investee funds are subject to the terms and conditions of the respective investee fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investee funds. The investment manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. All of the investee funds in the investment portfolio are managed by portfolio managers who are compensated by the respective investee funds for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee and is reflected in the valuation of the scheme's investment in each of the investee funds.

The right of the scheme to request redemption of its investments in investee funds ranges in frequency from weekly to semi-annually. The exposure to investments in investee funds at fair value, by strategy employed, is disclosed in the following table. These investments are included in financial assets at FVTPL in the statement of financial position.

| Fund | Number of investee funds | Net asset value of investee fund (range and weighted average) Rand | Fair value of scheme's assets of investment (Rand) | % of net assets attributable to holders of redeemable shares* |
|---|---|---|---|---|
| | | | | |
| Allan Gray Life Domestic Stable Medical Portfolio | 1 | 3 183 032 807 | 22 890 027 | 0.72% |
| M&G Life Inflation Plus 5% Medical Aid Fund | 1 | 1 235 601 523 | 22 944 841 | 1.86% |
| Prescient Specialist Income Fund | 1 | 1 500 000 000 | 10 566 527 | 0.70% |

*This represents the scheme's percentage interest in the total net assets of the investee funds.

The scheme's maximum exposure to loss from its interests in investee funds is equal to the total fair value of its investments in investee funds. Once the scheme has disposed of its shares in an investee fund, it ceases to be exposed to any risk from that investee fund.

## 23. FINANCIAL RISK MANAGEMENT - continued

### 23.3 Interest Rate Risk

The scheme's investment objectives are set out below:

- The scheme provides sufficient liquidity to pay claims and expenses as they fall due;
- Cash investments are placed at minimum risk and the best possible rate of return;
- Investments are made in compliance with the Regulations and the Act;
- Capital is preserved;
- Long term reserves are built; and
- Long term investment risks are managed prudently.

The table below summarises the scheme's exposure to interest rate risks. Included in the table are the scheme's investments at carrying amounts, excluding accrued interest, categorised by the earlier of contractual re-pricing or maturity dates.

| | Up to 1 month R | 1 - 3 months R | 3 - 12 months and more R | Total R |
|---|---|---|---|---|
| **As at 31 December 2024** | | | | |
| Cash and cash equivalents | 8 483 264 | 3 200 000 | - | 11 683 264 |
| Investments | - | - | 109 401 395 | 109 401 395 |
| **Total** | **8 483 264** | **3 200 000** | **109 401 395** | **121 084 659** |

| | Up to 1 month R | 1 - 3 months R | 3 - 12 months and more R | Total R |
|---|---|---|---|---|
| **As at 31 December 2023** | | | | |
| Cash and cash equivalents | 1 287 775 | 9 600 000 | - | 10 887 775 |
| Investments | - | 7 000 000 | 94 242 826 | 101 242 826 |
| **Total** | **1 287 775** | **16 600 000** | **94 242 826** | **112 130 601** |

The following table summarises the effective interest rates for financial instruments:

| 2024 | % |
|---|---|
| Current and call accounts | 7.35% |
| Short term deposits | 7.61% |
| Non-current investments | 9.88% |
| Current investments | 8.38% |

| 2023 | % |
|---|---|
| Current accounts | 7.85% |
| Short term deposits | 8.20% |
| Non-current investments | 8.52% |
| Current investments | 9.23% |

### 23.4 Credit Risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The scheme doesn't have significant credit risk arising from reinsurance contract assets or insurance assets.

## 23. FINANCIAL RISK MANAGEMENT - continued

### 23.4 Credit Risk - continued

The capitation agreement with ER24 is used to manage insurance risk. This does not, however, discharge the scheme's liability as the primary insurer. If the reinsurer fails to pay a claim for any reason, the scheme remains liable for the payment to the members.

*Investments*

Due to these high credit ratings the Trustees do not expect any counterparty to fail to meet its obligations. Credit limits per institution are prescribed by Annexure B of the Regulations to the Medical Schemes Act, 131 of 1998, as amended which reduces the risk per individual institution. The utilisation of these credit limits are regularly monitored.

*Cash and cash equivalents*

Credit risk is managed through transactions with South African financial institutions with investment grade ratings as assigned by internationally recognised rating agencies.

Due to these investment grade ratings, the Trustees do not generally expect any of the counterparties to fail to meet their obligations. Credit limits per institution are prescribed by Annexure B of the Regulations to the Medical Schemes Act, 131 of 1998, as amended, which reduces the risk per individual institution. The utilisation of these credit limits are regularly monitored.

The scheme manages credit risk by:

- Actively pursuing all contributions not received after three days of becoming due, as required by Section 26(7) of the Medical Schemes Act 131 of 1998, as amended.
- Suspending benefits on all member accounts when contributions have not been received for 30 days.
- Terminating benefits on all member accounts when contributions have not been received for 60 days.
- Ageing and pursuing unpaid accounts on a monthly basis.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | Carrying amount 2024 R | Carrying amount 2023 R |
|---|---|---|
| Cash and cash equivalents | 11 743 271 | 11 072 137 |
| Financial assets at amortised cost | 55 512 170 | 51 645 073 |
| Financial assets at fair value through profit or loss | 56 401 395 | 51 243 368 |
| | 123 656 835 | 113 960 578 |

## 23. FINANCIAL RISK MANAGEMENT - continued

### 23.4 Credit Risk - continued

**Exposure to credit risk - continued**

Contribution receivables are collected by means of debit orders, cash payments and receipts from payroll offices.

The maximum credit exposure to member and service provider claim receivables was:

| | Carrying amount 2024 R | Carrying amount 2023 R |
|---|---|---|
| Member claim receivables | 2 202 | 2 202 |
| Service provider claim receivables | 42 476 | 39 100 |
| | 44 678 | 41 302 |

*Allowance for impairment*

The ageing of the components of insurance receivables at year-end was:

**Description**

| | Gross 2024 R | Allowance for impairment 2024 R | Gross 2023 R | Allowance for impairment 2023 R |
|---|---|---|---|---|
| **Contribution debtors** | | | | |
| Not past due | 5 076 874 | - | 4 671 883 | - |
| Past due 4 - 30 days | 23 585 | 23 585 | 9 139 | 9 139 |
| Past due 31 - 60 days | 3 369 | 3 369 | - | - |
| Past due 61 - 90 days | - | - | - | - |
| 91 days to more than one year | - | - | - | - |
| Total | 5 103 828 | 26 954 | 4 681 022 | 9 139 |
| | | | | |
| **Withdrawn members** | | | | |
| Not past due | 50 190 | 50 190 | 18 550 | 18 550 |
| Past due 4 - 30 days | - | - | - | - |
| Past due 31 - 60 days | 3 360 | 3 360 | - | - |
| Past due 61 - 90 days | - | - | - | - |
| 91 days to more than one year | 1 756 | 1 756 | 1 763 | 1 763 |
| Total | 55 306 | 55 306 | 20 313 | 20 313 |

## 23. FINANCIAL RISK MANAGEMENT - continued

### 23.4 Credit Risk - continued

**Exposure to credit risk - continued**

*Allowance for impairment - continued*

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

| | Trade and other receivables | | |
|---|---|---|---|
| | Contribution receivables | | |
| | Contribution debtors | Withdrawn member contribution debtors | Total |
| | R | R | R |
| Balance 1 January 2023 | 22 850 | 63 224 | 86 074 |
| Change to allowance made during the year | ( 13 712) | ( 42 910) | ( 56 622) |
| Balance 31 December 2023 | 9 138 | 20 314 | 29 452 |
| Change to allowance made during the year | 17 815 | 34 993 | 52 808 |
| Balance 31 December 2024 | 26 953 | 55 307 | 82 260 |

*Contribution debtors*

The scheme collected 99.26% (2023: 99.63%) of outstanding debt in January 2025. Therefore we can reasonably establish that the credit quality of contribution debtors is high. Consequently no additional disclosure of the credit quality is provided.

The scheme applies the IFRS 9 simplified approach to measuring credit losses which uses a lifetime expected loss allowance for trade receivables, which includes contributions receivables (included in insurance contract liabilities). To measure the expected credit losses, trade receivables have been grouped based on the days past due.

The table below shows the limit and balance of cash and cash equivalents and money market investments held at six major counterparties at year-end:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| Counterparty | R<br>Limit | R<br>Balance | R<br>Limit | R<br>Balance |
| FirstRand Bank Limited | 43 279 892 | 13 004 897 | 39 245 710 | 12 542 216 |
| Investec Bank Limited | 43 279 892 | 1 453 334 | 39 245 710 | 10 802 711 |
| ABSA Bank Limited | 43 279 892 | 13 243 258 | 39 245 710 | 19 492 252 |
| Nedbank Limited | 43 279 892 | 37 266 437 | 39 245 710 | 23 422 505 |
| The Standard Bank of South Africa | 43 279 892 | 2 260 561 | 39 245 710 | 3 424 033 |
| GBS Mutual Bank | 12 365 684 | 10 000 000 | 11 213 060 | 7 000 000 |

## 23. FINANCIAL RISK MANAGEMENT - continued

### 23.5 Liquidity Risk

Liquidity risk is the risk that the scheme will be unable to meet its obligations when they fall due as a result of member benefit payments or cash requirements from contractual obligations. Such outflows would deplete available cash resources for insurance activities. In extreme circumstances, lack of liquidity could result in reductions on the statement of financial position, or potentially an inability to fulfil commitments to members.

The scheme's liquidity management process, as carried out by the administrator and monitored by the scheme, includes day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met, maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows, and monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements.

The following tables present the estimated amount and timing of the remaining contractual undiscounted cash flows arising from insurance contract liabilities/(assets). When debt securities mature, the proceeds not needed to meet liability cash flows will be reinvested.

There were no significant changes in the scheme’s objectives, policies and processes for managing risk and the methods used to measure risk compared to the previous period.

Members of the scheme are required to submit their claims within 4 months of the service date. Therefore the liability attributable to current members is expected to be settled within 12 months.

The scheme expects to achieve a net surplus (before taking into account amounts attributable to future members) for the period ending 31 December 2025 and therefore does not expect to utilise the liability attributable to future members within the next 12 months.

| | R | |
|---|---|---|
| | **0 - 12 months** | **12 months +** |
| **2024** | | |
| ***Insurance contract balances*** | | |
| Insurance contract liabilities to current members | 1 552 688 | |
| Insurance contract liabilities to future members | | 121 827 196 |
| **2023** | | |
| ***Insurance contract balances*** | | |
| Insurance contract liabilities to current members | 2 133 659 | |
| Insurance contract liabilities to future members | | 111 499 667 |

## 23. FINANCIAL RISK MANAGEMENT - continued

### 23.5 Liquidity Risk - continued

The table below analyses financial assets and liabilities of the scheme into relevant maturity groupings based on the remaining period at financial position date to the contractual maturity date. For the purposes of this table accrued interest has been included in trade and other receivables:

As at 31 December 2024

| | Up to 1 month R | 1 - 3 months R | 3 - 12 months and more R | Total R |
|---|---|---|---|---|
| **Current assets** | **13 613 636** | **3 261 498** | **55 501 858** | **72 376 992** |
| Trade and other receivables | 5 130 372 | 61 498 | 2 501 858 | 7 693 728 |
| Cash and cash equivalents | 8 483 264 | 3 200 000 | - | 11 683 264 |
| Investments | - | - | 53 000 000 | 53 000 000 |
| **Total assets** | **13 613 636** | **3 261 498** | **55 501 858** | **72 376 992** |
| **Current liabilities** | **537 793** | **5 188 206** | **525 274** | **6 251 273** |
| Trade and other payables | 537 793 | 188 206 | 525 274 | 1 251 273 |
| Outstanding risk claims provision | - | 5 000 000 | - | 5 000 000 |
| **Total liabilities** | **537 793** | **5 188 206** | **525 274** | **6 251 273** |
| **Net liability gap analysis** | **13 075 843** | **(1 926 708)** | **54 976 584** | **66 125 719** |

As at 31 December 2023

| | Up to 1 month R | 1 - 3 months R | 3 - 12 months R | Total R |
|---|---|---|---|---|
| **Current assets** | **6 133 566** | **27 273 259** | **34 023 570** | **67 430 395** |
| Trade and other receivables | 4 845 791 | 673 259 | 1 024 112 | 6 543 162 |
| Cash and cash equivalents | 1 287 775 | 9 600 000 | - | 10 887 775 |
| Investments | - | 17 000 000 | 32 999 458 | 49 999 458 |
| **Total assets** | **6 133 566** | **27 273 259** | **34 023 570** | **67 430 395** |
| **Current liabilities** | **591 819** | **5 748 950** | **342 428** | **6 683 197** |
| Trade and other payables | 591 819 | 148 950 | 342 428 | 1 083 197 |
| Outstanding risk claims provision | - | 5 600 000 | - | 5 600 000 |
| **Total liabilities** | **591 819** | **5 748 950** | **342 428** | **6 683 197** |
| **Net liability gap analysis** | **5 541 746** | **21 524 309** | **33 681 142** | **60 747 198** |

These tables have been compiled based on the nature of the line items and not using IFRS 17.

## 23. FINANCIAL RISK MANAGEMENT - continued

### 23.5 Liquidity Risk - continued

*Cash and cash equivalents*
Cash and cash equivalents are made up of the following:

| | 2024<br>R | 2023<br>R |
|---|---|---|
| Current accounts | 533 264 | 1 287 775 |
| Deposits on call account | 1 550 000 | - |
| Short term deposit accounts | 9 600 000 | 9 600 000 |
| Accrued interest | 60 007 | 184 362 |
| Total | 11 743 271 | 11 072 137 |

### 23.6 Capital adequacy risk

This represents the risk that there are insufficient insurance contract liabilities to future members to provide for adverse variations on future investments and claims experience. At the year end, the solvency ratio computed in terms of the Registrar's formula was 158.37% (2023: 161.98%). The Trustees believe that this cover is appropriate for the scheme's needs.

### 23.7 Fair Values

The fair values of all financial instruments are substantially identical to carrying amounts reflected in the statement of financial position.

### 23.8 Legal risk

Legal risk is the risk that the scheme will be exposed to contractual obligations which have not been provided for. At 31 December 2024 the scheme did not consider there to be any legal risk to which the scheme was exposed to.

### 23.9 Capital management

The scheme is subject to the capital requirements imposed by Regulation 29(2) of the Act, which requires a minimum solvency ratio of insurance contract liabilities to future members 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:

| | 2024<br>R | 2023<br>R |
|---|---|---|
| The solvency ratio is calculated on the following basis: | | |
| Insurance contract liabilities to future members | 121 827 196 | 111 499 667 |
| Less: cumulative unrealised net gains | (4 896 307) | ( 891 286) |
| Insurance contract liabilities to future members excluding unrealised gains | 116 930 889 | 110 608 381 |
| Net contributions | 73 831 827 | 68 284 188 |
| Ratio of insurance contract liabilities (future members) to gross annual contribution income | 158.37% | 161.98% |

The scheme is well above the statutory requirement of 25%.

## 24. SURPLUS FROM OPERATIONS PER BENEFIT OPTION

| | 2024<br>R | 2023<br>R |
|---|---|---|
| Insurance revenue | 73 831 827 | 68 284 188 |
| Insurance service expenses (excluding amounts attributable to future members) | (74 049 072) | (71 169 538) |
| Net income/(expense) of reinsurance contracts held | 52 243 | ( 292 235) |
| Reinsurance expenses from reinsurance contracts held | ( 523 055) | ( 514 369) |
| Reinsurance income from reinsurance contracts held | 575 298 | 222 134 |
| **Insurance service result** | ( 165 002) | (3 177 585) |
| Investment income from financial assets | 7 820 700 | 8 591 507 |
| Net fair value gains on fair value investments | 3 876 916 | 913 070 |
| **Net investment income** | 11 697 616 | 9 504 577 |
| **Net healthcare result** | **11 532 614** | **6 326 992** |
| Sundry income | 80 411 | 45 082 |
| Other operating expenses | ( 922 400) | ( 814 484) |
| Investment fund management fees | ( 273 423) | ( 50 055) |
| Investment consulting | ( 89 673) | ( 35 409) |
| **Net surplus for the year** | 10 327 529 | 5 472 126 |
| **Members as at 31 December** | 1 260 | 1 231 |

## 25. ANALYSIS OF CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

| | **Financial assets** | | | | | |
|---|---|---|---|---|---|---|
| **2024** | **Amortised cost R** | **Financial assets at FVTPL R** | **Financial liabilities measured at amortised cost R** | **Reinsurance contract liabilities R** | **Insurance contract liabilities R** | **Total carrying amount R** |
| Investments | | | | | | |
| - Bonds and debentures | - | 27 980 515 | - | - | - | 27 980 515 |
| - Equity (including property unit trusts) | - | 14 913 545 | - | - | - | 14 913 545 |
| Long term deposits | 21 642 371 | - | - | - | - | 21 642 371 |
| Cash and cash equivalents | 11 743 271 | 13 507 335 | - | - | - | 25 250 606 |
| Short term deposits | 33 869 799 | - | - | - | - | 33 869 799 |
| Trade and other payables | - | - | ( 230 891) | - | - | ( 230 891) |
| Reinsurance contract liabilities | - | - | - | ( 46 060) | - | ( 46 060) |
| Insurance contract liabilities | - | - | - | - | (123 379 884) | (123 379 884) |
| | 67 255 440 | 56 401 395 | ( 230 891) | ( 46 060) | (123 379 884) | - |

| | **Financial assets** | | | | | |
|---|---|---|---|---|---|---|
| **2023** | **Amortised cost R** | **Financial assets at FVTPL R** | **Financial liabilities measured at amortised cost R** | **Reinsurance contract liabilities R** | **Insurance contract liabilities R** | **Total carrying amount R** |
| Investments | | | | | | |
| - Bonds and debentures | - | 23 047 772 | - | - | - | 23 047 772 |
| - Equity (including property unit trusts) | | 11 689 200 | | - | | 11 689 200 |
| Cash and cash equivalents | 11 072 137 | 16 506 396 | - | - | - | 27 578 533 |
| Short term deposits | 51 645 073 | - | - | - | - | 51 645 073 |
| Trade and other payables | - | - | ( 282 365) | - | - | ( 282 365) |
| Reinsurance contract liabilities | - | - | - | ( 44 887) | - | ( 44 887) |
| Insurance contract liabilities | - | - | - | - | (113 633 326) | (113 633 326) |
| | 62 717 210 | 51 243 368 | ( 282 365) | ( 44 887) | (113 633 326) | - |

Investments are stated at quoted market prices. All investments are on level 1 * of the fair value hierarchy. This analysis is performed on the same basis for 2024 and 2023.

* Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities.

Note that all financial assets and liabilities carrying amounts approximate their fair values.

## 26. NON-COMPLIANCE MATTERS

Section 59 (2)
Certain claims were paid in excess of 30 days after receipt by the administrator as a result of queries to be investigated/audited in relation thereto. Non-compliance could impact on the relationship with members and providers. Procedures and policies are in place to manage late payment of claims including a weekly report of claims held for investigation which is checked and signed by management to ensure that the 30 day limit is not exceeded. This practice ensures accurate claims processing and is in the interest of the risk management of the scheme.

Section 26 (7)
Certain contributions were not received within three days of becoming due. There are no contracts in place that is contrary to the legislation. Non-compliance could affect the cash flow of the scheme and lead to member benefits being suspended. Due to the short duration of the contributions being outstanding, this is not significant. A credit control process is in place to address this matter.

Section 33 (2)
Each benefit option should be financially sound and self-supporting. In this respect the scheme incurred a net insurance deficit, before taking amounts attributable to future members into account. Non-compliance could affect the financial soundness of the scheme. The scheme experienced 40 high cost cases during the course of the year, with a total cost of R11.2 million. Two of these cases were in excess of R 700 000. High cost cases are not a usual occurrence for the scheme. Member claims are managed by the administrator's clinical risk management team to manage costs. The deficit is more than adequately offset by the income from investments.

Section 35 (8) (a)
In terms of this section of the Medical Schemes Act 131 of 1998, as amended, a medical scheme shall not invest any of its assets in the business of or grant loans to an employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme. The scheme has an investment in a pooled fund which may invest in the shares and bonds of the ultimate holding companies of certain medical scheme administrators from time to time, at the discretion of the Fund Manager. The scheme has been granted exemption from section 35(8)(a) by the Council for Medical Schemes.

The Trustees do not consider that these non-compliance matters have had a significant impact on the operations of the scheme or on the Financial Statements.

## 27. CONTINGENCIES AND COMMITMENTS

The scheme did not have any contingencies or commitments at year end other than those disclosed in the Financial Statements.

## 28. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period that require disclosure, other than those already addressed.

## 29. SIGNIFICANT NON-CASH TRANSACTIONS

| | 2024<br>R | 2023<br>R |
|---|---|---|
| Reinsurance income from reinsurance contracts held | 575 298 | 222 134 |
| Less: Incurred claims | ( 575 298) | ( 222 134) |

Claims incurred that are subject to risk transfer arrangements are fulfilled by the service providers by providing services to the members, and thereby discharging its reinsurance obligations. As such the claims expense and the reinsurance income are non-cash transactions.

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