



(Registration Number: 1005)

ANNUAL FINANCIAL STATEMENTS

31 December 2025

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2025

The reports and statements set out below comprise the financial statements presented to the members:

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REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025

The Board of Trustees hereby presents its report for the year ended 31 December 2025.

1 DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

AECI Medical Aid Society (the Scheme) is a not-for-profit restricted medical scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended.

1.2 Benefit options within the Scheme

The Scheme offers three benefit options to the employees and pensioner members of the employer group:

Comprehensive Option

Comprehensive Select Option

Value Option

The Scheme provides traditional medical aid benefits and does not offer a savings element.

1.3 Risk transfer arrangement during the year

Netcare Jet Air Ambulance Proprietary Limited t/a Netcare Limited Administration (Netcare Limited Administration)

The Scheme contracted with Netcare Limited Administration effective 1 January 2024. Netcare Limited Administration accepts the risk of providing members with ambulance services, including evacuations from accident scenes.

2 Management

2.1 Board of Trustees

The Board of Trustees in office during the year under review and up to date of signing were:

Name	Designation	Re-Appointed/Re-Elected Date	Resignation date
MG Oosthuizen	Alternate Trustee Trustee (Chairperson: Effective 1 March 2025)	01 January 2024 01 May 2024	30 April 2024
RP Hamilton	Trustee (Chairperson: Effective 01 May 2024 to 28 February 2025)	01 January 2024	28 February 2025
LJ van der Walt	Trustee (Vice-Chairperson)	01 January 2024	
PH Breet	Alternate Trustee Trustee	01 January 2024 01 March 2025	28 February 2025
KM Campbell	Alternate Trustee	11 February 2026	
GW Du Plessis	Trustee	01 January 2024	
RA Madiba	Trustee	01 January 2024	
AM Myeza	Trustee	01 January 2024	
T Naudé	Alternate Trustee	01 March 2025	
RK Ramoupi	Alternate Trustee	01 May 2024	10 February 2026
CD Riley	Alternate Trustee	01 January 2024	
TJ Starke	Trustee	01 January 2024	
MI Selepe	Alternate Trustee	01 January 2024	
AL Wille	Trustee	01 January 2024	

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025

2 MANAGEMENT (continued)

2.2 Principal Officer

Name and Physical Address	Postal Address
M Potgieter AECI Limited Building 24 The Woodlands Office Park Woodlands Drive Woodmead Sandton 2191	P O Box 1101 Florida Glen Gauteng 1708

2.3 Registered office address and postal address

Name and Physical Address	Postal Address
AECI Limited Building 24 The Woodlands Office Park Woodlands Drive Woodmead Sandton 2191	P O Box 1101 Florida Glen Gauteng 1708

2.4 Medical Scheme Administrator (the administrator)

Name and Physical Address	Postal Address
Medscheme Holdings Proprietary Limited, a subsidiary of Afrocentric Health (RF) Proprietary Limited 37 Conrad Street Florida North Roodepoort 1709 Accreditation Number: ADMIN 21	P O Box 1101 Florida Glen Gauteng 1708

2.5 Managed Healthcare Services Providers

Name and Physical Address	Postal Address
Medscheme Holdings Proprietary Limited, a subsidiary of Afrocentric Health (RF) Proprietary Limited 37 Conrad Street Florida North Roodepoort 1709 Accreditation Number: MCO 53	P O Box 1101 Florida Glen Gauteng 1708

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025

2 MANAGEMENT (continued)

2.6 Investment Managers

Name and Physical Address	Postal Address
M&G Investment Managers (South Africa) Proprietary Limited 7th Floor Protea Place 40 Dreyer Street Claremont Cape Town 7708 Financial service provider number: 45199	P O Box 44813 Claremont Cape Town 7735
Prescient Life (RF) Limited Prescient House Westlake Business Park Otto Close Westlake 7945 Financial service provider number: 612	P O Box 31142 Tokai 7966
Sanlam Collective Investments (RF) Proprietary Limited 2 Strand Road Bellville 7530	P O Box 30 Sanlamhof 7532
Sanlam Investment Management Proprietary Limited 55 Willie van Schoor Avenue Bellville 7530 Financial service provider number: 579	Private Bag X8 Tyger Valley 7536

2.7 Investment Advisors

Name and Physical Address	Postal Address
Fairburn Consult Proprietary Limited No 1 Mutual Place 2nd Floor 107 Rivonia Road Sandton 2196 Financial service provider number: 18427	P O Box 2444 Saxonwold 2132

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025

2 MANAGEMENT (continued)

2.8 Actuaries

Name and Physical Address	Postal Address
Insight Actuarial Solutions (Pty) Ltd 2nd Floor Gateway West Offices 22 Magwa Crescent Waterval City Midrand 2066	Postnet Suite # 026 Private Bag x159 Halfway House Midrand 1685

2.9 External auditor

Name and Physical Address	Postal Address
KPMG Inc KPMG Crescent 85 Empire Road Parktown 2193	Private Bag 9 Parkview 2122

2.10 Internal auditor

Name and Physical Address	Postal Address
AfroCentric Health (RF) Proprietary Limited 37 Conrad Street Florida North Roodepoort 1709	P O Box 1101 Florida Glen Gauteng 1708

3 SUB-COMMITTEES

The following committees assist the trustees with their responsibilities and provide expert guidance where required:

- Audit and Risk Committee;
- Investment Committee; and
- Management and Advisory Committee.

These committees are mandated by the Trustees by means of written terms of reference as to its membership, authority and duties.

3.1 Audit and Risk Committee

An Audit and Risk Committee was established in accordance with the provisions of the Act. The Audit and Risk Committee consists of five members of which only two are members of the Board of Trustees. The Chairman of the Audit and Risk Committee is not an officer of the Scheme or its third party administrator.

The Audit and Risk Committee met on three occasions during the year as follows:

15 April 2025

2 April 2025

18 November 2025

The Principal Officer, the administrator and the external auditor are invited to all Audit and Risk Committee meetings and have unrestricted access to the Chairman of the Audit and Risk Committee.

3 SUB-COMMITTEES (continued)

3.1 Audit and Risk Committee (continued)

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

The Audit and Risk Committee comprised of:

Name	Designation	Appointed/Re-appointed date	Resignation date
T Jackson	Independent member/ Chairperson	01 January 2019/13 April 2021/12 April 2023/26 February 2025	
DR Crisp	Independent member	01 October 2024	
C Govender	Independent member	01 January 2023	31 May 2025
AM Myeza	Trustee	01 May 2024	
MG Oosthuizen	Alternate Trustee Trustee	01 January 2024 01 May 2024	30 April 2024
CE Ranger	Independent member	01 November 2024	

3.2 Investment Committee

The primary responsibility of the Investment Committee is to assist the Board of Trustees in implementing the investment strategy of the Scheme. The Investment Committee's mandate ensures that:

- the Scheme remains liquid;
- the investments are placed after consideration of the risk and returns of each asset;
- the investments are made in compliance with the regulations of the Act; and
- a risk assessment is performed regularly with feedback to the Board of Trustees with recommendations on the risks identified.

The Investment Committee met on four occasions during the year:

19 March 2025

13 June 2025

17 September 2025

18 November 2025

The Principal Officer, the administrator and the investment advisor are invited to all Investment Committee meetings and have unrestricted access to the Chairman of the Investment Committee.

The Investment Committee comprised of:

Name	Designation	Appointed/Re-appointed date	Resignation date
TJ Starke	Chairperson (Effective 5 June 2024)	01 January 2024	
PH Breet	Alternate Trustee Trustee	01 January 2024 01 March 2025	28 February 2025
RP Hamilton	Trustee	01 January 2024	28 February 2025
CD Riley	Alternate Trustee	01 March 2025	

3 SUB-COMMITTEES (continued)

3.3 Management and Advisory Committee

The primary responsibility of the Management and Advisory Committee is to assist the Board of Trustees in dealing with operational and strategic aspects of the Scheme's management, unrelated to finances. The Management and Advisory Committee's mandate is to take the following decisions and action:

- approve or decline properly motivated applications for ex gratia assistance;
- approve or decline properly motivated applications for extension of benefits;
- approve or decline applications for additional/special dependants;
- take decisions and action as required to achieve the agreed objectives and levels of performance within the policies and strategies set by the Board of Trustees.

The Principal Officer, the administrator (if required) and other third party providers (if required) are invited to all Management and Advisory Committee meetings and have unrestricted access to the Chairman of the Management and Advisory Committee.

The Management and Advisory Committee comprised of:

Name	Designation	Appointed/Re-appointed date	Resignation date
GW Du Plessis	Chairperson	01 January 2024	
RP Hamilton	Trustee	01 January 2024	28 February 2025
MG Oosthuizen	Alternate Trustee Trustee	01 January 2024 01 May 2024	30 April 2024
MI Selepe	Alternate Trustee	01 January 2024	
AL Wille	Trustee	01 January 2024	

4. INVESTMENT STRATEGY OF THE SCHEME

The investment strategy of the Scheme ensures that its accumulated funds are invested in accordance with the Act and the regulations thereto, and further takes into consideration constraints imposed by the Board of Trustees.

The Scheme invests its accumulated funds to ensure that it always has sufficient liquidity to meet its day to day commitments for healthcare and non-healthcare expenditure. Funds that are not immediately required to meet the Scheme's short-term needs are invested in assets that are expected to achieve an investment return significantly better than the inflation rate, as measured by the consumer price index, over time. These assets comprise of listed equity shares, listed government and corporate bonds, cash and money market instruments. The investment return on listed equity shares is benchmarked against All Share Index and the investment return of the remaining investments is benchmarked against the BESA Total Return All Bond Index.

5 MANAGEMENT OF INSURANCE RISK

The primary insurance activity carried out by the Scheme assumes the risk arising from the health of the Scheme members and their dependants. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The principal risk is the frequency and severity of claims being greater than expected.

5 MANAGEMENT OF INSURANCE RISK (continued)

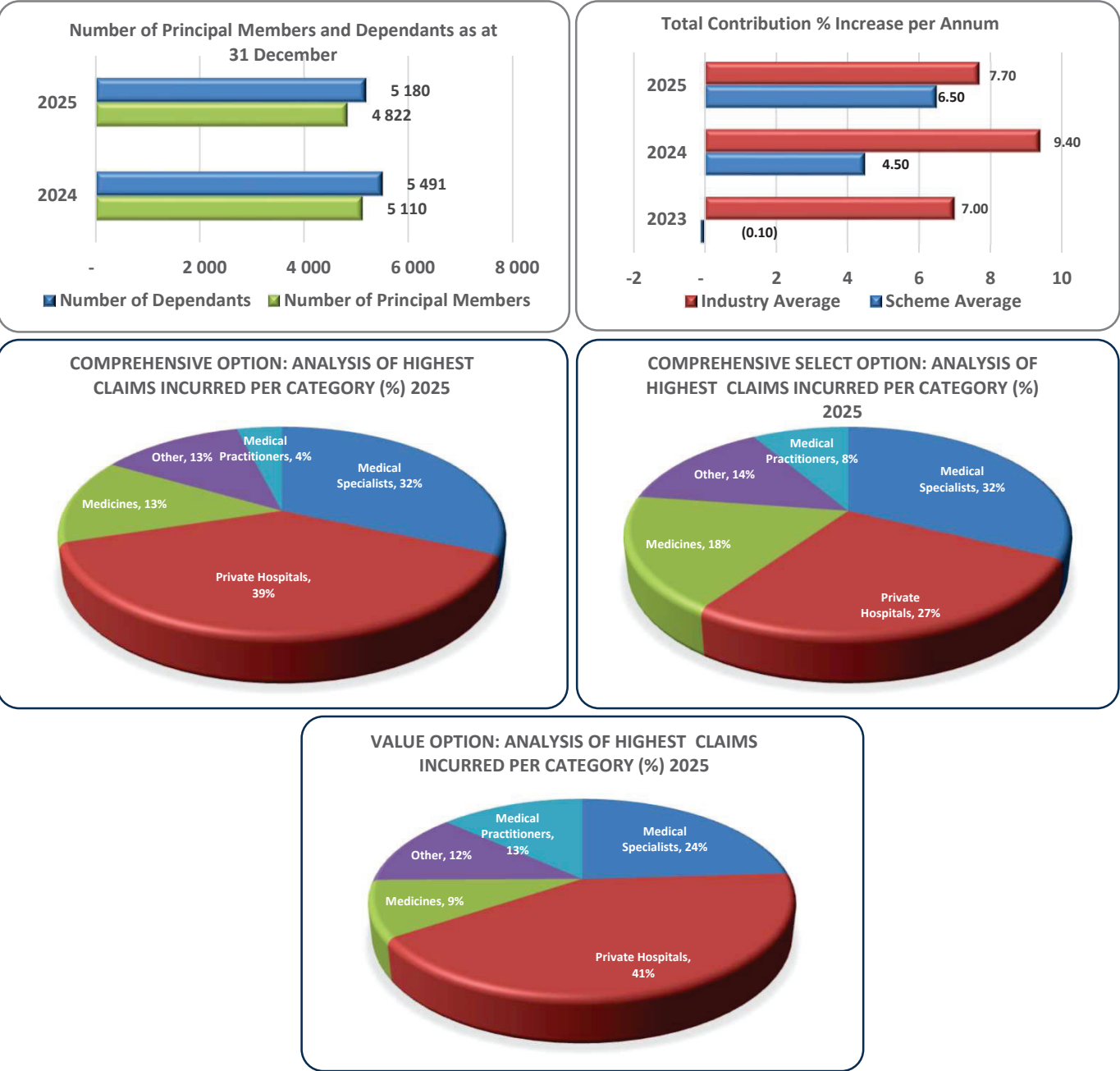
The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for claims, guidelines for pricing, pre-authorisation and case management, risk transfer arrangements and the monitoring of emerging issues.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual 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 risk exposures.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated with established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the financial statements and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Scheme’s cash flows.

6 REVIEW OF THE YEAR'S ACTIVITIES

Key indicators



6 REVIEW OF THE YEAR'S ACTIVITIES (continued)

6.1 Results of operations

The results of the Scheme are set out in the attached financial statements. The Scheme reported a net income before amounts attributable to members for future benefits of R126 351 408 (2024 net income before amounts attributable to members for future benefits: R47 343 124) for the year ended 31 December 2025. The results of the Options are set out in note 15.

6.2 Solvency ratio

In terms of Regulation 29(2) of the Act, the Scheme must maintain accumulated funds expressed as a percentage of insurance revenue income for the financial year under review of not less than 25%.

	2025 R	2024 R
Total members' funds (Liability to members for future benefits) per the statement of financial position	795 822 131	669 470 723
Less: Revaluation reserve (Cumulative net gains on re-measurement to fair value of financial instruments included in accumulated funds)	(146 735 939)	(60 406 714)
Accumulated funds per Regulation 29	649 086 192	609 064 009
Risk contribution income (insurance revenue)	431 827 703	430 203 086
Solvency ratio	150.31%	141.58%

*Cumulative net gains on re-measurement to fair value of financial assets at fair value through profit or loss included in the accumulated funds are calculated as follows:

Balance at beginning of the year	60 406 714	37 625 739
Movement in unrealised gains on re-measurement to fair value of financial assets at fair value through profit or loss included in accumulated funds (note 11)	86 329 225	22 780 975
Balance as the end of the year	146 735 939	60 406 714

Unrealised net losses are ignored in the calculation of accumulated funds as per Circular 13 of 2001.

During 2023 the Scheme's actuaries prepared a Risk-Capital Based Solvency assessment to assess the Scheme's solvency requirements based on specific risk factors affecting the Scheme. The outcome of the assessment was that the Scheme's Risk-Based Capital Solvency requirement is between 47.9% and 53.8%.

6.3 Liability for incurred claims

The basis for calculating the liability for incurred claims including the movements in the liability for incurred claims are set out in note 6.3 to the financial statements.

6 REVIEW OF THE YEAR'S ACTIVITIES (continued)

6.4 Operational statistics

Details	2025			2024		
	Comprehensive Option	Comprehensive Select Option	Value Option	Comprehensive Option	Comprehensive Select Option	Value Option
Dependant ratio to members at 31 December (%)	85	127	143	107	86	132
Number of members at 31 December (n)	2 938	120	1 764	4 822	3 142	101
Number of dependants at 31 December (n)	2 509	152	2 519	5 180	2 712	133
Number of beneficiaries at 31 December (n)	5 447	272	4 283	10 002	5 854	234
Average number of members during the year* (n)	3 239	101	1 906	5 246	3 239	101
Average number of beneficiaries during the year* (n)	6 030	233	4 604	10 867	6 030	233
Average age of the beneficiaries at 31 December* (yrs)	51	29	28	41	51	29
Average insurance revenue per beneficiary per month* (R)	4 337	4 199	1 923	3 311	4 414	3 487
Relevant healthcare expenditure per average beneficiary per month* (R)	5 200	2 322	1 309	3 490	5 082	2 964
Directly attributable insurance service expenditure (DAE) per average beneficiary per month* (R)	93	90	71	84	92	74
Relevant healthcare expenditure as a percentage of insurance revenue (Claims ratio) (%)	120	55	68	105	115	85
Directly attributable insurance service expenditure (DAE) as a percentage of insurance revenue (%)	2	2	4	3	2	2
Pensioner ratio (%) (> 65 years) at 31 December	54	12	2	34	54	9
Chronic Profile (%)	65	27	14	34	64	23
Average liability to members for future benefits per member at 31 December (R)	n/c	n/c	n/c	165 040	n/c	n/c
Breakdown of total amount paid to the administrator and managed healthcare providers:						
- Administration fees (R)	7 841 703	301 794	4 731 829	12 875 326	7 990 849	248 572
- Fraud IT investigation fees (R)	357 027	13 731	215 775	586 533	427 429	13 391
- Accredited managed healthcare services (R)	6 542 054	251 775	3 947 596	10 741 425	4 067 715	126 534
Return on investments (%)	n/c	n/c	n/c	21	n/c	n/c

* Averages are calculated using the sum of the 12 months' actual membership divided by 12.

n/c - not calculated

Member: any person who has been enrolled or admitted as a main member or principal member.

Dependant: is the spouse or partner, dependant children or other members of the member's immediate family in respect of whom the member is liable for family care and support or any other person that, under the rules of the Scheme, is recognised as a dependant of such a member and is eligible for benefits under the rules of the Scheme.

Beneficiary: is a member and a person registered as a dependant of a member to the Scheme. Beneficiaries include both members as well as dependants.

7 ACTUARIAL SERVICES

The Scheme's actuaries have been consulted in the determination of the contribution, benefit levels and the outstanding claims provision.

8 SUBSEQUENT EVENTS

There have been no events that have occurred subsequent to the financial year-end that affect the financial statements which the Board of Trustees believes should be brought to the attention of the members of the Scheme.

9 GOING CONCERN STATEMENT

The financial statements have been prepared on the going concern basis. The trustees reviewed the going concern assessment taking the Scheme's financial position as at 31 December 2025, as well as the budget for the year ending 31 December 2026 into account. The Scheme reflected a net income before amounts attributable to members for future benefits of R126 351 408 (2024 net income before amounts attributable to members for future benefits: R47 343 124) for 2025 and budgeted a net expense before amounts attributable to members for future benefits of R20 144 877 for 2026. The liability to members for future benefits as at 31 December 2025 was R795 822 131 with a solvency level of 150.31% (2024: 141.58%).

Based on the above, the trustees considers that:

- The Scheme's assets currently exceeds its liabilities; and
- The Scheme will be able, in the ordinary course of the Scheme's business, to settle its liabilities as they arise in the foreseeable future.

Based on the assessment conducted, the Board of Trustees has no reason to believe that the Scheme would not be a going concern in the foreseeable future.

10 INVESTMENTS IN AND LOANS TO EMPLOYERS OF MEMBERS OF THE SCHEME AND TO OTHER RELATED PARTIES

The Scheme holds bonds in AECI Limited of R36 485 (2024: R31 751) and has not made loans to employers of the members of the Scheme and to other related parties.

11 RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in note 17 to the financial statements.

12 FRAUD MANAGEMENT

The Scheme has a zero tolerance policy against fraud, waste and abuse. The Scheme has ensured that there are effective measures in place to detect, prevent and manage fraud, waste and abuse.

Medscheme Holdings Proprietary Limited's forensic department has been appointed by the Scheme and use the FICO Insurance Fraud Manager (IFM) system. Fraud management within the healthcare industry is outdated and fragmented which has led to rapidly escalating instances of fraud. This currently represents a significant cost driver within a medical scheme's expenditure. IFM is a robust solution that detects irregular claiming behaviour at the claim (pre-payment or quick post-payment) and provider (retrospective post-payment) levels. It uses an automated data driven approach that leverages proven, advanced analytic models and workflows that are integrated in purpose-built software to rapidly and effectively enhance a scheme's ability to identify and address existing and emerging losses. Thus, by the use of this system, the Scheme is actively managing and preventing fraud, waste and abuse.

13 FIDELITY INSURANCE

The Scheme's Fidelity Insurance Policy was renewed in March 2025 to the value of R40 million with Lloyd's Syndicate 2987 (Brit) for 40%, Lloyd's Syndicate 1274 (Antares) for 10%, Lloyd's Syndicate 1618 (KI Insurance) for 12,5%, Lloyd's Syndicate 1686 (Axis) for 7,5%, Compass Insurance Company Limited for 25% and Bryte Insurance Company Limited for 5%. The policy is underwritten by Camargue Underwriting Managers Proprietary Limited.

14 NON-COMPLIANCE

The following areas of non-compliance of the Act were identified during the course of the year:

14.1 Non-compliance with Section 35(8)(a) and (c) of the Act

Nature and cause of non-compliance

Per Section 35(8) of the Act states that:

(8) A medical scheme shall not invest any of its assets in the business of or grant loans to:

- a) an employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme;
- b) any other medical scheme;
- c) any administrator; and
- d) any person associated with any of the abovementioned.

The Scheme invests its assets in accordance with an Investment Policy. These assets are invested in a series of pooled and segregated investment vehicles each having a specific investment mandate, benchmark and chosen investment manager.

Some of these mandates may allow exposure to shares or bonds listed in the South African market. The investment manager has full discretion to choose a combination of shares and bonds that will best achieve the benchmark. The representatives of the Scheme have given discretionary powers in terms of the investment mandate, in accordance with Annexure B, to the underlying investment manager.

A number of shares and bonds are held in ultimate holding companies of Scheme administrators and in the Scheme's employer company AECI Limited.

Possible impact of non-compliance

For the current year, the Scheme holds shares and bonds in ultimate holding companies of Scheme administrators and in the Scheme's employer company AECI Limited, which is prohibited in terms of Section 35(8)(a) and (c) of the Act.

Company name	31 December 2025	
	Shares R	Bonds R
Discovery Group Limited	-	11 857
Discovery Holdings Limited	2 357 909	271 966
Momentum Metropolitan Holdings Limited	5 174 216	-
Momentum Metropolitan Life Limited		154 458
Sanlam Limited	15 128 359	-
Sanlam Capital Markets Limited	-	96 149
AECI Limited	-	36 485

By applying Section 35(8) and (c) of the Act, the Scheme will not be able to invest in these companies. The diversification of opportunities is reduced and the Scheme will be forced to take on additional risk. This is not in the best interest of the members.

14 NON-COMPLIANCE WITH THE ACT (continued)**14.1 Non-compliance with Section 35(8)(a) and (c) of the Act (continued)*****Corrective course of action adopted to ensure compliance, including timing of corrective action***

The Scheme received exemption from Section 35(8)(a) and (c) of the Act from the Council for Medical Schemes until 31 December 2028. The exemptions is applicable in so far as the investment relates to investments placed with asset managers who invest on behalf of the Scheme and where such investment choices are not influenced by the Scheme.

In terms of compliance to Annexure B of the Act, the Scheme does perform a comprehensive analysis of the total assets to monitor the Scheme's investments against limitations set out per Annexure B. When a non-compliance is identified, the Investment Committee will ensure that corrective action is taken. It would not be prudent to remove these investment opportunities from the scope of investments available to the underlying investment managers.

14.2 Claim payments not within 30 days of receipt by the Scheme***Nature and cause of non-compliance***

The Act requires a medical scheme to pay to a member or a supplier of service within 30 days after the day on which the claim was received. The Scheme processes and pays the majority of all claims within 30 days from date of receipt. Situations beyond the control of the Scheme could result in claims being paid later than 30 days after receipt when for example further supporting information will be required.

Possible impact of non-compliance

These are isolated cases and have not resulted in a material gain or loss to the Scheme, inconvenience to members or healthcare service providers.

Corrective course of action adopted to ensure compliance, including timing of corrective action

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

14.3 Contributions not paid within 3 days thereof becoming due***Nature and cause of non-compliance***

Section 26(7) states that: "All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after the payment thereof becoming due". Certain contributions were submitted to the Scheme more than three days after the payment thereof became due. The Scheme does not hold any special contracts with members nor employer paypoints authorising such late payments.

During the reporting period the Scheme received 17 late payments from paypoints averaging R325 006. The majority of these payments were a few days late.

Possible impact of non-compliance

Late payments may result in a loss of interest to the Scheme. This amount would, however, not be considered significant.

Corrective course of action adopted to ensure compliance, including timing of corrective action

The Scheme's credit control policy ensures that losses to the Scheme are minimised. The Board of Trustees has reviewed the list of instances where contributions were submitted to the Scheme more than three days after the payment thereof became due and will contact the paypoints concerned to decrease instances in the future.

14 NON-COMPLIANCE WITH THE ACT (continued)

14.4 Scheme's option (Comprehensive Option) generating a negative insurance service result

Nature and cause of non-compliance

Per Section 33(2) of the Act:

The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option:

- a) includes the prescribed benefits;
- b) shall be self-supporting in terms of membership and financial performance;
- c) is financially sound; and
- d) will not jeopardise the financial soundness of any existing benefit option within the medical scheme.

The results for the Comprehensive Option during the year were the following:

	2025 R	2024 R	Change R
Insurance service result	(68 990 146)	(54 768 976)	(14 221 170)
Net income/(expense)	28 606 320	(15 544 511)	44 150 831

Insurance revenue per average beneficiary per month (pabpm) for this option amounted to R4 337 (2024: R4 414) compared to an insurance service expense pabpm of R5 293 (2024: R5 174). Thus insurance service expense exceeded insurance revenue by R956 pabpm, contributing to the negative insurance service result.

The higher insurance service expense were mainly due to high cost claims, change in claiming patterns and change in case mix. The increase to the insurance revenue was lower to minimise the contribution increase to members and utilise some of the excess reserves. A negative insurance service result for the Comprehensive Option of R84 777 850 was budgeted for 2025.

Possible impact of non-compliance

The Comprehensive Option may be deemed as not self-supporting in terms of financial performance, nor financially sound.

The Scheme is financially sound and has a high level of reserves available to cover instances where deficits occurs. A negative insurance service result was budgeted for to minimise the contribution increase to members and utilise some of the excess reserves.

Corrective course of action adopted to ensure compliance, including timing of corrective action

A negative insurance service result was budgeted for. The Trustees will continue to monitor the variances between the actual and budgeted net healthcare results, investigate any significant variances and take the necessary corrective actions.

The Trustees have also considered the required increase in contributions and implemented minimum increases to tariffs and benefit limits for the 2026 financial year.

15 GOVERNANCE AND COMPLIANCE**15.1 Council for Medical Schemes (CMS) routine inspection**

During 2022, CMS conducted a routine inspection on Scheme information dating from 2019 to 2021, to which the Scheme provided all the necessary information, documents and assistance. The Chairman of the Board of Trustees and the Principal Officer provided comments on the draft report findings. CMS communicated on 22 January 2024 that the final inspection report will be issued in due course.

The Board of Trustees closed the inspection process at the end of 2024 noting that further consideration would be given when the final report has been received from CMS.

CMS subsequently submitted their final report to the Scheme in October 2025 on which the Scheme was given 30 days to respond. The Scheme submitted all requested responses and information. CMS submitted a letter dated 30 March 2026 confirming that the routine inspection has been completed and closed.

Confirmation was provided that the Scheme is compliant with all directives issued, excluding reference to "evergreen" components contained in contractual agreements which will be reviewed by the Board.

15.2 The Protection of Personal Information Act (POPIA)

POPIA (Act 4 of 2013) was promulgated on 17 June 2020 with an effective date of 1 July 2021. The Scheme and its contracted service providers have been compliant with the requirements of POPIA from the effective date of 1 July 2021.

The Scheme will share member information with their contracted service providers in line with the POPIA act to ensure health care services to the members. During 2025, data were shared with Netcare Limited Administration and Insight Actuaries & Consultants. The Scheme has appointed a data officer who is responsible for the overseeing of the information shared and the monitoring of the compliance requirements of POPIA.

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025

16 TRUSTEES AND SUB COMMITTEE MEETINGS ATTENDANCE

The following schedule sets out Board of Trustees, Audit and Risk Committee, Investment Committee and Management and Advisory Committee meetings attendances:

Name	Board of Trustees Meetings		Audit and Risk Committee Meetings		Investment Committee Meetings		Management and Advisory Committee Meetings	
	A	B	A	B	A	B	A	B
Trustees								
PH Breet (Alternate/trustee)	5	4			4	4		
GW Du Plessis	5	5					2	2
RP Hamilton - Resigned 28 Febuary 2025	1	1			0	0	0	0
RA Madiba	5	4						
AM Myeza	5	4	3	2				
T Naudé (Alternate) - Appointed 1 March 2025	4	3						
MG Oosthuizen	5	5	3	1			2	2
RK Ramoupi (Alternate)	5	0						
CD Rilley (Alternate)	5	4			4	4		
TJ Starke	5	4			4	4		
MI Selepe (Alternate)	5	4					2	2
LJ van der Walt	5	5						
AL Wille	5	5					2	2
Principal Officer								
M Potgieter (Principal Officer)	5	5	3	3	4	4	2	2
Audit and Risk Committee (Independent Members)								
T Jackson (Chairperson)			3	3				
DR Crisp			3	2				
C Govender - Resigned 31 May 2025			2	0				
CE Ranger			3	3				

A - Total number of meetings members could attend

B - Number of meetings attended

* - Attendance of audit committee meetings by invitation

MIZPAH OOSTHUIZEN

 Signed by MIZPAH OOSTHUIZEN,
 mizpah.oosthuizen@aecisouthafrica.com
 28/05/2026 13:20:36(UTC+02:00)

Louis van der Walt

 Signed by Louis van der Walt,
 louisjvanderwalt@gmail.com
 28/05/2026 14:30:36(UTC+02:00)

Mada Potgieter

 Signed by Mada Potgieter, mada.potgieter@outlook.com
 28/05/2026 13:14:59(UTC+02:00)

Chairperson

Board of Trustees meeting: 26 May 2026

Trustee

Principal Officer

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

for the year ended 31 December 2025

The Board of Trustees is responsible for the preparation, integrity, and fair presentation of the financial statements of the Scheme, and to ensure that proper systems of internal control are implemented by or on behalf of the Scheme. The financial statements presented on pages 22 to 71 have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS® Accounting Standards) and in the manner required by the Medical Schemes Act 131 of 1998, as amended and include amounts based on judgements and estimates made by management.

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

The Board of Trustees is satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Scheme at 31 December 2025. The Board of Trustees also reviewed other information included in the financial statements and are responsible for both its accuracy and its consistency with the financial statements.

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

The Board of Trustees is responsible for ensuring that adequate accounting records are kept. The accounting records fairly present the financial position of the Scheme enabling the Board of Trustees to ensure that the financial statements comply with the relevant legislation.

With the assistance of the Administrator, the Scheme continues to operate 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 all assets are safeguarded, all liabilities are recorded and that the risks facing the Scheme are being controlled.

The financial statements have been prepared on the going concern basis, as the Board of Trustees has no reason to believe that the Scheme will not be a going concern in the foreseeable future based on reserves, forecasts and available cash resources. These financial statements support the viability of the Scheme.

The Scheme's external auditor, KPMG Inc., is responsible for auditing the financial statements in terms of International Standards on Auditing and their report is presented on pages 18 to 21. KPMG Inc. have 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 of Trustees believes that all representations made to the external auditor during their audit were valid and appropriate.

The financial statements were approved by the Board of Trustees on 26 May 2026 and are signed on its behalf by:

MIZPAH OOSTHUIZEN

Signed by MIZPAH OOSTHUIZEN,
mizpah.oosthuizen@arcworld.com
28/05/2026 13:20:48(UTC+02:00) 

Chairman

Louis van der Walt

Signed by Louis van der Walt,
louis.vanderwalt@gmail.com
28/05/2026 14:30:48(UTC+02:00) 

Trustee

Mada Potgieter

Signed by Mada Potgieter, mada.potgieter@outlook.com
28/05/2026 13:15:28(UTC+02:00) 

Principal Officer

Board of Trustees meeting: 26 May 2026

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

for the year ended 31 December 2025

AECI Medical Aid Society is committed to the principles and practice of responsibility, accountability, integrity, fairness and transparency in all dealings with its stakeholders. The Member Elected Trustees are proposed and elected by the members of the Scheme. The Employer Appointed Trustees are appointed by AECI Limited.

Board of Trustees

The Board of Trustees meets regularly and monitors the performance of the Principal Officer, Administrator and other service providers. They address a range of key issues and ensure that discussions on items of policy, strategy and performance are critical, informed, constructive and ensure compliance with a recognised governance framework. The Scheme conducts its affairs accordingly to ethical values.

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

Risk Management and Internal Control

The Board of Trustees is accountable for the adoption of risk assessment, evaluation and management processes. Risks are reviewed and identified annually and appropriate strategies are implemented. These actions are monitored quarterly.

The Board of Trustees regularly monitors the performance of its third party Administrator and other providers to service level agreements. The Administrator of the Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability for the Scheme's assets. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

A formal internal audit function exists within the Administrator of the Scheme, with regular reporting to the Audit Committee. The Administrator of the Scheme is responsible for documenting and testing the disaster recovery procedures. The Board of Trustees regularly monitors the progress made by the Administrator in respect of its business continuity plan and disaster recovery plan.

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 controls and systems during the period under review.

Governance

In terms of good corporate governance practices, the Scheme complies with a recognised governance framework which includes regular monitoring of third party service providers and the management of internal controls and their effectiveness. Adoption and implementation of the Governance Compliance Instrument program framework that includes board self-assessments and sub-committee assessments and corrective actions if required.

The Board has as an additional control instrument approved a comprehensive governance compliance assessment with a suitably qualified independent consultant at the end of 2025

MIZPAH OOSTHUIZEN

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Chairman

Louis van der Walt

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Trustee

Mada Potgieter

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Principal Officer

Board of Trustees meeting: 26 May 2026



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Independent Auditor's Report

To the Members of AECI Medical Aid Society

Report on the Financial Statements

Opinion

We have audited the financial statements of AECI Medical Aid Society (the Scheme), set out on pages 22 to 71, which comprise the statement of financial position at 31 December 2025, and the statement of comprehensive income and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of AECI Medical Aid Society at 31 December 2025, and its financial performance and cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Medical Schemes Act 131 of 1998 as amended.

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. This matter was 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 this matter.

Liability for incurred claims

Refer to material accounting policy notes 1.2.1 (b) and 1.4.1, and note 6.3 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The liability for incurred claims (LIC) is the Scheme's best estimate of future cash flows based on a probability weighted mean of the full range of possible outcomes. Initial estimates of the liability for incurred claims are made by the Scheme's actuary and adjusted to reflect the compensation that the Scheme requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk. Measurement of the liability is subjective as it requires significant judgement with regards to the assumptions made in respect of the previous experience in claims processing patterns and the average claims paid in the run-off period each year based on historical data. Due to the involvement of the actuary and the significant estimation uncertainty involved in determining the liability for incurred claims, this was considered to be a key audit matter.	Our audit procedures performed included the following: • We obtained an understanding of the Scheme's methodology for determining the LIC through inquiries with management and inspection of supporting documentation and tested the design and implementation of key controls relating to the LIC. • We assessed the completeness and accuracy of the data used in the LIC by agreeing the data template to the trial balance and administration system. • With the assistance of our employed actuarial specialist, we performed the following: • evaluated the appropriateness of the methodology used in determining the LIC by comparing the Scheme's methodology with our own actuary's valuation methodology and best practice. • challenged the appropriateness of the assumptions used in the Scheme's methodology for measuring the LIC by evaluating the assumptions against best practice and the current economic environment. • assessed the qualifications, competence, independence and integrity of the Scheme's actuary by evaluating the actuary's qualification, healthcare practicing certificate and years of experience.

Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the Report of the Board of Trustees, the Statement of responsibility by the Board of Trustees and the Statement of corporate governance by the Board of Trustees. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Scheme's Trustees for the Financial Statements

The Scheme's trustees are responsible for the preparation and fair presentation of the financial statements, in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Medical Schemes Act of South Africa, as amended 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 skepticism 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.

Audit tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that KPMG has been the auditor of AECI Medical Aid Society for 14 years.

The engagement partner, Michael Rasch, has been responsible for AECI Medical Aid Society's audit for three years.

DocuSigned by:

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KPMG Inc.
Per Michael Rasch
Chartered Accountant (SA)
Registered Auditor
Associate Director
28 May 2026

STATEMENT OF FINANCIAL POSITION

at 31 December 2025

	Notes	31-Dec-25 R	31-Dec-24 R Restated*
ASSETS			
Non-current assets		643 952 416	547 552 797
Investments		643 952 416	547 552 797
Financial assets at fair value through profit or loss	2	643 952 416	547 552 797
Current assets		177 111 071	150 215 092
Cash and cash equivalents	3	177 023 764	150 136 456
Trade and other receivables	4	87 307	78 636
Total assets		821 063 487	697 767 889
FUNDS AND LIABILITIES			
Non-current liabilities		795 822 131	669 470 723
Liability to members for future benefits	5	795 822 131	669 470 723
Current liabilities		25 241 356	28 297 166
Insurance contract liabilities	6	24 195 106	27 317 276
Reinsurance contract liability	7	182 889	182 882
Trade and other payables	8	863 361	797 008
Total funds and liabilities		821 063 487	697 767 889

*Refer to note 25 relating to the restatement

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2025

	Notes	2025 R	2024 R **
Insurance revenue		431 827 703	430 203 086
Insurance service expense		(466 004 665)	(446 663 795)
Net claims incurred*		(448 224 305)	(429 281 733)
Claims incurred	9.1	(448 908 506)	(429 281 733)
Third party claim recoveries	9.2	684 201	-
Accredited management healthcare services (no transfer of risk)*	9.3	(6 865 832)	(6 587 509)
Directly attributable expenditure		(10 914 528)	(10 794 553)
Accredited administration services	9.4	(10 741 425)	(10 794 553)
Other administration expenditure	9.5	(173 103)	-
Net income from reinsurance contract held	10	211 169	295 608
Insurance service result		(33 965 793)	(16 165 101)
Other income		172 702 829	74 717 972
Investment income	11	172 320 997	74 366 664
Sundry income	12	381 832	351 308
Other expenditure		(12 385 628)	(11 209 747)
Other administration expenditure	13	(8 542 174)	(7 665 951)
Asset management fees	14	(3 843 454)	(3 543 796)
Net income for the year before amounts attributable to members for future benefits		126 351 408	47 343 124
Transfer to liability to members for future benefits		(126 351 408)	(47 343 124)
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

* Relevant healthcare expenditure consist of net claims incurred and accredited managed healthcare services.

** The format of the Statement of the Comprehensive Income was amended to align to the SAICA Medical Schemes Accounting guide issued in 2025.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2025

	Notes	2025 R	2024 R Restated*
Cash flows from operating activities			
Cash receipts from members and providers		433 177 265	429 152 766
Cash receipts from members: Contributions		432 795 433	428 801 458
Cash receipts from members and providers: Other		381 832	351 308
Cash paid to members and providers		(478 648 805)	(453 315 442)
Cash paid to members and providers: Claims		(469 883 387)	(445 377 936)
Cash paid to providers: Non-healthcare expenditure		(8 765 418)	(7 937 506)
Net cash from operating activities		(45 471 540)	(24 162 676)
Cash inflow from investing activities		72 358 848	40 093 574
Additions of financial assets at fair value through profit or loss		(308 923 467)	(231 612 982)
Disposals of financial assets at fair value through profit or loss		346 461 886	237 322 354
Interest received		23 414 776	23 798 638
Dividend income		14 968 181	13 857 369
Other: Investment management fees		(3 562 528)	(3 271 805)
Net increase in cash and cash equivalents		26 887 308	15 930 898
Cash and cash equivalents at the beginning of the year		150 136 456	134 205 558
Cash and cash equivalents at the end of the year	3	177 023 764	150 136 456

*Refer to note 25 relating to the restatement

1 MATERIAL ACCOUNTING POLICIES

The following are the material accounting policies applied in the preparation of these financial statements.

1.1 Basis of preparation

Compliance with IFRS[®] Accounting Standards

The financial statements of the Scheme have been prepared in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). The financial statements are also prepared in accordance with the Medical Schemes Act 131 of 1998, as amended (MSA), which requires additional disclosures for registered medical schemes.

Historical cost

The financial statements have been prepared on the going concern principle and historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments) – measured at fair value.
- Insurance and reinsurance assets and liabilities – measured in terms of IFRS 17 Insurance Contracts (IFRS 17) estimates.

Functional and presentation currency

These financial statements are presented in Rand, which is the Scheme's functional and presentation currency. All the financial information presented in Rand has been rounded to the nearest Rand.

Adoption of new and revised International Financial Reporting Standards (IFRS[®] Accounting Standards)

a New standards, amendments and interpretations issued and not yet effective in 2025 and relevant to the Scheme

At the date of authorisation of these financial statements, the following amendment and standard which are relevant to the Scheme, were issued but not yet effective.

Amendment to IFRS 9, “Financial Instruments” and IFRS 7, “Financial Instruments: Disclosures” - Classification and Measurement of Financial Instruments

These amendments:

- clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

The amendment is effective for annual periods beginning on or after 1 January 2026.

IFRS 18, ‘Presentation and Disclosure in Financial Statements’

IFRS 18 replaces IAS 1 ‘Presentation of Financial Statements’. IAS 1 did not have detailed requirements on:

- classification of income and expenses in the statement of profit or loss;
- presentation of subtotals above ‘profit or loss’ in the statement of profit or loss; or
- aggregation and disaggregation of information presented in the primary financial statements or disclosed in the notes.

This lack of detailed requirements led to diversity in practice as measures. Investors found it difficult to analyse and compare companies’ financial performance.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

Adoption of new and revised International Financial Reporting Standards (IFRS[®] Accounting Standards) (continued)

a New standards, amendments and interpretations issued and not yet effective in 2025 and relevant to the Scheme (continued)

IFRS 18, 'Presentation and Disclosure in Financial Statements' (continued)

IFRS 18, issued by the IASB on 9 April 2024, will improve the quality of financial reporting by:

- equiring defined subtotals in the statement of profit or loss;
- requiring disclosure about management-defined performance measures; and
- adding new principles for aggregation and disaggregation of information.

The IASB expects these improvements will enable investors to make more informed decisions leading to better allocations of capital that will contribute to long-term financial stability.

The standard is effective for annual periods beginning on or after 1 January 2027.

b New standards, amendments and interpretations issued and effective in 2025 and relevant the Scheme

At the date of authorisation of these financial statements, there were no amendments or standards issued and effective, which are relevant to the Scheme.

1.2 Significant judgements and estimates

Consistent with other IFRS[®] Accounting Standards, financial reporting under IFRS 17 is, to a larger extent, based on estimates, judgements and models rather than exact depictions. The IFRS[®] Accounting Standards Conceptual Framework establishes the concepts that underlie those estimates, judgements and models. Where an application of a particular standard requires judgements or provides options, it is expected that the preparers of financial information will choose among the alternatives in a way that achieves the objective of financial reporting i.e. to provide financial information about the reporting entity that is useful to the trustees, Council for Medical Schemes (CMS) and members.

In addition to the existing requirement in IFRS[®] Accounting Standards to disclose critical judgements made in applying accounting policies and major sources of estimation uncertainty, IFRS 17 requires the following specific disclosures with respect to contracts in the scope of the standard:

- The methods used to measure insurance contracts and the processes used for estimating inputs to those methods, including quantitative information about those inputs when practicable, and specifically approaches used to determine the risk adjustment for non-financial risk; and
- Any changes in the above method and process, together with an explanation of the reason for each change and the type of contracts affected.

If an entity uses a technique other than the confidence-level technique for determining the risk adjustment, it is required to disclose a translation of the result of that technique into a confidence level to allow users of financial statements to see how the entity's own assessment of its risk aversion compares to that of other entities.

The Scheme used the confidence level to determine the risk adjustment.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.2 Significant judgements and estimates (continued)

1.2.1 Significant Judgements

a) *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 paragraph BC265 explains that “a defining feature of an insurer that is a mutual entity is that the most residual interest of the entity is due to a policyholder and not a shareholder.” The MSA 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 MSA 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 MSA 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.

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 profit or losses as part of the liability to members for future benefits (which forms part of the insurance contract liabilities on the face of the Statement of Financial Position).

Consequently the Statement of Profit or Loss and Other Comprehensive Income reflects no total comprehensive income for the year. The movement in the liability to members for future benefits is included in the insurance service expenses line.

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

1 MATERIAL ACCOUNTING POLICIES (continued)

1.2 Significant judgements and estimates (continued)

1.2.1 Significant Judgements (continued)

a) *Assessment as to whether the Scheme is a mutual entity (continued)*

Unit of account

Judgement has been applied to how the Scheme determined the unit of account for the measurement of its insurance contracts. Management has assessed the portfolio as the scheme as a whole due to the holistic pricing methodologies and risk management strategy that manages the risk at 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, i.e. no matter the option the member will have access to the chronic condition management benefit.
- Risk transfer arrangements are based on conditions and not on benefit options.
- Pricing and benefit option changes are determined at a scheme level to manage member migration between different benefit options to ensure each option is sustainable.
- Risk (utilisation and concentration) is managed holistically.

b) *Risk adjustment – liability for incurred claims (LIC)*

The timing, frequency, severity and type of health events are uncertain, the ultimate insurance risk covered by a medical scheme can be defined as a single risk – that of providing cover for a health event that the member may incur. The risk under the insurance contracts issued by medical schemes can be expressed as the probability that an insured event (“health event”) occurs, multiplied by the expected amount of the resulting claim.

The risk adjustment was calculated at the portfolio level as the Scheme does not have groups due to laws that constrain 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 not changed in 2024 and 2025.

c) *Risk adjustment - reinsurance contracts*

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 reinsurance contracts as for the insurance contracts with regards to the determination of the risk adjustment.

1.2.2 Significant estimates

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

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios.

For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to note 20.1.9

1 MATERIAL ACCOUNTING POLICIES (continued)

1.2 Significant judgements and estimates (continued)

1.2.2 Significant estimates

a) *Estimates of future cash flows to fulfil insurance contracts*

Included in the measurement of the portfolio are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The 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 range of scenarios.

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.

b) *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 claims cost for each healthcare year. The chain-ladder technique 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 pattern of claims;
- changes in the composition of members and their beneficiaries;
- changes in benefit limits; and
- changes in the prescribed minimum benefits.

1.3 Financial instruments

The Scheme classifies its financial assets into the following categories:

- Financial assets at fair value through profit or loss;
- Financial assets measured at amortised cost:
 - Cash and cash equivalents;
 - Trade and other receivables.
- Financial liabilities measured at amortised cost:
 - Trade and other payables.
 - Liability to members for future benefits

Measurement

Financial instruments not measured at fair value through profit or loss are initially measured at fair value including transactions costs. Financial assets at fair value through profit or loss are measured at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, these instruments are measured as set out below.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

Financial assets at fair value through profit or loss

IFRS 9 requires the classification of financial assets to be determined on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A business model refers to how an entity manages its financial assets in order to generate cash flows by collecting contractual cash flows, selling financial assets or both. Financial assets are measured at fair value through other comprehensive income ("OCI") or at amortised cost if the objective of the business model is to achieve collecting contractual cash flows as well as selling financial assets and the assets' contractual cash flows represent the solely payments of principal and interest ("SPPI") test.

Investments have been classified as Financial assets at fair value through profit or loss as they do not meet the requirements of the SPPI test as the investments have cash flows such as dividends which do not constitute payments based on principal and interest on principal amount outstanding. Bonds and money market instruments are managed on a fair value basis.

All purchases and sales of investments are recognised on the trade date, which is the date that the Scheme commits to purchase or sell the asset. The cost of purchases includes transaction costs. These are included in non-current assets unless the Trustees have the express opinion of holding the investment for less than 12 months from the statement of financial position date or unless they will need to be sold to raise operations capital in which case they are included in current assets.

These assets are subsequently measured at fair value and all fair value adjustments are recognised in the statement of profit or loss during the financial period.

Financial assets measured at amortised cost

Financial assets measured at amortised costs arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less provision for impairment.

Financial assets measured at amortised costs comprises of trade and other receivables and cash and cash equivalents.

Cash and cash equivalents

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

Cash and cash equivalents are recognised at carrying value which is deemed fair value.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities measured at amortised cost

Financial liabilities are subsequently measured at amortised cost, using the effective interest method. Financial liabilities at amortised cost includes trade and other payables.

Derecognition of financial assets and liabilities

The Scheme derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset. If the Scheme neither transfers nor retains substantially all the risks and the rewards of ownership and continues to control the transferred asset, the Scheme recognises its retained interest in the asset and an associated liability for amounts it may have to pay. Where the risks and rewards of the ownership of the financial asset are substantially retained, the financial asset continues to be recognised.

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

1 MATERIAL ACCOUNTING POLICIES (continued)

1.3 Financial instruments (continued)

Offsetting financial instruments

Where current legally enforceable rights of offset exist for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

Impairment losses

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 trade and other receivables carried at amortised cost. For trade and other 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.

The Scheme's trade and other receivables do not contain a significant financing component and therefore the loss allowance is measured at initial recognition as the expected credit losses ("ECLs") that result from all possible default events over the expected life of a financial instrument in accordance with IFRS 9. As a practical expedient, IFRS 9 allows a provision matrix to be used to estimate ECL for these financial instruments.

The provision matrix is based on historical observed default rates, adjusted for forward looking estimates. At every reporting date, the historical observed rates are updated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Scheme about the following events:

- significant financial difficulty of the healthcare service provider or member debtors;
- breach of contract, such as non-payment of member contributions when due and if these remain unpaid for extended periods;
- default or delinquency in payments due to healthcare service provider or other debtors;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from other Scheme assets since the initial recognition of those assets, although the decrease cannot yet be attributed to the individual financial assets in the Scheme;
- adverse changes in the payment status of members of the Scheme; or
- national or local economic conditions that correlate with non-payment of debtors contributions.

It is in respect of contributions receivable, member and service provider debit balances recoverable by management. The Scheme utilises readily available economic index, healthcare inflation, national credit rating and unemployment indicators as a basis for determining the future information such as consumer price expectations of the observable data.

If it is determined that a possible impairment loss will be incurred on loans and receivables measured at amortised cost, the amount of the loss is measured as the difference between the present value of the cash flows due under the contract and the present value of the cash flows that the entity expects to receive. These losses are recognised at initial recognition in profit or loss and reflected in an allowance account.

Reversal 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 improved credit rating), the previously recognised impairment loss is reversed directly to profit or loss.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.4 Insurance contracts

1.4.1 Insurance contracts

Identification of insurance contracts

The contracts issued by medical schemes (the issuer) indemnify covered members (the policyholder) and their covered dependants against the risk of loss arising from the occurrence of a health event (insured event). The timing, frequency and severity of the health event covered is uncertain. These contracts fall under the scope of IFRS 17.

Whilst the timing, frequency, severity and type of health events are uncertain, the ultimate insurance risk covered by a medical scheme can be defined as a single risk – that of providing cover for a health event that the member may incur. The risk under the insurance contracts issued by medical schemes can be expressed as the probability that an insured event (“health event”) occurs, multiplied by the expected amount of the resulting claim.

Level of aggregation

The Scheme as a whole was identified as a portfolio. All contracts issued by a Scheme are subject to similar risks and managed together. As the Act specifically constrains the entity’s practical ability to set a different price or level of benefits for members with different characteristics the scheme as whole was also identified as the group. The Scheme assesses if the group as whole is onerous or profitable. If the group is onerous, no further liability is recognised as a liability to future members is recognised (as the Scheme is regarded as a mutual entity for accounting purposes).

Recognition and derecognition

Insurance contracts issued shall be recognised from the earliest of the following:

- The beginning of the coverage period;
- The date when the first payment from a policyholder becomes due; and
- For onerous contracts, when the contracts become onerous.

An insurance contract is derecognised when it is extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled).

Premium allocation approach (PAA)

The contract boundary for contracts issued does not exceed 12 months and consequently the scheme elected to apply the PAA.

The classification of medical schemes as mutual entities does not impact the extent of insurance cover/ insurance contract services to be provided by the medical scheme in terms of the member contracts and therefore the PAA is still applicable.

In applying the PAA, the Scheme chose to recognise any insurance acquisition cash flows as expenses when it incurs those costs.

Insurance contract liabilities

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

- The LFRC; and
- The LIC, comprising the FCF related to past service allocated to the group at reporting date.

Liability for incurred claims

The Scheme measures the liability for incurred claims as the fulfilment cash flows relating to incurred claims. The future cash flows are not adjusted for the time value of money and the effect of financial risk as these cash flows are expected to be paid in one year or less from the date the claims are incurred.

1 MATERIAL ACCOUNTING POLICIES (continued)

1.4 Insurance contracts (continued)

1.4.1 Insurance contracts (continued)

Liability for remaining coverage

As the coverage period and the financial year for a medical scheme is the same, there would be no liability for remaining coverage at the year-end reporting date, assuming that the actual cash collected for contributions equals the contributions recognised.

The estimate of the future cash flows in terms of the liability for incurred claims is adjusted to reflect the compensation that the Scheme requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk.

The Scheme shall apply judgement when determining an appropriate estimation technique for the risk adjustment for non-financial risk and consider whether the technique provides concise and informative disclosure so that users of financial statements can benchmark the performance against the performance of other medical schemes.

The Scheme presents insurance service expense in profit or loss insurance service expenses comprising incurred claims (excluding repayments of investment components) and other incurred insurance service expenses.

1.4.2 Insurance revenue

Insurance revenue for the period is the amount of expected premium receipts (excluding the PMSA) allocated to the period. The scheme allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

1.4.3 Insurance service expenses

The Scheme presents insurance service expense in profit or loss in insurance service expenses comprising incurred claims (excluding repayments of investment components) and other incurred insurance service expenses.

1.5 Reinsurance contract

Contracts entered into by the Scheme with third party service providers under which the Scheme is compensated for losses/claims (through the provision of services to members) on one or more contracts issued by the Scheme and that meet the classification requirements of insurance contracts are classified as reinsurance contracts held. Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts held. Reinsurance contract premiums/fees are recognised as an expense over the indemnity period.

Reinsurance contract claims and benefits reimbursed are presented in the statement of profit or loss and other comprehensive income and statement of financial position on a gross basis. Similar to the insurance contracts, reinsurance contracts held are also accounting for using the premium allocation approach as these contracts have a boundary of one year or less.

Amounts recoverable under reinsurance contracts held are estimated in a manner consistent with the insurance contracts.

Amounts recoverable under reinsurance contracts held are assessed for non-performance at each reporting date, however this is normally not significant.

1.6 Reimbursements from the Road Accident Fund (RAF)

The Scheme grants assistance to its members in defraying expenditure incurred 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, as amended. If the member is reimbursed by the RAF, they are obliged in terms of the Scheme Rules to cede that payment to the Scheme to the extent that they have already been compensated.

1 MATERIAL ACCOUNTING POLICIES (continued)**1.6 Reimbursements from the Road Accident Fund (RAF) (continued)**

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. If it has become reasonably certain that an inflow of economic benefits will arise, an asset will be recorded and the related income will be recognised in the financial statements.

Receivables from the RAF are still assessed for possible impairment despite the RAF's notification of payment of the claim.

1.7 Investment income

Investment income comprises dividends, interest on call and current accounts and realised gains on available-for-sale investments/financial assets held at fair value through profit or loss.

Dividend income from available-for-sale investments/financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of net investment income when the Scheme's right to receive payments is established.

Interest income is recognised on a yield to maturity basis, taking account of the principal outstanding and the effective interest rate, applicable over the period to maturity, when it is determined that such income will accrue to the Scheme.

Realised gains on available-for-sale investments and financial assets at fair value through profit and loss arising from the sale of the investments and are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 R	2024 R Restated*
Fair value at the beginning of the year including accrued investment income	547 552 797	516 551 512
Pooled Funds	12 942 497	1 440 157
Additions	12 942 497	12 840 157
Disposals	-	(11 400 000)
Segregated Funds	(50 480 916)	(7 149 529)
Additions	295 980 970	218 772 825
Disposals	(346 461 886)	(225 922 354)
Realised gains on disposal of financial assets at fair value through profit or loss	45 745 397	11 911 537
Unrealised fair value profit adjustments in investments	86 329 225	22 780 975
Fair value at the end of the year excluding accrued investment income	642 089 000	545 534 652
Accrued investment income	1 863 416	2 018 145
Fair value at the end of the year including accrued investment income	643 952 416	547 552 797
The Scheme has invested in the following investments:		
Equity	453 570 588	374 514 650
Bonds	149 233 677	134 729 354
Money market instruments	39 284 735	36 290 648
Total excluding accrued investment income	642 089 000	545 534 652
Accrued investment income	1 863 416	2 018 145
Total including accrued investment income	643 952 416	547 552 797

The fair values of the investments are based on portfolio market values as at the reporting date. A register of investments is available for inspection at the registered office of the Scheme.

*Refer to note 25 relating to the restatement

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

3 CASH AND CASH EQUIVALENTS

	2025 R	2024 R Restated*
Call accounts	85 349 268	68 364 579
Current account	1 520 461	545 773
Fixed deposits	86 500 000	77 300 000
Cash and cash equivalents excluding accrued investment income	173 369 729	146 210 352
Accrued investment income	3 654 035	3 926 104
Cash and cash equivalents including accrued investment income	177 023 764	150 136 456
The weighted average effective interest rate was:		
Call accounts	6.4%	8.2%
Fixed deposits	7.6%	8.6%

The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

*Refer to note 25 relating to the restatement

4 TRADE AND OTHER RECEIVABLES

Prepaid expenses	77 456	77 066
Accredited managed healthcare services: HIV management	-	1 570
Accredited managed healthcare services receivable	9 851	-
	87 307	78 636

The carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets.

*Refer to note 25 relating to the restatement

5 LIABILITY TO MEMBERS FOR FUTURE BENEFITS

	2025 R	2024 R
Opening balance as at 1 January	669 470 723	622 127 599
Movement in liability to members for future benefits	126 351 408	47 343 124
	795 822 131	669 470 723

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

6 INSURANCE CONTRACT LIABILITIES

2025

Opening balance insurance contract assets
Opening balance insurance contract liabilities
Net opening balance as at 1 January 2025

Changes in the statement of comprehensive income

Insurance revenue

Insurance revenue from contracts measured under the Premium Allocation Approach

Insurance service expenses

Incurred claims and other insurance services expenses
Adjustments to liabilities for incurred claims

Total changes in the statement of comprehensive income

Cash flows

Contributions received
Claims and other insurance expenses paid

Total cash flows

Net closing balance as at 31 December 2025

Closing balance insurance contract assets (Note 6.1)
Closing balance insurance contract liabilities (Note 6.2)
Net closing balance as at 31 December 2025

2024

Opening balance insurance contract assets
Opening balance insurance contract liabilities
Net opening balance as at 1 January 2024

Changes in the statement of comprehensive income

Insurance revenue

Insurance revenue from contracts measured under the Premium Allocation Approach

Insurance service expenses

Incurred claims and other insurance services expenses
Adjustments to liabilities for incurred claims

Total changes in the statement of comprehensive income

Cash flows

Contributions received
Claims and other insurance expenses paid

Total cash flows

Net closing balance as at 31 December 2024

Closing balance insurance contract assets (Note 6.1)
Closing balance insurance contract liabilities (Note 6.2)
Net closing balance as at 31 December 2024

	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC) Best Estimate	Risk Adjustment	Total
	R	R	R	R
Opening balance insurance contract assets	(2 166 883)	(1 674 884)	-	(3 841 767)
Opening balance insurance contract liabilities	101 241	30 261 691	796 111	31 159 043
Net opening balance as at 1 January 2025	(2 065 642)	28 586 807	796 111	27 317 276
Changes in the statement of comprehensive income				
Insurance revenue	(431 827 703)	-	-	(431 827 703)
Insurance revenue from contracts measured under the Premium Allocation Approach	(431 827 703)	-	-	(431 827 703)
Insurance service expenses	-	466 151 510	(146 845)	466 004 665
Incurred claims and other insurance services expenses	-	467 251 510	-	467 251 510
Adjustments to liabilities for incurred claims	-	(1 100 000)	(146 845)	(1 246 845)
Total changes in the statement of comprehensive income	(431 827 703)	466 151 510	(146 845)	34 176 962
Cash flows				
Contributions received	432 903 290	-	-	432 903 290
Claims and other insurance expenses paid	-	(470 202 422)	-	(470 202 422)
Total cash flows	432 903 290	(470 202 422)	-	(37 299 132)
Net closing balance as at 31 December 2025	(990 055)	24 535 895	649 266	24 195 106
Closing balance insurance contract assets (Note 6.1)	(1 578 865)	(1 124 061)	-	(2 702 926)
Closing balance insurance contract liabilities (Note 6.2)	588 810	25 659 956	649 266	26 898 032
Net closing balance as at 31 December 2025	(990 055)	24 535 895	649 266	24 195 106
2024				
Opening balance insurance contract assets	(1 071 995)	(1 070 544)	-	(2 142 539)
Opening balance insurance contract liabilities	288 321	27 732 664	1 829 294	29 850 279
Net opening balance as at 1 January 2024	(783 674)	26 662 120	1 829 294	27 707 740
Changes in the statement of comprehensive income				
Insurance revenue	(430 203 086)	-	-	(430 203 086)
Insurance revenue from contracts measured under the Premium Allocation Approach	(430 203 086)	-	-	(430 203 086)
Insurance service expenses	-	447 696 978	(1 033 183)	446 663 795
Incurred claims and other insurance services expenses	-	450 296 978	-	450 296 978
Adjustments to liabilities for incurred claims	-	(2 600 000)	(1 033 183)	(3 633 183)
Total changes in the statement of comprehensive income	(430 203 086)	447 696 978	(1 033 183)	16 460 709
Cash flows				
Contributions received	428 921 118	-	-	428 921 118
Claims and other insurance expenses paid	-	(445 772 291)	-	(445 772 291)
Total cash flows	428 921 118	(445 772 291)	-	(16 851 173)
Net closing balance as at 31 December 2024	(2 065 642)	28 586 807	796 111	27 317 276
Closing balance insurance contract assets (Note 6.1)	(2 166 883)	(1 674 884)	-	(3 841 767)
Closing balance insurance contract liabilities (Note 6.2)	101 241	30 261 691	796 111	31 159 043
Net closing balance as at 31 December 2024	(2 065 642)	28 586 807	796 111	27 317 276

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

	2025 R	2024 R
6 INSURANCE CONTRACT LIABILITIES (continued)		
6.1 INSURANCE CONTRACT ASSETS		
Contributions outstanding	1 578 865	2 166 883
Provider debt outstanding	653 067	1 196 174
Recoveries from members for co-payments outstanding	470 994	478 710
Closing balance insurance contract assets	2 702 926	3 841 767

The carrying amounts of insurance contract assets approximate their fair values due to the short-term maturities of these assets.

6.2 INSURANCE CONTRACT LIABILITIES

Contributions received in advance	272 030	64 601
Provision for impairment losses on healthcare receivables: Contributions	316 780	36 640
Liability for incurred claims (Best estimate) (Note 6.3)	19 500 000	20 600 000
Provision for impairment losses on healthcare receivables: Members and vendors	773 599	851 474
Recoveries from members for co-payments received in advance	22 786	23 121
Reported claims not yet paid	5 363 571	8 787 096
Liability for incurred claims (Risk adjustment) (Note 6.3)	649 266	796 111
Closing balance insurance contract liabilities	26 898 032	31 159 043

The carrying amounts of insurance contract liabilities approximate their fair values due to the short-term maturities of these liabilities.

Reported claims not yet paid

Balance at beginning of year	8 787 096	3 795 253
Claims assessed	450 155 351	432 914 916
Claims refunded to members and vendors	(453 578 876)	(427 923 073)
	5 363 571	8 787 096

The balance at end of year comprises processed claims which were paid in the following year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

6 INSURANCE CONTRACT LIABILITIES (continued)

6.3 LIABILITY FOR INCURRED CLAIMS

	2025 Not covered by risk transfer arrangement R	2024 Not covered by risk transfer arrangement R
Liability for incurred claims (Best estimate)	19 500 000	20 600 000
Liability for incurred claims (Risk adjustment)	649 266	796 111
	20 149 266	21 396 111

Analysis of movement in liability for incurred claims

Balance at beginning of year	21 396 111	25 029 294
Payments in respect of prior year	(20 987 549)	(19 077 882)
Over changes that relate to past service (note 9.1)	408 562	5 951 412
Adjustment for current year	19 740 704	15 444 699
Balance at end of year	20 149 266	21 396 111

Process used to determine the liability for incurred claims

The process used to determine the liability for incurred claims is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are data based on recent claims history, applying detailed studies, which includes information such as claims settlement patterns and changes in the nature of members according to gender and age, which is carried out annually. There is more emphasis on current trends and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

Each notified claim is assessed on a separate case by case basis taking into account scheme specifics such as the concentration of risk, demographic and geographical location of members to the claim circumstances, information available from managed care services costs and historical evidence of the size of similar claims. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provision estimation difficulties also differ by category of claims (i.e. in-hospital, out-of-hospital and chronic benefits) due to differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The cost of the liability for incurred claims is estimated using a range of statistical methods by the Scheme's actuary. These methods extrapolate the development of paid and incurred claims, average cost per claims and ultimate claim numbers for each benefit year based upon observed development of earlier years and expected loss ratios. Run-off tables are used in situations where it takes time after the treatment date until the full extent of the claims to be paid is known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in the known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

The methodology used varies by benefit period considered, categories of claims and observed historical claims development. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future.

6 INSURANCE CONTRACT LIABILITIES (continued)**6.3 LIABILITY FOR INCURRED CLAIMS (continued)*****Process used to determine the liability for incurred claims (continued)***

There are reasons why this may not be the case, which insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the recording of claims paid and incurred;
- economic, legal, political and social trends (resulting in different than expected levels of inflation and/or minimum medical benefits to be provided);
- changes in composition of members and their dependants, and
- random fluctuations, including the impact of large losses.

Changes in assumptions and sensitivities to reasonable possible changes in key variables

The assumptions that have the greatest effect on the measurement of the liability for incurred claims are the expected claims ratios for the most recent benefit years for the in-hospital, out-of-hospital and chronic categories of claims. These are used for assessing the liability for incurred claims for the 2025 and 2024 benefit years and is consistent with prior years provisions reported.

At year-end the process used to calculate the liability for incurred claims includes the evaluation of claims paid during the first two months subsequent to year-end in respect of 2025 treatment claims as well as the determination of key variables and assumptions most likely to result in a reliable estimate of the liability for incurred claims.

The most significant key variables and assumptions used in determining the liability for incurred claims are:

- the previous experience in claims processing patterns; and
- average claims paid in the run-off period to March each year based on historical data.

The table on the next page outlines the sensitivity of the liability for incurred claims to movements in the significant key variables and assumptions. It should be noted that this is a subjective approach with no correlations between the key variables.

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

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

Based on the previous financial year's experience, 99.3% of the previous financial year's claims are paid by February the following year. The number on the next page assumes a change in the provision pattern by 10%. The effect on the liability for incurred claims for the 2025 financial year-end and available funds are set out on the next page:

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

6 INSURANCE CONTRACT LIABILITY (continued)**6.3 LIABILITY FOR INCURRED CLAIMS (continued)***Changes in assumptions and sensitivities to reasonable possible changes in key variables (continued)*

	Change in variable	Change in liability 2025 R	Change in liability 2024 R
- Processing patterns	10%	2 014 927	2 139 611
- Average claims paid in run off period*	10%	983 439	1 044 295

* Run-off period indicates the average period between receiving a valid claim and the actual date of payment.

Effect on solvency and accumulated funds**Solvency Ratio**

	2025	2024
Solvency ratio as at 31 December	150.31%	141.58%
Decrease in solvency ratio due to change in processing pattern	(0.47%)	(0.50%)
Decrease in solvency ratio due to change in average claims paid in run-off period	(0.23%)	(0.24%)

Accumulated Funds

	2025	2024
Accumulated funds as at 31 December	649 086 192	609 064 009
Decrease in accumulated funds due to change in processing pattern	(2 014 927)	(2 139 611)
Decrease in accumulated funds due to change in average claims paid in run-off period	(983 439)	(1 044 295)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

7 REINSURANCE CONTRACT LIABILITY

2025

Reinsurance contract liability

Net opening balance as at 1 January 2025

Changes in the statement of comprehensive income

Allocation of reinsurance contract fees paid

Amounts recoverable from reinsurer

Recoveries for incurred claims and other insurance service expenses

Total changes in the statement of comprehensive income

Cash flows

Premiums paid

Amounts received

Total cash flows

Net closing balance as at 31 December 2025

Reinsurance contract liability (Note 7.1)

Net closing balance as at 31 December 2025

2024

Reinsurance contract liability

Net opening balance as at 1 January 2024

Changes in the statement of comprehensive income

Allocation of reinsurance contract fees paid

Amounts recoverable from reinsurer

Recoveries for incurred claims and other insurance service expenses

Total changes in the statement of comprehensive income

Cash flows

Premiums paid

Amounts received

Total cash flows

Net closing balance as at 31 December 2024

Reinsurance contract liability (Note 7.1)

Net closing balance as at 31 December 2024

Liability for remaining coverage (LRC)	Liability for incurred claims (LIC)	Total
R	R	R
182 882	-	182 882
182 882	-	182 882
2 273 443		2 273 443
-	(2 484 612)	(2 484 612)
-	(2 484 612)	(2 484 612)
2 273 443	(2 484 612)	(211 169)
(2 273 436)	-	(2 273 436)
	2 484 612	2 484 612
(2 273 436)	2 484 612	211 176
182 889	-	182 889
182 889	-	182 889
182 889	-	182 889
203 795	-	203 795
203 795	-	203 795
2 252 631		2 252 631
-	(2 548 239)	(2 548 239)
-	(2 548 239)	(2 548 239)
2 252 631	(2 548 239)	(295 608)
(2 273 544)	-	(2 273 544)
	2 548 239	2 548 239
(2 273 544)	2 548 239	274 695
182 882	-	182 882
182 882	-	182 882
182 882	-	182 882

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

	2025 R	2024 R
7 REINSURANCE CONTRACT LIABILITY (continued)		
7.1 REINSURANCE CONTRACT LIABILITY		
Reinsurance contract liability		
Provision for Netcare Limited Administration capitation fees	182 889	182 882
Liability for incurred claims (Best estimate and risk adjustment)	-	-
Closing balance reinsurance contract liability (Note 7)	182 889	182 882

Assumptions used in the calculation of liability for incurred claims for the reinsurance contract liability**Netcare Jet Air Ambulance Proprietary Limited t/a Netcare Limited Administration (Netcare Limited Administration)**

The calculation of liability for incurred claims for Netcare Limited Administration for the reinsurance contract held was provided to the Scheme but was deemed not significant by the Board of Trustees. The contract was effective 1 January 2024.

8 TRADE AND OTHER PAYABLES

Audit fees accrual	635 375	509 234
Administration fees payable	97 010	242 210
Accredited managed healthcare services payable: Disease risk management support services	55 650	-
Benefit management services (not accredited managed care): Wellness days accrual	23 399	-
Cash management fees	51 891	45 528
Unknown deposits	36	36
	863 361	797 008

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

9 INSURANCE SERVICE EXPENSE**9.1 CLAIMS INCURRED****Claims incurred excluding claims in respect of reinsurance contracts held**

Current year claims	450 155 351	432 914 916
Movement in liability for incurred claims	(1 246 845)	(3 633 183)
Over changes that relate to past service (note 6.3)	(408 562)	(5 951 412)
Adjustment for current year	(838 283)	2 318 229
	448 908 506	429 281 733

9.2 THIRD PARTY CLAIMS RECOVERIES

Third party claim recoveries	684 201	-
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NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

	2025 R	2024 R
9 INSURANCE SERVICE EXPENSE (continued)		
9.3 ACCREDITED MANAGED HEALTHCARE SERVICES (NO TRANSFER OF RISK)		
Hospital benefit management	3 308 743	3 323 338
Pharmacy benefit management	1 084 933	1 088 897
Network management	683 328	686 067
Disease management	1 280 340	1 287 793
Disease risk management support services	304 688	-
Dental benefit management	203 800	201 414
	6 865 832	6 587 509
9.4 ACCREDITED ADMINISTRATION SERVICES		
Claims management	2 340 096	2 351 513
Contribution management	1 391 230	1 397 942
Customer services	3 255 995	3 272 354
Financial Management	1 420 002	1 426 895
Information management and data control	1 335 485	1 342 553
Member record management	998 617	1 003 296
	10 741 425	10 794 553
9.5 OTHER ADMINISTRATION EXPENDITURE		
RAF administration and legal fees	173 103	-
	173 103	-
10 NET INCOME FROM REINSURANCE CONTRACT HELD		
Claims incurred in respect of reinsurance contract		
Reinsurance contract held fees paid	(2 273 443)	(2 252 631)
Netcare Limited Administration	(2 273 443)	(2 252 631)
Recoveries from reinsurance contract held	2 484 612	2 548 239
Netcare Limited Administration	2 484 612	2 548 239
Net income	211 169	295 608

Netcare Limited Administration

Netcare Limited Administration provides ambulance services, including evacuations from accident scenes to the members of the scheme. An amount of R37.93 (2024: R35.79) is paid per member per month in respect of these services. The contract was effective as at 1 January 2024.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

	2025 R	2024 R
11 INVESTMENT INCOME		
Income on cash and cash equivalents	9 870 456	10 650 921
Interest on current account	124 011	87 146
Interest on fixed deposits	8 709 182	7 081 391
Interest on call accounts	1 037 263	3 482 384
Income on financial assets at fair value through profit or loss	30 375 919	29 023 231
Dividend income	14 968 181	13 857 369
Interest income	15 407 738	15 165 862
Realised gains on disposal of financial assets at fair value through profit or loss	45 745 397	11 911 537
Net fair value gains on financial assets at fair value through profit or loss	86 329 225	22 780 975
	172 320 997	74 366 664
12 SUNDRY INCOME		
Fraud recoveries	381 832	351 308
	381 832	351 308

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

13 OTHER ADMINISTRATION EXPENDITURE

	2025 R	2024 R
Other administration services provided by accredited administrator (Medscheme Holdings Proprietary Limited)	2 720 434	2 839 233
Digital capabilities	209 795	214 003
Governance and compliance services	833 180	837 129
Internal audit services	1 090 926	1 095 191
Fraud IT investigation fees	586 533	692 910
Association fees	276 825	259 757
Audit fees	984 024	591 243
Current year accrual	977 500	783 438
Prior year under/(over) accrued	6 524	(192 195)
Bank charges	193 416	185 395
Benefit management services (not accredited managed care): Maternity Programme	64 516	50 130
Benefit management services (not accredited managed care): Wellness days	114 568	-
Board of Healthcare Funders subscription	90 192	90 021
Consulting fees	987 595	575 560
Fidelity guarantee and professional indemnity insurance premium	70 066	69 511
Governance Compliance Instrument	16 461	6 763
Marketing fees and promotions	934 134	991 234
Meeting expenses	12 460	33 801
Member communication	174 072	166 945
Postage, printing and stationery	51 031	52 986
Principal Officer remuneration and office costs	1 814 942	1 697 971
Principal Officer travel and other considerations	3 822	29 405
Scheme expenses	5 400	-
Scheme rule amendments	25 992	20 235
* Trustees' reimbursement (travelling and training)	2 224	5 761
	8 542 174	7 665 951
* Trustees' reimbursement (travelling and training)		
RA Madiba	1 096	4 079
MI Selepe	678	1 394
MG Oosthuizen	450	-
AL Wille	-	288
	2 224	5 761

14 ASSET MANAGEMENT FEES

Investment management fees	3 562 528	3 271 805
Cash management fees	280 926	271 991
	3 843 454	3 543 796

15 RESULTS FROM OPERATIONS PER BENEFIT OPTION

The Scheme is arranged, for management purposes, into three benefit options as follow:

- Comprehensive Option (Option 303): Option offering comprehensive benefits;
- Comprehensive Select Option (Option 466): Efficiency Discount Option with negotiated tariffs and Hospital Networks; and
- Value Option (Option 460): Low cost option designed for members that previously had not been on a medical scheme.

Basis of allocation of statement of comprehensive income line items

Non-healthcare costs are allocated on the basis of members per option divisible by total members on the Scheme.

2025

	Comprehensive Option	Comprehensive Select Option	Value Option	Total
	R	R	R	R
Insurance revenue	313 851 573	11 739 422	106 236 708	431 827 703
Insurance service expense	(382 968 935)	(6 742 691)	(76 293 039)	(466 004 665)
Net income from reinsurance contract held	127 216	5 236	78 717	211 169
Insurance service result	(68 990 146)	5 001 967	30 022 386	(33 965 793)
Other income	105 122 896	4 075 577	63 504 356	172 702 829
Investment income	104 901 478	4 057 767	63 361 752	172 320 997
Sundry income	221 418	17 810	142 604	381 832
Other expenditure	(7 526 430)	(291 450)	(4 567 748)	(12 385 628)
Other administration expenditure	(5 186 079)	(201 122)	(3 154 973)	(8 542 174)
Asset management fees	(2 340 351)	(90 328)	(1 412 775)	(3 843 454)
Net income/(expense) for the year before amounts attributable to members for future benefits	28 606 320	8 786 094	88 958 994	126 351 408
Number of members	2 938	120	1 764	4 822
Number of dependants	2 509	152	2 519	5 180

2024

	Comprehensive Option	Comprehensive Select Option	Value Option	Total
	R	R	R	R
Insurance revenue	319 424 673	9 748 810	101 029 603	430 203 086
Insurance service expense	(374 374 384)	(8 495 890)	(63 793 521)	(446 663 795)
Net income from reinsurance contract held	180 735	6 069	108 804	295 608
Insurance service result	(54 768 976)	1 258 989	37 344 886	(16 165 101)
Other income	46 132 861	1 465 698	27 119 413	74 717 972
Investment income	45 850 524	1 460 395	27 055 745	74 366 664
Sundry income	282 337	5 303	63 668	351 308
Other expenditure	(6 908 396)	(218 107)	(4 083 244)	(11 209 747)
Other administration expenditure	(4 720 582)	(149 972)	(2 795 397)	(7 665 951)
Asset management fees	(2 187 814)	(68 135)	(1 287 847)	(3 543 796)
Net income/(expense) for the year before amounts attributable to members for future benefits	(15 544 511)	2 506 580	60 381 055	47 343 124
Number of members	3 142	101	1 867	5 110
Number of dependants	2 712	133	2 646	5 491

16 CONTINGENT ASSETS

The Scheme grants assistance to its members in defraying expenditure incurred 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, as amended. If the member is reimbursed by the RAF, they are obliged in terms of the Scheme Rules to cede that payment to the Scheme to the extent that they have already been compensated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

16 CONTINGENT ASSETS (continued)

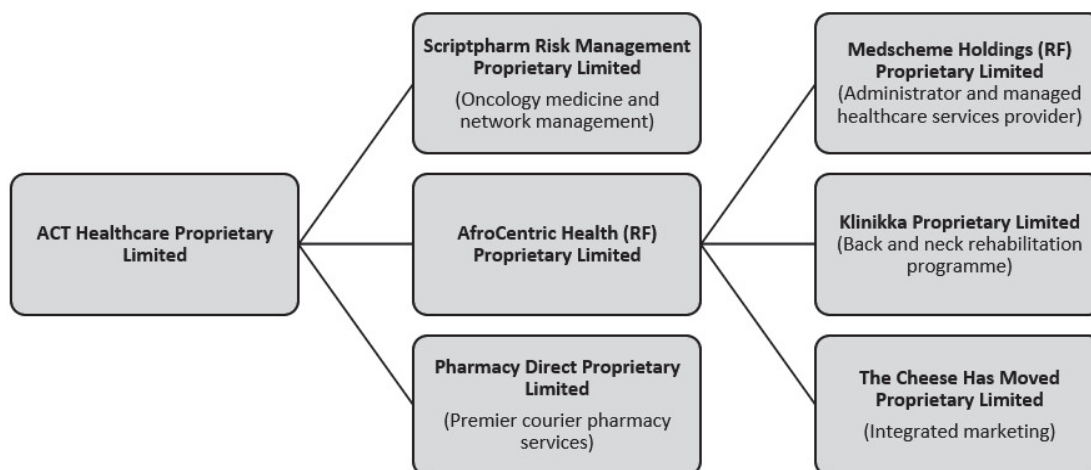
A reimbursement from the RAF is a possible asset that arises from claims submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the Scheme. If it has become reasonably certain that an inflow of economic benefits will arise, an asset will be recorded and the related income will be recognised in the financial statements.

At year-end, the Scheme had a claim against the RAF for R8 778 759 (2024: R9 581 546). The claim represents benefits paid by the Scheme in respect of medical expenses of its members resulting from motor vehicle accidents. The members have ceded their claims against the RAF to the Scheme. The recoverability of the claim is subject to the outcome of litigation and the liquidity of the RAF.

17 RELATED PARTY TRANSACTIONS

Parties with significant influence over the Scheme

(a) The administrator, managed healthcare services provider and its related associates



Medscheme Holdings Proprietary Limited (Administrator and managed healthcare services provider) provide significant input to the Scheme, in order to assist with the financial reporting and operating decisions of the Scheme, but do not control the Scheme.

Statement of comprehensive income

Medscheme Holdings Proprietary Limited

Accredited administration services (note 9.4)

Other administration services provided by accredited administrator (note 13)

Accredited managed healthcare services (no transfer of risk)

The Cheese Has Moved Proprietary Limited

Member communication

Marketing fees and promotions

Pharmacy Direct Proprietary Limited

- Courier pharmacy services (claims incurred)

Klinikka Proprietary Limited

- DBC Document Based Care (provider of the Back and Neck Rehabilitation programme) (claims incurred)

2025 R	2024 R
(23 041 982)	(22 369 186)
(20 327 691)	(20 221 295)
(10 741 425)	(10 794 553)
(2 720 434)	(2 839 233)
(6 865 832)	(6 587 509)
(954 369)	(669 368)
(174 072)	(166 026)
(780 297)	(503 342)
(1 391 084)	(1 104 289)
(1 391 084)	(1 104 289)
(368 838)	(374 234)
(368 838)	(374 234)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

17 RELATED PARTY TRANSACTIONS (continued)**Parties with significant influence over the Scheme (continued)****(a) The administrator, managed healthcare services provider and its related associates (continued)**

	2025 R	2024 R
Statement of financial position	(93 749)	(242 210)
<i>Medscheme Holdings Proprietary Limited</i>	(87 159)	(242 210)
Administration fees payable (note 8)	(97 010)	(242 210)
Accredited managed healthcare services receivable (note 4)	9 851	-
<i>Pharmacy Direct Proprietary Limited</i>	(6 590)	-
Courier pharmacy services (reported claims not yet paid)	(6 590)	-

Terms and conditions of administration agreement

The agreement between Medscheme Holdings Proprietary Limited and the Scheme is an agreement whereby Medscheme Holdings Proprietary Limited administers the Scheme in terms of the Rules of the Scheme and in accordance with instructions given by the Board of Trustees of the Scheme.

The original agreement came into effect on 1 August 1998 and after the tender process in 2022, the agreement was renewed effective 1 January 2023. The agreement shall be for an initial period of three years with effect from 1 January 2023 until 31 December 2025, unless terminated earlier. At the end of the initial period the agreement shall be renewed annually by mutual agreement between parties, failing which it shall terminate at the end of the initial or any renewed period. The agreement may be terminated with 3 calendar months notice by both parties.

Terms and conditions of accredited managed healthcare services agreement

The agreement between Medscheme Holdings Proprietary Limited and the Scheme is an agreement whereby Medscheme Holdings Proprietary Limited renders accredited managed healthcare services to the Scheme in accordance with instructions given by the Board of Trustees of the Scheme. The agreement came into effect on 1 January 2023 and shall be for an initial period of three years with effect from 1 January 2023 until 31 December 2025, unless terminated earlier. At the end of the initial period the agreement shall be renewed annually by mutual agreement between parties, failing which it shall terminate at the end of the initial or any renewed period. The agreement may be terminated with 6 calendar months notice.

17 RELATED PARTY TRANSACTIONS (continued)

Parties with significant influence over the Scheme (continued)

(b) The employer

AECI Limited appoints 50% of the Board of Trustees, as they participate in the financial and operating decisions of the Scheme, but do not control the Scheme. Apart from the monthly payment of contributions, there were no transactions during the current and previous year between the Scheme and the employer. No balances are due to the employer by the Scheme in the current and previous year.

Terms and conditions of agreement

The employer deducts the monthly Scheme contributions from the members' monthly salaries and pays it over to the Scheme. None of the companies in the AECI Group were party to or had interest in any of the Scheme's agreements in existence during the current or previous year.

(c) Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees and the Principal Officer. Close family members include close family members of the Board of Trustees and the Principal Officer.

	2025 R	2024 R
Statement of comprehensive income	(1 083 368)	(910 237)
<i>Trustees, their dependants and close family</i>	735 396	817 139
Risk contributions billed in terms of the Scheme's rules	1 629 288	1 563 756
Risk claims processed in terms of the Scheme's rules	(891 668)	(740 856)
Trustees' reimbursement (travelling and training) (note 13)	(2 224)	(5 761)
<i>Principal Officer, dependants and close family members</i>	(1 818 764)	(1 727 376)
Principal Officer remuneration and office costs (note 13)	(1 814 942)	(1 697 971)
Principal Officer travel and other considerations (note 13)	(3 822)	(29 405)

* The Principal Officer is not an employee of AECI Limited and thus not a member of the Scheme.

Statement of financial position

No balances are due to/by the Trustees in the current and previous year.

17 RELATED PARTY TRANSACTIONS (continued)**Parties with significant influence over the Scheme (continued)*****(a) Contributions received***

This constitutes the contributions paid by the related party as a member of the Scheme in their individual capacity. All contributions were at the same terms as applicable to all members of the Scheme.

(b) Claims incurred

This constitutes amounts claimed by the related parties in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to all members of the Scheme.

(c) Contribution debtors

This constitutes contributions that are payable in arrears as stipulated in the rules of the scheme. No impairment provisions have been deducted from these balances.

(d) Contributions received in advance

This constitutes contributions received in advance and amounts owing to the related parties to which the parties have a right. No interest is applied to these balances. The amounts would need to be refunded to the member on demand or when the member exits the Scheme.

(e) Administration fees

Fees paid to the Administrator on the same basis as applicable in terms of the administration services as per the agreement.

(f) Accredited managed healthcare services

Fees paid to the Administrator for rendering accredited managed healthcare services to the Scheme.

(g) Fraud investigation fees

Fees paid to the Administrator for costs incurred relating to the investigation and reporting of possible fraudulent activities by suppliers and members of the Scheme.

(h) Consideration paid

Expenses paid on behalf of the Board of Trustees and Principal Officer constitutes consideration for travel expenses and training.

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

The Scheme has made the certain judgments that have the most significant effect on the amounts recognised in the financial statements. Refer to note 1.2.

19 MEDICAL INSURANCE RISK MANAGEMENT

The Scheme issues contracts that transfer medical insurance risk. This section summarises these risks and the way the Scheme manages these.

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. The 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 insurance and investment activities.

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

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Medical insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

19 MEDICAL INSURANCE RISK MANAGEMENT (continued)***Risk management objectives and policies for mitigating insurance risk (continued)***

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 to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Benefits and associated contributions are calculated taking into account the Scheme's risk concentrations, changes in utilisation based on historical data and inflationary increases. Disclosure regarding the sensitivity of claims to changes in key variables is shown in note 6.3 of the financial statements. The Scheme considers its risk to be concentrated in the following areas:

19.1 Hospital benefits

Medical inflation has a ripple effect on the private hospital cost which could increase exponentially over time. Hospital claims represent a key risk factor to the Scheme and the actual claims incurred in respect of hospital costs for any benefit year, could be adversely worse than the expectation.

19.2 Medicine claims

Medicine claims are effected by continued legislative changes and there is a risk that the actual claims incurred, as a result, may increase or decrease medicine costs worse or less than expected.

All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal. Management information including contribution income and claims ratios, solvency ratios, established targets and member age profiles are reviewed monthly.

19.3 Claims development

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

19.4 Reinsurance contract held

The Scheme entered into a reinsurance contract held with Netcare Limited Administration to provide the members with ambulance services. According to the terms of the agreement, the supplier provide certain minimum benefits to Scheme members as and when required by the members. This contract provides for the transfer of risk from the Scheme to the company concerned for the provision for certain services in return for a premium payable per member. The Scheme does, however, remain liable to its members if the supplier fails to meet its obligations. The agreement commenced on 1 January 2024.

a) Quantitative risk factors

The effect of the changes in the risk areas identified are set out below. Each change in the criteria represents the impact on the 2026 budget that was approved by the Board of Trustees:

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

19 MEDICAL INSURANCE RISK MANAGEMENT (continued)

19.4 Reinsurance contract held (continued)

a) Quantitative risk factors (continued)

	2025			2024		
	Total approved budget for risk area in 2026	Sensitivity 1	Sensitivity 2	Total approved budget for risk area in 2025	Sensitivity 1	Sensitivity 2
Impact of increased utilisation on the approved budget						
(a) Acute Medicine	31 663 352			29 389 554		
Increased utilisation		1%	2%		1%	2%
Effect of increased utilisation (R)		316 633	633 267		293 895	587 791
Impact on solvency (%)		(0.1%)	(0.2%)		(0.1%)	(0.1%)
(b) Chronic Medicine	28 509 998			27 510 758		
Increased utilisation		1%	2%		1%	2%
Effect of increased utilisation (R)		285 100	570 200		275 108	550 216
Impact on solvency (%)		(0.1%)	(0.1%)		(0.1%)	(0.1%)
(c) In Hospital	330 920 253			312 414 812		
Increased utilisation		1%	2%		1%	2%
Effect of increased utilisation (R)		3 309 202	6 618 405		3 124 148	6 248 296
Impact on solvency (%)		(0.8%)	(1.5%)		(0.7%)	(1.5%)
(d) Out of hospital -Pathology and Radiology	16 265 613			16 276 945		
Increased utilisation		1%	2%		1%	2%
Effect of increased utilisation (R)		162 656	325 312		162 770	325 539
Impact on solvency (%)		0%	(0.1%)		(0%)	(0.1%)
(e) Out of hospital - other	95 686 539			88 673 961		
Increased utilisation		1%	2%		1%	2%
Effect of increased utilisation (R)		956 866	1 913 731		886 739	1 773 479
Impact on solvency (%)		(0.2%)	(0.4%)		(0.2%)	(0.4%)

The most significant risk mitigation tools of the Scheme is however its reserve base. The current solvency ratio of 150.31% (2024: 141.58%) is sufficient for the Scheme to continue as a going concern. The current solvency ratio is higher than the statutory requirement of 25%.

b) Qualitative risk factors

The Board of Trustees regularly performs a risk assessment of the Scheme. The process involves the identification of all risks the Scheme is exposed to, as well as, the rating of the different risks identified. The Trustees are allocated specific risks to address. The process and the risks were considered and the Board of Trustees believes that all risks are adequately managed. The key risks identified at the last assessment were as follows:

- the sustainability and profitability of the Scheme;
- reliance on the Administrator;
- changes in legislation; and
- fraud, corruption and collusion by members and healthcare professionals.

20 FINANCIAL RISK MANAGEMENT

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

Risk management and investment decisions are made under the guidance and policies approved by the Board of Trustees. The Board of Trustees identifies, evaluates and economically hedges (where appropriate) financial risks associated with the Scheme's investment portfolio.

The Scheme's risk management policies are established to identify and analyse the risks faced by the Scheme, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities. The Scheme, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Trustees oversees how management monitors compliance with the Scheme's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Scheme. The Board of Trustees is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

20.1 Financial risk factors**20.1.1 Credit risk**

Credit risk is the risk of financial loss to the Scheme if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Scheme's principal financial assets are cash and cash equivalents, trade and other receivables and financial assets held at fair value through profit or loss. The Scheme's credit risk is primarily attributable to its trade and other receivables.

Funds are invested at various institutions after taking the following criteria into account:

- The Scheme's mandate requirements;
- Regulations as per the Medical Schemes Act 131 of 1998, as amended;
- Credit ratings of the various institutions; and
- Interest rates offered by the institutions.

The ratings per institutions are noted in the mandates and do vary, but largely a minimum rating of "Aa1" as per Moody's Investors Services Inc. (Moody's) is applied.

Credit risk is contained by adhering to the Medical Schemes Act 131 of 1998, as amended, by not investing more than 35% in large banks and 10% for the smaller banks. The net qualifying capital and reserves are monitored on a monthly basis to determine the split between large and small banks.

The Scheme limits its exposure to credit risk by only investing in liquid securities with medium grade moderate risk financial institutions. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution. Given these high credit ratings, management does not expect any financial institution to fail to meet its obligations.

Insurance contracts

Included in the insurance contract liabilities are insurance receivables totalling R2 702 926 (2024: R3 841 767), Note 6, which is the maximum exposure that the entity has to credit risk for insurance contracts issued.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

20 FINANCIAL RISK MANAGEMENT (continued)

20.1 Financial risk factors (continued)

20.1.1 Credit risk (continued)

Reinsurance contracts

The Scheme does not have significant credit risk arising from reinsurance contract assets, refer to Note 7.

The above is managed by applying the approved credit control policy. Members are either suspended or terminated for outstanding contributions. The application thereof assists in that the Scheme's financial risk is managed. The procedures as set out in the policy are communicated to both the member and payroll departments prior to suspension or termination of members.

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	
	2025 R	2024 R Restated*
Financial assets at fair value through profit or loss	643 952 416	547 552 797
Cash and cash equivalents	177 023 764	150 136 456
Trade and other receivables	87 307	78 636
	821 063 487	697 767 889

A breakdown of the credit risk in relation to impairment and ageing is set out below. The receivables under past due not impaired, excludes receivables against which a provision for impairment was calculated. From past experience the policy that is applied, was determined by the Scheme, in terms of which certain past due receivables do not need to be impaired:

	Fully performing R	Current R	Past due not impaired		Total R
			30 to 60 days R	> 61 days R	
2025					
Trade and other receivables	87 307	-	-	-	87 307
	87 307	-	-	-	87 307
2024 Restated*					
Trade and other receivables	78 636	-	-	-	78 636
	78 636	-	-	-	78 636

*Refer to note 25 relating to the restatement

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

20 FINANCIAL RISK MANAGEMENT (continued)

20.1 Financial risk factors (continued)

20.1.2 Interest rate risk

The Scheme's investment contracts during the year under review included holding investments in interest bearing instruments. The Scheme's investments were therefore exposed to changes in the market interest rates. This risk is managed by maintaining an appropriate mix between fixed and floating rate deposits within the market.

The table below summarises the Scheme's exposure to interest rate risks. Included in the table are the Scheme's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	≤ 1 month	1 month - 5 years	Non – interest bearing	Total
	R	R	R	R
2025				
Financial assets at fair value through profit or loss	39 284 735	149 233 677	455 434 004	643 952 416
Equities	-	-	453 570 588	453 570 588
Bonds	-	149 233 677	-	149 233 677
Money Market	39 284 735	-	-	39 284 735
Accrued investment income	-	-	1 863 416	1 863 416
Current assets	98 023 764	79 000 000	87 307	177 111 071
Cash and cash equivalents	98 023 764	79 000 000	-	177 023 764
Trade and other receivables	-	-	87 307	87 307
Current liabilities	-	-	(25 241 356)	(25 241 356)
Insurance contract liabilities	-	-	(24 195 106)	(24 195 106)
Reinsurance contract liability	-	-	(182 889)	(182 889)
Trade and other payables	-	-	(863 361)	(863 361)
	137 308 499	228 233 677	430 279 955	795 822 131
2024 Restated*				
Financial assets at fair value through profit or loss	36 290 648	134 729 354	376 532 795	547 552 797
Equities	-	-	374 514 650	374 514 650
Bonds	-	134 729 354	-	134 729 354
Money Market	36 290 648	-	-	36 290 648
Accrued investment income	-	-	2 018 145	2 018 145
Current assets	79 836 456	70 300 000	78 636	150 215 092
Cash and cash equivalents	79 836 456	70 300 000	-	150 136 456
Trade and other receivables	-	-	78 636	78 636
Current liabilities	-	-	(28 297 166)	(28 297 166)
Insurance contract liabilities	-	-	(27 317 276)	(27 317 276)
Reinsurance contract liability	-	-	(182 882)	(182 882)
Trade and other payables	-	-	(797 008)	(797 008)
	116 127 104	205 029 354	348 314 265	669 470 723

Interest rate risk sensitivities refer to note 20.1.4

*Refer to note 25 relating to the restatement

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

20 FINANCIAL RISK MANAGEMENT (continued)

20.1 Financial risk factors (continued)

20.1.3 Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Scheme has the ability to fund its day-to-day operations. The Scheme has complied with the requirements regarding the nature and categories of assets as prescribed by section 35 in Regulation 30 of the Medical Schemes Act 131 of 1998, as amended, except for Regulation 35(8)(c). The Scheme did however receive exemption for the non-compliance.

The Scheme ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below summarises the Scheme's exposure to liquidity risk. Included in the table are the Scheme's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual reprising or maturity dates.

Liquidity Analysis

2025

Assets

Non-Current Assets

Financial assets at fair value through profit or loss

Current Assets

Cash and cash equivalents

Trade and other receivables

Total Assets

Liabilities

Current Liabilities

Insurance contract liabilities

Reinsurance contract liability

Trade and other payables

Net Liquidity Gap Analysis

	Up to 1 month R	1 – 3 months R	4 – 12 months R	Total R
2025				
Assets				
Non-Current Assets	643 952 416	-	-	643 952 416
Financial assets at fair value through profit or loss	643 952 416	-	-	643 952 416
Current Assets	98 111 071	16 000 000	63 000 000	177 111 071
Cash and cash equivalents	98 023 764	16 000 000	63 000 000	177 023 764
Trade and other receivables	87 307	-	-	87 307
Total Assets	742 063 487	16 000 000	63 000 000	821 063 487
Liabilities				
Current Liabilities	16 778 664	8 059 706	402 986	25 241 356
Insurance contract liabilities	15 732 414	8 059 706	402 986	24 195 106
Reinsurance contract liability	182 889	-	-	182 889
Trade and other payables	863 361	-	-	863 361
Net Liquidity Gap Analysis	725 284 823	7 940 294	62 597 014	795 822 131

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

20 FINANCIAL RISK MANAGEMENT (continued)

20.1 Financial risk factors (continued)

20.1.3 Liquidity risk (continued)

Liquidity Analysis

2024 Restated*

Assets

Non-Current Assets

Financial assets at fair value through profit or loss

Current Assets

Cash and cash equivalents

Trade and other receivables

Total Assets

Liabilities

Current Liabilities

Insurance contract liabilities

Reinsurance contract liability

Trade and other payables

Net Liquidity Gap Analysis

	Up to 1 month R	1 – 3 months R	4 – 12 months R	Total R
2024 Restated*				
Assets				
Non-Current Assets	547 552 797	-	-	547 552 797
Financial assets at fair value through profit or loss	547 552 797	-	-	547 552 797
Current Assets	79 915 092	16 000 000	54 300 000	150 215 092
Cash and cash equivalents	79 836 456	16 000 000	54 300 000	150 136 456
Trade and other receivables	78 636	-	-	78 636
Total Assets	627 467 889	16 000 000	54 300 000	697 767 889
Liabilities				
Current Liabilities	18 454 955	8 558 444	1 283 767	28 297 166
Insurance contract liabilities	17 475 065	8 558 444	1 283 767	27 317 276
Reinsurance contract liability	182 882	-	-	182 882
Trade and other payables	797 008	-	-	797 008
Net Liquidity Gap Analysis	609 012 934	7 441 556	53 016 233	669 470 723

*Refer to note 25 relating to the restatement

20.1.4 Market risk

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

All the Scheme's benefits are rand denominated and therefore the Scheme does not have significant net currency risk.

Price risk: The Scheme is exposed to equity securities price risk because of investments held by the Scheme and classified as available-for-sale. To manage its price risk arising from investments, the Scheme diversifies its portfolio via the asset managers in accordance with the mandate set by the Scheme.

The different aspects of market risk applicable to the Scheme are demonstrated as follows:

- Interest rate risk: Refer to "Sensitivity analysis: Cash"
- Interest rate risk and price risk: Refer to "Sensitivity analysis: Bonds"
- Price risk: Refer to "Sensitivity analysis: Equities"

All the Scheme's equity investments are listed on the JSE. Bonds are listed on the Bond Exchange of South Africa (BESA) and cash is held with institutions that have a rating between "Aaa - A".

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

20 FINANCIAL RISK MANAGEMENT (continued)

20.1 Financial risk factors (continued)

20.1.4 Market risk

The concentration as well as the sensitivities and impact on profit of loss and equities are summarised below:

Asset allocation of the Scheme

Asset Class	December 2025		December 2024	
	R	%	R	%
Cash	212 654 464	26.1%	182 501 000	26.4%
Bonds	149 233 677	18.3%	134 729 354	19.5%
Equity	453 570 588	55.6%	374 514 650	54.1%
Total excluding accrued investment income	815 458 729	100.0%	691 745 004	100.0%
Accrued investment income	5 517 451		5 944 249	
Total	820 976 180		697 689 253	

Asset manager allocation

Manager	Mandate	Investment Vehicle	2025		2024	
			R	%	R	%
Old Mutual Wealth Trust Company Proprietary Limited	Liquidity / Cash	Segregated	167 376 579	20.4%	142 947 416	20.7%
Prescient Management Company (RF) Proprietary Limited	Fixed Interest	Pooled	96 546 419	11.8%	87 208 880	12.6%
Sanlam Collective Investments (RF) Proprietary Limited	Fixed Interest	Pooled	95 769 319	11.7%	86 510 314	12.5%
Sanlam Investment Management Proprietary Limited	Equity Portfolio	Segregated	228 856 125	27.9%	173 924 555	25.1%
M&G Investment Managers (South Africa) Proprietary Limited	Equity Portfolio	Segregated	226 910 287	27.6%	201 153 839	29.1%
Total excluding accrued investment income			815 458 729	99.3%	691 745 004	100.0%
Accrued investment income			5 517 451		5 944 249	
Total			820 976 180		697 689 253	

The Scheme has obtained a statement from its independent actuary in terms of Regulation 30(3A) of the Medical Schemes Act 131 of 1998, as amended, certifying that the deviation from the asset allocation prescribed by Annexure B as at 31 December 2025 is appropriate and that the Scheme is in full compliance with Regulation 30(2) of the Medical Schemes Act 131 of 1998, as amended.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

20 FINANCIAL RISK MANAGEMENT (continued)

20.1 Financial risk factors (continued)

20.1.4 Market risk (continued)

Consolidated instrument analysis per asset class

Top 5 Holdings Asset class and company name	2025		2024	
	Ratings (long term)	% of Portfolio	Ratings (long term)	% of Portfolio
Cash				
Nedbank Limited	Aaa.za	7.54%	Aaa.za	9.05%
Investec Bank Limited	Aaa.za	7.11%	Aaa.za	5.60%
The Standard Bank of South Africa Limited	Aaa.za	5.61%	Aaa.za	4.67%
Absa Bank Limited	Aaa.za	2.65%	Aaa.za	4.04%
FirstRand Bank Limited	Aaa.za	2.48%	Aaa.za	2.76%
Bonds				
RSA Bond		4.01%		5.68%
Nedbank Limited		2.87%		2.38%
The Standard Bank of South Africa Limited		2.86%		2.83%
FirstRand Bank Limited		1.88%		2.49%
Absa Bank Limited		1.19%		*
The Standard Bank Group Limited		*		0.99%
Property				
NEPI Rockcastle Public Listed Company		0.58%		0.50%
Fortress Reit Limited		0.26%		0.15%
Hyprop Investments Limited		0.19%		*
Vukile Investment Property Securitisation (Proprietary) Limited		0.17%		*
Growthpoint Properties Limited		0.12%		*
Hammerson PLC		*		0.20%
Nedbank Limited		*		0.01%
FirstRand Bank Limited		*		0.00%
Equity				
Anglogold Ashanti Limited		4.45%		*
Naspers Limited		4.35%		5.21%
Gold Fields Limited		4.05%		*
Standard Bank Group Limited		3.92%		3.40%
Absa Group Limited		3.30%		*
FirstRand Bank Limited		*		3.53%
Prosus NV		*		3.04%
British American Tobacco Public Listed Company		*		2.63%

* The % holdings in these companies were not in the Top 5 Holdings.

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 adjacent table). i.e. +1% suggests the closing market value could have been R214 632 190 if the interest had been higher by 1% during 2025 as compared to the actual interest rate. A one percent increase or decrease in the interest at the reporting date would have increased or decreased cash by R1 977 726 (2024: R1 681 882).

% Change	Return of Index	Adjusted Closing Value - Rand	Difference - Rand
2%	9.52%	216 609 917	3 955 453
1%	8.52%	214 632 190	1 977 726
0%	7.52%	212 654 464	-
(1%)	6.52%	210 676 738	(1 977 726)
(2%)	5.52%	208 699 011	(3 955 453)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

20 FINANCIAL RISK MANAGEMENT (continued)

20.1 Financial risk factors (continued)

20.1.4 Market risk (continued)

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 R150 434 877 if the investment performance had been higher by 1% during 2025 as compared to the market investment performance. A one percent increase or decrease in the investment return at the reporting date would have increased or decreased bonds by R1 201 200 (2024: R1 149 764).

% Change	Return of Index	Adjusted Closing Value - Rand	Difference - Rand
2%	26.24%	151 636 077	2 402 400
1%	25.24%	150 434 877	1 201 200
0%	24.24%	149 233 677	-
(1%)	23.24%	148 032 477	(1 201 200)
(2%)	22.24%	146 831 277	(2 402 400)

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 adjacent table). i.e. +2% suggests the closing market value could have been R459 940 768 if the investment performance had been higher by 2% during 2025 as compared to the market investment performance. All equity investments are listed on the JSE. A two percent increase or decrease in the investment return at the reporting date would have increased or decreased equity by R6 370 180 (2024: R6 602 868).

% Change	Return of Index	Adjusted Closing Value - Rand	Difference - Rand
4%	46.40%	466 310 948	12 740 360
2%	44.40%	459 940 768	6 370 180
0%	42.40%	453 570 588	-
(2%)	40.40%	447 200 408	(6 370 180)
(4%)	38.40%	440 830 228	(12 740 360)

The change will have an impact on the revaluation reserve.

The benchmarks used are the following:

- Cash (STeFI Composite Index)
- Bonds (All Bond Index)
- Equity (All Share Index)

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; Cash and bonds, a sensitivity of 1% and 2% is used and for the more volatile indices, i.e. equity, a sensitivity of 2% and 4% is used.

National Long-term Credit Ratings as per Moody's:

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

Aa.za: Issuers or issues rated Aa demonstrate very strong creditworthiness relative to other domestic issuers.

A.za: Issuers or issues rated A present above-average creditworthiness relative to other domestic issuers.

Note: Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aaa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking at the lower end of that generic rating category.

20 FINANCIAL RISK MANAGEMENT (continued)**20.1 Financial risk factors (continued)****20.1.5 *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.

20.1.6 *Capital adequacy risk*

This represents the risk that there are not sufficient reserves to provide for adverse variations on future investment and claims experience. At the year-end the solvency ratio computed in terms of the Registrar of Medical Schemes' formula was 150.31% (2024: 141.58%). The Trustees believe that this cover is appropriate for the Scheme's needs.

The Board of Trustees' policy is to maintain a strong capital base so as to maintain member and market confidence and to sustain future development of the business. The Board of Trustees monitors the return on capital. During 2023 the Scheme's actuaries prepared a Risk-Capital Based Solvency assessment to assess the Scheme's solvency requirements based on specific risk factors affecting the Scheme. The outcome of the assessment was that the Scheme's Risk-Based Capital Solvency requirement is between 47.9% and 53.8%. The Board's target is a solvency of no less than 60%.

There were no changes in the Scheme's approach to capital management during the year. The Scheme is subject to externally imposed capital requirements by the Council for Medical Schemes and the Medical Schemes Act 131 of 1998, as amended.

20.1.7 *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 2025, the Scheme did not consider that there was any significant concentration of legal risk that had not been provided for.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

20 FINANCIAL RISK MANAGEMENT (continued)

20.1 Financial risk factors (continued)

20.1.8 Analysis of carrying amounts of financial assets and financial liabilities per category

	Financial assets measured at amortised cost	Financial assets at fair value through profit or loss	Financial liabilities measured at amortised cost	Insurance contract assets and liabilities	Total carrying amount
	R	R	R	R	R
2025					
Investments	-	643 952 416	-	-	643 952 416
Financial assets at fair value through profit or loss	-	643 952 416	-	-	643 952 416
Cash and cash equivalents	177 023 764	-	-	-	177 023 764
Trade and other receivables	87 307 *	-	-	-	87 307
Insurance contract liabilities	-	-	-	(24 195 106)	(24 195 106)
Reinsurance contract liability	-	-	-	(182 889)	(182 889)
Trade and other payables			(863 361)		(863 361)
	177 111 071	643 952 416	(863 361)	(24 377 995)	795 822 131

* Non-financial asset included: Prepaid expense (relating to Fidelity insurance and Council for Medical Schemes levy) R77 456.

2024 Restated*					
Investments	-	547 552 797	-	-	547 552 797
Financial assets at fair value through profit or loss	-	547 552 797	-	-	547 552 797
Cash and cash equivalents	150 136 456	-	-	-	150 136 456
Trade and other receivables	78 636 *	-	-	-	78 636
Insurance contract liabilities	-	-	-	(27 317 276)	(27 317 276)
Reinsurance contract liability	-	-	-	(182 882)	(182 882)
Trade and other payables			(797 008)		(797 008)
	150 215 092	547 552 797	(797 008)	(27 500 158)	669 470 723

* Non-financial asset included: Prepaid expense (relating to Fidelity insurance and Council for Medical Schemes levy) R77 066.

The carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair values.

*Refer to note 25 relating to the restatement

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

20 FINANCIAL RISK MANAGEMENT (continued)

20.1 Financial risk factors (continued)

20.1.9 Sensitivity analysis to insurance risk variables

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

	2025			LIC as at 31 December	2024	
	Impact on SOCI	Impact on LIC	Impact on SOCI		Impact on LIC	Impact on SOCI
	R	R	R	R	R	R
Insurance contract liabilities						
Net insurance contract liabilities	24 195 106	-	-	27 317 276	-	-
Unpaid claims and expenses - 5% increase						
Insurance contract liabilities (before mutualisation)	-	1 209 755	1 209 755	-	1 365 864	1 365 864
Insurance contract liabilities (after mutualisation)	-	-	-	-	-	-
Expense - 5% increase						
Insurance service expense	(466 004 665)	-	-	(446 663 795)	-	-
Insurance service expense (before mutualisation)	-	(23 300 233)	(23 300 233)	-	(22 333 190)	(22 333 190)
Insurance service expense (after mutualisation)	-	-	-	-	-	-

20 FINANCIAL RISK MANAGEMENT (continued)

20.1 Financial risk factors (continued)

20.1.10 Fair value of financial instruments

a) Valuation techniques and assumptions for the purposes of measuring fair value

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

b. Fair value measurements (fair value hierarchy)

A fair value hierarchy reflects the significance of the inputs used to make the measurements.

Level 1 fair value measurement represents those instruments which are measured using unadjusted quoted prices in active market for identical instruments. The predominance of market inputs is actively quoted and can be validated through external sources or reliably interpolated if less observable.

At 31 December 2025, all investments are classified as Level 1 assets. Fair value measurements classified as Level 1 include exchange traded prices of fixed maturities, equity securities and derivative contracts.

Unit linked funds usually have a published price used for the previous day's transactions. Where the valuation of the instrument of the Scheme is based on these observable unit prices with no significant unobservable inputs and there are sufficient transactions to meet the definition of a quoted price in an active market, it is likely to be classified as Level 1. However, if an insurer calculates the liability without reference to the published price, it will fall into Level 2 or 3. Where the valuation of the liability incorporates significant inputs influenced by management's assumptions, such as tax adjustments not reflected in the observable price or underlying assets and liabilities, this is likely to be a Level 3 classification.

Listed debt securities such as Government securities and Corporate bonds may be classified as Level 1 or 2 depending on trade frequency and data availability.

At 31 December 2025, no investments were classified as Level 2.

Level 3 fair value measurements apply inputs which are not based on observable market data. Private equity securities usually are priced based on unobservable market data and are not easily tradable and are therefore likely to be classified as Level 3.

At 31 December 2025, no investments were classified as Level 3.

Fair value of the Scheme's financial assets are measured at fair value on a recurring basis

Some of the Scheme's financial assets that are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

20 FINANCIAL RISK MANAGEMENT (continued)

20.1 Financial risk factors (continued)

20.1.10 Fair value of financial instruments (continued)

Financial assets	Fair Value as at 31 December		Fair value hierarchy	Valuation technique(s) and key inputs(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2025 R	2024 R Restated*				
Assets						
Non-current Assets						
Financial assets at fair value through profit or loss	643 952 416	547 552 797	Level 1	Quoted bid prices in active market	None	None

*Refer to note 25 relating to the restatement

20.1.11 Unconsolidated investment structures

The Scheme's exposure as at 31 December 2025 was:

Fund Name	Investment in Fund 2025 R	Portfolio Holdings 2025 R	Scheme Exposure 2025 %
Sanlam Active Income Fund	95 769 319	3 815 158 859	3%
Prescient Specialist Income Fund	96 546 419	997 884 007	10%
	192 315 738	4 813 042 866	4%

21 SUBSEQUENT EVENTS

There have been no events that have occurred subsequent to the financial year-end that affect the financial statements which the Board of Trustees believes should be brought to the attention of the members of the Scheme.

22 COMMITMENTS AND OTHER CONTINGENT LIABILITIES

The Scheme did not have any commitments or other contingent liabilities outstanding as at 31 December 2025 and 2024.

23 GOING CONCERN STATEMENT

The financial statements have been prepared on the going concern basis. The trustees reviewed the going concern assessment taking the Scheme's financial position as at 31 December 2025, as well as the budget for the year ending 31 December 2026 into account. The Scheme reflected a net income before amounts attributable to members for future benefits of R126 351 408 (2024 net income before amounts attributable to members for future benefits: R47 343 124) for 2025 and budgeted a net expense before amounts attributable to members for future benefits of R20 144 877 for 2026. The liability to members for future benefits as at 31 December 2025 was R795 822 131 with a solvency level of 150.31% (2024: 141.58%).

Based on the above, the trustees considers that:

- The Scheme's assets currently exceeds its liabilities; and
- The Scheme will be able, in the ordinary course of the Scheme's business, to settle its liabilities as they arise in the foreseeable future.

Based on the assessment conducted, the Board of Trustees has no reason to believe that the Scheme would not be a going concern in the foreseeable future.

24 NON-COMPLIANCE WITH THE ACT

The following areas of non-compliance of the Act were identified during the course of the year:

24.1 Non-compliance with Section 35(8)(a) and (c) of the Act

Nature and cause of non-compliance

Per Section 35(8) of the Act states that:

(8) A medical scheme shall not invest any of its assets in the business of or grant loans to:

- a) an employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme;
- b) any other medical scheme;
- c) any administrator; and
- d) any person associated with any of the abovementioned.

The Scheme invests its assets in accordance with an Investment Policy. These assets are invested in a series of pooled and segregated investment vehicles each having a specific investment mandate, benchmark and chosen investment manager.

Some of these mandates may allow exposure to shares or bonds listed in the South African market. The investment manager has full discretion to choose a combination of shares and bonds that will best achieve the benchmark. The representatives of the Scheme have given discretionary powers in terms of the investment mandate, in accordance with Annexure B, to the underlying investment manager.

A number of shares and bonds are held in ultimate holding companies of Scheme administrators and in the Scheme's employer company AECI Limited.

Possible impact of non-compliance

For the current year, the Scheme holds shares and bonds in ultimate holding companies of Scheme administrators and in the Scheme's employer company AECI Limited, which is prohibited in terms of Section 35(8)(a) and (c) of the Act.

Company name	31 December 2025	
	Shares R	Bonds R
Discovery Group Limited	-	11 857
Discovery Holdings Limited	2 357 909	271 966
Momentum Metropolitan Holdings Limited	5 174 216	-
Momentum Metropolitan Life Limited	-	154 458
Sanlam Limited	15 128 359	-
Sanlam Capital Market Limited	-	96 149
AECI Limited	-	36 485

By applying Section 35(8)(a) and (c) of the Act, the Scheme will not be able to invest in these companies. The diversification of opportunities is reduced and the Scheme will be forced to take on additional risk. This is not in the best interest of the members.

Corrective course of action adopted to ensure compliance, including timing of corrective action

The Scheme received exemption from Section 35(8)(a) and (c) of the Act from the Council for Medical Schemes until 31 December 2028. The exemptions is applicable in so far as the investment relates to investments placed with asset managers who invest on behalf of the Scheme and where such investment choices are not influenced by the Scheme.

24 NON-COMPLIANCE WITH THE ACT (continued)**24.1 Non-compliance with Section 35(8)(a) and (c) of the Act (continued)****Corrective course of action adopted to ensure compliance, including timing of corrective action (continued)**

In terms of compliance to Annexure B of the Act, the Scheme does perform a comprehensive analysis of the total assets to monitor the Scheme's investments against limitations set out per Annexure B. When a non-compliance is identified, the Investment Committee will ensure that corrective action is taken. It would not be prudent to remove these investment opportunities from the scope of investments available to the underlying investment managers.

24.2 Claim payments not within 30 days of receipt by the Scheme***Nature and cause of non-compliance***

The Act requires a medical scheme to pay to a member or a supplier of service within 30 days after the day on which the claim was received. The Scheme processes and pays the majority of all claims within 30 days from date of receipt. Situations beyond the control of the Scheme could result in claims being paid later than 30 days after receipt when for example further supporting information will be required.

Possible impact of non-compliance

These are isolated cases and have not resulted in a material gain or loss to the Scheme, inconvenience to members or healthcare service providers.

Corrective course of action adopted to ensure compliance, including timing of corrective action

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

24.3 Contributions not paid within 3 days thereof becoming due***Nature and cause of non-compliance***

Section 26(7) states that: "All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after the payment thereof becoming due". Certain contributions were submitted to the Scheme more than three days after the payment thereof became due. The Scheme does not hold any special contracts with members nor employer paypoints authorising such late payments.

During the reporting period the Scheme received 17 late payments from paypoints averaging R325 006. The majority of these payments were a few days late.

Possible impact of non-compliance

Late payments may result in a loss of interest to the Scheme. This amount would, however, not be considered significant.

Corrective course of action adopted to ensure compliance, including timing of corrective action

The Scheme's credit control policy ensures that losses to the Scheme are minimised. The Board of Trustees has reviewed the list of instances where contributions were submitted to the Scheme more than three days after the payment thereof became due and will contact the paypoints concerned to decrease instances in the future.

24 NON-COMPLIANCE WITH THE ACT (continued)

24.4 Scheme's option (Comprehensive Option) generating a negative insurance service result

Nature and cause of non-compliance

Per Section 33(2) of the Act:

The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option:

- a) includes the prescribed benefits;
- b) shall be self-supporting in terms of membership and financial performance;
- c) is financially sound; and
- d) will not jeopardise the financial soundness of any existing benefit option within the medical scheme.

The results for the Comprehensive Option during the year were the following:

	2025 R	2024 R	Change R
Insurance service result	(68 990 146)	(54 768 976)	(14 221 170)
Net income/(expense)	28 606 320	(15 544 511)	44 150 831

Insurance revenue per average beneficiary per month (pabpm) for this option amounted to R4 337 (2024: R4 414) compared to an insurance service expense pabpm of R5 293 (2024: R5 174). Thus insurance service expense exceeded insurance revenue by R956 pabpm, contributing to the negative insurance service result.

The higher insurance service expense were mainly due to high cost claims, change in claiming patterns and change in case mix. The increase to the insurance revenue was lower to minimise the contribution increase to members and utilise some of the excess reserves. A negative insurance service result for the Comprehensive Option of R84 777 850 was budgeted for 2025.

Possible impact of non-compliance

The Comprehensive Option may be deemed as not self-supporting in terms of financial performance, nor financially sound.

The Scheme is financially sound and has a high level of reserves available to cover instances where deficits occurs. A negative insurance service result was budgeted for to minimise the contribution increase to members and utilise some of the excess reserves.

Corrective course of action adopted to ensure compliance, including timing of corrective action

A negative insurance service result was budgeted for. The Trustees will continue to monitor the variances between the actual and budgeted net healthcare results, investigate any significant variances and take the necessary corrective actions.

The Trustees have also considered the required increase in contributions and implemented minimum increases to tariffs and benefit limits for the 2025 financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2025

25 PRIOR YEAR RESTATEMENT

In prior years accrued investment income was disclosed as trade and other receivables. Financial assets measured at fair value through profit or loss or cash and cash equivalents should include the accrued investment income in the total for financial assets measured at fair value through profit or loss or cash and cash equivalents amount in the Financial Statements and should not be separately disclosed as trade and other receivables.

The Statement of Cash Flows was restated due to the following:

- The fair value of the financial assets held at fair value through profit or loss at the beginning of 2024 was restated to include the 2023 accrued investment income. The accrued investment income for 2023 was deducted from the additions of financial assets at fair value through profit or loss, since the additions before the restatement included the accrued income that was reinvested in 2024.
- The interest received was restated to exclude the reallocation on the additions (above) and the restatement of the accrued investment income of 2023 to cash and cash equivalents at the beginning of the year.

The change in disclosure resulted in a restatement affecting the Statement of Financial Position, Statement of Cash Flows and related notes. There was no restatement on the Statement of Comprehensive Income.

Statement of Financial Position

	31-Dec-24 R Previously stated	31-Dec-24 R Reclassification	31-Dec-24 R Restated
Non-current assets	545 534 652	2 018 145	547 552 797
Investments			
Financial assets at fair value through profit or loss	545 534 652	2 018 145	547 552 797
Current assets	152 233 237	(2 018 145)	150 215 092
Cash and cash equivalents	146 210 352	3 926 104	150 136 456
Trade and other receivables	6 022 885	(5 944 249)	78 636

Statement of Cash Flows

Cash inflow from investing activities	40 288 066	(194 492)	40 093 574
Additions of financial assets at fair value through profit or loss	(233 589 956)	1 976 974	(231 612 982)
Disposals of financial assets at fair value through profit or loss	237 322 354	-	237 322 354
Interest received	25 970 104	(2 171 466)	23 798 638
Dividend income	13 857 369	-	13 857 369
Other: Investment management fees	(3 271 805)	-	(3 271 805)
Net increase/(decrease) in cash and cash equivalents	16 125 390	(194 492)	15 930 898
Cash and cash equivalents at the beginning of the year	130 084 962	4 120 596	134 205 558
Cash and cash equivalents at the end of the year	146 210 352	3 926 104	150 136 456