

**BESTMED MEDICAL SCHEME**  
(Registration Number: 1252)

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2025**

**BESTMED MEDICAL SCHEME**  
**(Registration Number: 1252)**

**(REGISTERED UNDER THE MEDICAL SCHEMES ACT 131 OF 1998, AS AMENDED)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2025**

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**BESTMED MEDICAL SCHEME**  
**(Registration Number: 1252)**

**STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES**

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The Board of Trustees is responsible for the preparation, integrity and fair presentation of the financial statements of Bestmed Medical Scheme. The financial statements presented on pages 18 to 62 have been prepared in accordance with International Financial Reporting Standards (IFRS), in the manner required by the Medical Schemes Act and Regulations thereto and include amounts based on judgements and estimates made by management.

The Board 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, and that all International Financial Reporting Standards that they consider to be applicable have been followed.

The Board is satisfied that the information contained in the financial statements fairly presents the results of operations and cash flows for the year and the financial position of the Scheme at year-end. The Board also prepared the rest of the information included in the report and is responsible for both its accuracy and its consistency with the financial statements. The financial statements have been audited by the Scheme's external auditors, who were given unrestricted access to all financial records and related data, including all minutes of meetings of the Board of Trustees and committees of the Board. The Trustees believe that all representations made to the external auditors during their audit are valid and appropriate. The audit report is presented on pages 13 to 17.

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

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

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

The financial statements were approved by the Board of Trustees on 08 May 2026 and are signed on its behalf:



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**GS DU PLESSIS**  
**CHAIRPERSON**



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**LD JORDAN**  
**VICE-CHAIRPERSON**



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**LB DLAMINI**  
**PRINCIPAL OFFICER**

**BESTMED MEDICAL SCHEME**  
(Registration Number: 1252)

**STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES**

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Bestmed Medical Scheme is committed to the principles of fairness, independence, openness, integrity and accountability in all dealings with its stakeholders. The Board conducts all its affairs according to ethical values and within a recognised governance framework. The affairs of the Scheme are managed according to the Rules of the Scheme and also adhere to all aspects of governance, as required by the Medical Schemes Act 131 of 1998, as amended. The Board complies with aspects of the Code of Corporate Practices and Conduct as set out in the King Report on Governance (King IV).

**BOARD OF TRUSTEES**

The Board of Trustees consists of member representatives, who are nominated and elected by the members of the Scheme, and appointed members, who are elected by members of the Board of Trustees. The Board meets regularly and monitors the performance of the Scheme, their own performance and that of the Board sub-committees, against agreed terms of reference and performance targets. The Board addresses a range of key issues and ensures that discussion of items of policy, strategy and performance is critical, informed and constructive.

**INTERNAL CONTROL**

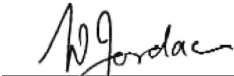
The adequacy and effectiveness of the internal controls are evaluated by the Scheme's internal auditors and, as and when required, experts are consulted for professional advice.

The Scheme maintains internal controls and accounting systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain adequate accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel, with the appropriate segregation of duties. The Board concludes performance agreements annually with managerial staff to evaluate the outcome of existing control measures.



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**GS DU PLESSIS**  
CHAIRPERSON



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**LD JORDAAN**  
VICE-CHAIRPERSON



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**LB DLAMINI**  
PRINCIPAL OFFICER

**BESTMED MEDICAL SCHEME  
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**REPORT OF THE BOARD OF TRUSTEES**

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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**

Bestmed Medical Scheme ("the Scheme") is a not-for-profit, open medical scheme, registered in terms of the Medical Schemes Act 131 of 1998, as amended ("Medical Schemes Act"), and complies with the Regulations made in terms of section 67 of the Medical Schemes Act, registration number 1252. The Scheme is self-administered and the administration accreditation number is 62.

**1.2 Benefit Options**

The Scheme offered fourteen benefit options for the year under review, eleven original options and three Efficiency Discounted Options (EDOs). The EDOs are included in the original eleven options for reporting purposes.

Beat1  
Beat1 Network - EDO  
Beat2  
Beat2 Network - EDO  
Beat3  
Beat3 Network - EDO  
Beat3 Plus  
Beat4  
Pace1  
Pace2  
Pace3  
Pace4  
Rhythm1  
Rhythm2

**1.3 Savings Plan**

In order to provide a facility for medical scheme members to set funds aside to meet future healthcare costs not covered in the benefit options, the Board of Trustees has made the savings plan option available for some of its benefit options.

Members pay an agreed sum into this savings account. These amounts differ per option and comprise the following percentage of gross contributions:

Beat1	None
Beat1 Network - EDO	None
Beat2	16%
Beat2 Network - EDO	16%
Beat3	15%
Beat3 Network - EDO	15%
Beat3 Plus	25%
Beat4	14%
Pace1	19%
Pace2	14%
Pace3	14%
Pace4	3%
Rhythm1	None
Rhythm2	None

Savings are refundable upon a member enrolling in another benefit option or medical scheme without a personal medical savings account, or does not enrol in another medical scheme, in which case the accumulated unutilised personal medical savings account balance will be transferred to the member in terms of the Scheme Rules.

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**REPORT OF THE BOARD OF TRUSTEES**

**1.3 Savings Plan (continued)**

Unexpended savings amounts are accumulated for the long-term benefit of the member. Interest is payable on credit balances equal to the interest earned on cash and cash equivalents and money market funds invested and no interest is charged on savings advances to members.

The insurance contract liability to the members in respect of the savings plan is considered a non-distinct investment component (in terms of IFRS 17 Insurance Contracts) and as such included in the measurement of insurance contract liabilities in the financial statements, but constitutes trust money and is managed on the members' behalf in terms of the Scheme Rules. All unspent personal medical savings balances are invested in a separate trust account and are not managed as part of the assets of the Scheme. Except for the aforementioned changes introduced by IFRS 17, this treatment of members savings accounts is consistent with prior year's accounting treatment in line with guidance provided by the Council for Medical Schemes ("CMS") which allows either for the recognition of members savings as assets of the Scheme or as members' funds.

**1.4 Reinsurance contracts**

The Scheme had the following reinsurance contracts in 2025:

Netcare 911 provided transportation or emergency medical response to the Scheme's members. Claims incurred and recoveries received were calculated based on utilisation figures obtained from Netcare 911. The net income on the reinsurance contract was R12,891,760 (2024: R16,204,972).

Preferred Provider Negotiators provided members on the Beat3 Plus, Beat4 and all of the Pace and Rhythm options optical services which include consultations, frames, lenses and contact lenses. Claims incurred and recoveries received were calculated based on utilisation figures obtained from Preferred Provider Negotiators. The net income on the reinsurance contract was R4,897,104 (2024: R12,226,011).

AZOZA (previously known as Europ Assistance), provided international transportation or emergency medical response to the Scheme's members. The Scheme contracted with AZOZA at a rate of R6.21 (2024: R5.40) per member. The net expense on the reinsurance contract was R796,859 (2024: R6,332,174).

Refer to Note 9 to the financial statements for further disclosure.

**2. MANAGEMENT**

**2.1 Board of Trustees in office during the year under review:**

<b>2.1.1 Elected by the members</b>	<b>Term of Office</b>
A Hartzenberg	2022 - 2026
M Slabbert	2022 - 2026
L de Vries	2022 - 2026
C Lombard	2024 - 2028
TH du Buisson	2024 - 2028

<b>2.1.2 Board-appointed Trustees</b>	<b>Term of Office</b>
GS du Plessis - CA(SA) (Chairperson)	2022 - 2026
BE Legobye	2022 - 2026
L Shah	2023 - 2026
M Brewis	2024 - 2028
LD Jordaan	2024 - 2028

**2.2 Principal Officer and Chief Executive Officer**

LB Dlamini

Given that the Scheme is self administered, LB Dlamini is appointed in the capacity of Principal Officer (PO) and Chief Executive Officer and is referred to as PO for disclosure purposes in the financial statements.

**2.3 Registered office address and postal address**

Bestmed Medical Scheme	PO Box 2297
Block A	Pretoria
Glenfield Office Park	0001
361 Oberon Avenue	
Faerie Glen	
Pretoria	
0081	

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**REPORT OF THE BOARD OF TRUSTEES**

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**2.4 Investment Advisors**

Willis Towers Watson (Pty) Ltd	Postnet Suite 154
Illovo Edge	Private Bag x 1
1 Harries Road	Melrose Arch
Illovo	2076
Johannesburg	
2196	
FSP number: 2545	

**2.5 Investment Managers**

M&G Investment Managers (Pty) Ltd	PO Box 44813
7th Floor	Claremont
Protea Place	Cape Town
30 Dreyer Street	7735
Claremont	
7708	
FSP number: 45199	

Allan Gray Life Limited	PO Box 51318
1 Silo Square	V & A Waterfront
V&A Waterfront	Cape Town
Cape Town	8002
8001	
FSP number: 6663	

Ninety One Fund Managers SA (RF) (Pty) Ltd	PO Box 1655
36 Hans Strijdom Avenue	Cape Town
Foreshore	8000
Cape Town	
8001	
FSP number: 587	

Aluwani Capital Partners (Pty) Ltd	Private Bag X 75
EPPF Office Park	Bryanston
24 Georgian Crescent East	2021
Bryanston East	
2152	
FSP Number: 46196	

27four Life Limited (ABAX)	P O Box 522417
Cavendish Links Building 2	Saxonworld
1 Cavendish Street,	Johannesburg
Claremont	2132
7708	
FSP Number: 856	

Sanlam Investment Management (Pty) Ltd	Private Bag X8
55 Willie Van Schoor Road	Tyger Valley
Bellville	Bellville
Cape Town	7536
7530	
FSP number: 579	

STANLIB Collective Investments (RF) (Pty) Ltd	P O Box 202
17 Melrose Boulevard	Melrose Arch
Melrose Arch	2076
2076	
FSP Number: 590	

**2.6 Actuaries**

Insight Actuaries & Consultants	Postnet Suite 026
2nd Floor Gateway West	Private Bag X159
22 Magwa Crescent	Halfway House
Waterval City	Midrand
Midrand	Gauteng
2066	1685

**2.7 Auditors**

Deloitte & Touche	Private Bag X6
5 Magwa Crescent	Gallo Manor
Waterval City	2052
Midrand	
2090	

**BESTMED MEDICAL SCHEME**  
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**REPORT OF THE BOARD OF TRUSTEES**

**3. INVESTMENT STRATEGY OF THE SCHEME**

The Scheme's investment objectives are to maximise the return on its investments on a long-term basis at limited risk. The investment strategy takes into consideration the restrictions imposed by the Medical Schemes Act and those imposed by the Board of Trustees.

The Investment Committee monitors the performance of the Scheme's investments in conjunction with the Scheme's investment advisors to ensure maximum returns are achieved. Expert advice is obtained from Willis Towers Watson to assist in developing an appropriate investment strategy and portfolio.

Given that the central purpose of the Scheme is to provide medical benefits to members, rather than to maximise investment returns, a limited risk appetite is adopted. The Investment Committee believes the primary objective the Scheme needs to manage, is to earn a sufficient investment return in excess of inflation over a five-year period, without losing focus on downside capital protection over a one-year period. As part of the Investment Committee's mandate, the Committee constantly review returns achieved and alters the investment decisions in the best interests of the members.

**4. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES**

**4.1 Statutory Solvency Ratio**

The solvency ratio is calculated as follows:

	<b>2025</b>	<b>2024</b>
	<b>R'000</b>	<b>R'000</b>
Insurance liability attributable to members for future benefits	4,588,215	3,619,568
Less: Cumulative unrealised investment gains	(1,174,858)	(785,454)
	3,413,357	2,834,114
Accumulated funds as per Regulation 29		
Gross insurance revenue from contracts measured under the PAA	9,712,383	8,528,023
<b>Solvency ratio calculated as the ratio of accumulated funds/Gross insurance revenue from contracts measured under the PAA x 100</b>	<b>35.14%</b>	<b>33.23%</b>

**4.2 Results of Operations**

The results of the operation of the Scheme are set out in the financial statements and the Board of Trustees is of the opinion that no further clarification is required. The objectives, policies and procedures for managing insurance risk and the method used to manage those risks are included in Note 26 to the financial statements.

**4.3 Insurance contract liabilities**

Movements on the liability for incurred claims are set out in Note 11 to the financial statements. The basis of calculation of the liability for incurred claims is discussed in Note 26 to the financial statements.

**5. ACTUARIAL SERVICES**

The Scheme's actuaries have been consulted in the determination of the contribution and benefit levels, the outstanding claims provision as well as the IAS 19 retirement benefit obligations.

**6. RELATED PARTY TRANSACTIONS**

Refer to related parties disclosure in Note 23 to the financial statements, and trustee remuneration disclosure in Note 22 to the financial statements.

**7. CORPORATE GOVERNANCE**

The Scheme, through its Board, is committed to the principles of fairness, ethical conduct, integrity, accountability and good governance in all its dealings with stakeholders. The Scheme complies to aspects of good governance as espoused in the Medical Schemes Act and its regulations as amended.

During 2025, the Board relied on the committees listed below to oversee different aspects of the Scheme's operations. The committees do not assume the functions of management, these remain the responsibility of the Principal Officer and other members of senior management. Further information on each committee of the Board is provided below:

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**REPORT OF THE BOARD OF TRUSTEES**

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**7. CORPORATE GOVERNANCE (continued)**

**AUDIT COMMITTEE**

The Scheme has an Audit Committee in accordance with the provisions of the Medical Schemes Act.

The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of five members of which two are members of the Board of Trustees. The majority of the members, including the Chairperson, are not officers of the Scheme. The Principal Officer, Internal and External Auditors, attended all Audit Committee meetings except for three "in committee" meetings and have unrestricted access to the Chairperson of the Committee.

The Committee met four times during the year and comprised the following members:

G Nzalo	Independent member - Chairperson (term of office ended 26 June 2025)
T Boesch	Independent member (effective 26 June 2025)
M Brewis	Trustee member
S Mlangeni - CA(SA)	Independent member
S Thomas - CA(SA)	Independent member - Chairperson (term as chairperson effective 26 June 2025)
LD Jordaan	Trustee member

**RISK MANAGEMENT COMMITTEE**

The role of the Committee is to ensure that the Scheme has implemented an effective policy and plan for risk management that will enhance the Scheme's ability to achieve its strategic objectives and that disclosure regarding risk is comprehensive, timely and relevant. The Committee is mandated by the Board of Trustees by means of formal terms of reference as to its membership, authority and duties. The Principal Officer, Chairperson of the Audit Committee, and senior management attend meetings of the Committee.

The Committee held four meetings and two special meetings during the year and comprised the following members:

BE Legobye	Trustee member
L de Vries	Trustee member
LD Jordaan	Trustee member - Chairperson
M Slabbert	Trustee member
S Thomas - CA(SA)	Independent member

**INVESTMENT COMMITTEE**

The role of the Committee is to advise the Board of Trustees and Management on the best possible investment of the Scheme's resources available for that purpose, amendments to, or the re-investment of existing investments and possible steps that may be considered in respect of the investment of available funds. The Committee is mandated by the Board of Trustees by means of formal terms of reference as to its membership, authority and duties. The Principal Officer, senior management and Willis Towers Watson attend meetings of the Committee.

The Committee met four times during the year and comprised the following members:

A Hartzenberg	Trustee member - Chairperson
C Lombard	Trustee member
GS du Plessis - CA(SA)	Trustee member
L Shah	Trustee member
M Brewis	Trustee member

**REMUNERATION AND HUMAN RESOURCES COMMITTEE**

The role of the Committee is to ensure the remuneration policy and practices are regularly reviewed, that the Scheme remunerates the Board of Trustees, senior management and its employees fairly and responsibly and that disclosure of trustee and senior management remuneration is accurate, complete and transparent. The Committee is mandated by the Board of Trustees by means of formal terms of reference as to its membership, authority and duties.

The Committee met three times during the year and comprised the following members:

C Lombard	Trustee member
GS du Plessis - CA(SA)	Trustee member
M Slabbert	Trustee member
S Stevens	Independent member - Chairperson
TH du Buisson	Trustee member

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**7. CORPORATE GOVERNANCE (continued)**

**DISPUTES COMMITTEE**

The role of the Disputes Committee is to adjudicate medical aid claim related disputes concerning membership status and medical scheme benefits of a member that may arise against the Scheme. The Committee is mandated by the Board of Trustees by means of formal terms of reference as to its membership, authority and duties.

The Committee met twice during the year and comprised the following members:

C Green-Thompson	Independent member - Chairperson (term as chairperson effective 26 June 2025)
H van Rooyen	Independent member - Chairperson (term as chairperson ended 26 June 2025)
C Slump	Independent member

**SOCIAL AND ETHICS COMMITTEE**

The role of the Committee is to oversee and monitor, rather than be responsible for the implementation of operational responsibilities for which Executive Management is accountable. The Committee is mandated by the Board of Trustees by means of formal terms of reference as to its membership, authority and duties.

The Committee held three meetings and two special meetings during the year and comprised the following members:

A Hartzenberg	Trustee member
BE Legobye	Trustee member - Chairperson
L de Vries	Trustee member
L Shah	Trustee member
TH du Buisson	Trustee member

**INFORMATION TECHNOLOGY (IT) COMMITTEE**

The role of the Committee is to oversee and govern the Scheme's strategic investment in IT, data protection, and information management. The Committee is mandated by the Board of Trustees by means of formal terms of reference as to its membership, authority and duties.

The Committee held four meetings during the year and comprised the following members:

GS du Plessis - CA(SA)	Trustee member
BE Legobye	Trustee member
A Hartzenberg	Trustee member
LD Jordaan	Trustee member
U Exner	Independent member - Chairperson

**8. EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE**

No material events took place between the Statement of Financial Position as at 31 December 2025 and the date of this report.

**9. AMALGAMATIONS**

No amalgamations occurred in 2025.

**10. COUNCIL FOR MEDICAL SCHEMES: ANNUAL FINANCIAL STATEMENTS AND ANNUAL RETURN SUBMISSION**

As per the CMS Circular 13 of 2026 issued on 16th April 2026, The Scheme acknowledges that the submission date for the Financial Annual Statutory Return is 29 May 2026.

**11. BESTMED'S POSITION ON THE NHI**

The Scheme continues to remain abreast of developments and acknowledges and supports the importance of adopting Universal Healthcare principles and believe that all medical schemes have a fundamental role to contribute to what is a national imperative.

The Scheme is of the view that the public and private healthcare sectors can work together in providing quality healthcare to its citizens and is committed to continuous engagement and partnership with Government to collaboratively find a path that allows Schemes to continue to fulfil a meaningful role in the healthcare value chain, but also contribute to enabling access to high-quality healthcare into the future.

**12. KING V REPORT ON CORPORATE GOVERNANCE**

The Board is cognisant of the release of King V on the 31 October 2025 and will comply with the changes of the Code of Corporate Practices and Conduct as recommended effective from 01 January 2026.

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**REPORT OF THE BOARD OF TRUSTEES**

**13. TRUSTEE MEETING ATTENDANCE**

The following schedule sets out Board of Trustees meeting attendances and attendances by members of Board subcommittees. A quorum was present for all Board of Trustees' meetings held in 2025. Trustee remuneration is disclosed in Note 22 to the financial statements.

**A - Total possible number of meetings that could have been attended.**

**B - Actual number of meetings attended.**

Trustee member	Board Meetings		Audit Committee		Risk Committee		Investment Committee		Remuneration Committee		Social and Ethics Committee		IT Committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
M Brewis	7	6	4	4			4	4						
L de Vries	7	7			6	6					4	3		
TH du Buisson	7	7							3	3	4	4		
GS du Plessis	7	7					4	4	3	3			4	4
A Hartzenberg	7	7					4	4			4	4	4	4
L Jordaan	7	7	4	4	6	6					0*	1	4	4
BE Legobye	7	6			6	6					4	4	4	4
C Lombard	7	7					4	4	3	3				
M Slabbert	7	7			6	6			3	3				
L Shah	7	7					4	4			4	4		

Independent members	Audit Committee		Risk Committee		Remuneration Committee		Disputes Committee		IT Committee		Board Meetings	
	A	B	A	B	A	B	A	B	A	B	A	B
G Nzalo - CA(SA) - (Term of office ended 26 June 2025)	2	2										
T Boesch - CA(SA) - (Effective 26 June 2025)	2	2										
S Mlangeni - CA(SA)	4	4										
S Thomas - CA(SA) - Chairperson of Audit committee	4	4	6	6							0*	1
S Stevens					3	3						
C Green-Thompson							2	2				
H van Rooyen							2	2				
C Slump - Chairperson of Dispute committee							2	2				
U Exner - Chairperson of IT committee									4	4		

\*Attended as an invitee

Apologies were received in instances where Trustees and Independent Members were unable to attend a meeting.

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**REPORT OF THE BOARD OF TRUSTEES**

**14. OPERATIONAL STATISTICS PER BENEFIT OPTION**

<b>2025</b>	<b>Beat1</b>	<b>Beat2</b>	<b>Beat3</b>	<b>Beat3 Plus</b>	<b>Beat4</b>	<b>Pace1</b>	<b>Pace2</b>	<b>Pace3</b>	<b>Pace4</b>	<b>Rythm1</b>	<b>Rythm2</b>	<b>Total Scheme</b>
Members at 31 December	12,450	56,368	8,160	1,775	2,074	29,943	7,286	4,453	1,484	831	1,300	<b>126,124</b>
Average number of members for the accounting period	12,213	55,151	7,877	1,366	2,130	29,693	7,425	4,477	1,519	822	1,351	<b>124,023</b>
Dependants at 31 December	12,755	57,159	8,951	1,997	2,123	43,562	4,300	3,500	598	423	698	<b>136,066</b>
Average number of dependants for the accounting period	12,474	55,914	8,466	1,458	2,183	43,367	4,446	3,570	614	410	721	<b>133,622</b>
Average beneficiaries for the accounting period	24,686	111,065	16,343	2,824	4,313	73,059	11,871	8,046	2,133	1,232	2,073	<b>257,644</b>
Ratio of average dependants at 31 December	1.02	1.01	1.07	1.07	1.03	1.46	0.60	0.80	0.40	0.50	0.53	<b>1.08</b>
Average age of beneficiaries for the accounting period	37.46	32.17	38.33	36.24	47.95	35.54	59.16	59.52	68.15	34.21	49.44	<b>37.25</b>
Ratio of beneficiaries older than 65 years	10.96%	5.16%	14.66%	11.37%	27.47%	11.92%	50.83%	51.21%	71.13%	14.75%	32.53%	<b>12.78%</b>
Insurance revenue per average member per month	3,693	3,634	5,404	5,609	9,040	7,278	9,726	11,802	15,185	2,376	4,320	<b>5,539</b>
Insurance revenue per average beneficiary per month	1,827	1,805	2,605	2,712	4,464	2,958	6,083	6,566	10,814	1,585	2,817	<b>2,667</b>
Insurance service expenses per average member per month	3,373	3,407	4,944	5,690	7,928	6,152	9,859	12,367	15,615	2,553	5,420	<b>5,137</b>
Insurance service expenses per average beneficiary per month	1,669	1,692	2,383	2,752	3,915	2,500	6,167	6,881	11,121	1,704	3,534	<b>2,473</b>
Insurance service expenses as a percentage of insurance revenue	91.4%	93.7%	91.5%	101.5%	87.7%	84.5%	101.4%	104.8%	102.8%	107.5%	125.5%	<b>92.7%</b>
Relevant healthcare expenditure per average beneficiary per month	1,552	1,569	2,254	2,624	3,777	2,391	6,007	6,722	10,945	1,570	3,377	<b>2,350</b>
Relevant healthcare expenditure as a percentage of insurance revenue	85%	87%	86%	96%	84%	80%	98%	102%	101%	99%	120%	<b>88%</b>
Directly attributable insurance service expenses per average beneficiary per month	117	123	128	127	139	109	160	159	176	134	158	<b>123</b>
Directly attributable insurance service expenses as a percentage of insurance revenue	6.39%	6.83%	4.93%	4.70%	3.10%	3.69%	2.62%	2.42%	1.63%	8.47%	5.60%	<b>4.60%</b>

<b>2024</b>	<b>Beat1</b>	<b>Beat2</b>	<b>Beat3</b>	<b>Beat3 Plus</b>	<b>Beat4</b>	<b>Pace1</b>	<b>Pace2</b>	<b>Pace3</b>	<b>Pace4</b>	<b>Rythm1</b>	<b>Rythm2</b>	<b>Total Scheme</b>
Members at 31 December	11,940	52,979	7,981	747	2,323	29,620	7,738	4,609	1,608	714	1,448	<b>121,707</b>
Average number of members for the accounting period	11,494	51,403	7,988	659	2,390	29,629	7,904	4,650	1,635	657	1,487	<b>119,896</b>
Dependants at 31 December	11,973	54,269	8,414	766	2,417	43,812	4,803	3,805	668	344	794	<b>132,065</b>
Average number of dependants for the accounting period	11,490	52,884	8,364	699	2,474	43,873	4,940	3,872	684	313	832	<b>130,424</b>
Average beneficiaries for the accounting period	22,984	104,287	16,352	1,358	4,864	73,502	12,844	8,522	2,319	970	2,318	<b>250,320</b>
Ratio of average dependants at 31 December	1.00	1.03	1.05	1.06	1.04	1.48	0.62	0.83	0.42	0.48	0.56	<b>1.09</b>
Average age of beneficiaries for the accounting period	37.00	31.70	38.10	39.31	47.53	35.31	58.20	58.04	67.30	34.52	48.46	<b>36.81</b>
Ratio of beneficiaries older than 65 years	10.20%	4.70%	14.20%	15.07%	26.33%	11.47%	48.74%	48.15%	69.02%	13.71%	31.71%	<b>12.71%</b>
Insurance revenue per average member per month	3,252	3,238	4,759	5,002	8,052	6,497	8,704	10,501	13,471	2,029	3,923	<b>5,035</b>
Insurance revenue per average beneficiary per month	1,626	1,596	2,325	2,426	3,956	2,619	5,356	5,730	9,499	1,374	2,516	<b>2,412</b>
Insurance service expenses per average member per month	3,262	3,164	4,626	5,514	8,439	6,003	9,588	11,369	15,115	2,228	4,844	<b>5,011</b>
Insurance service expenses per average beneficiary per month	1,631	1,560	2,260	2,675	4,146	2,420	5,900	6,204	10,659	1,509	3,107	<b>2,400</b>
Insurance service expenses as a percentage of insurance revenues	100.3%	97.7%	97.2%	110.2%	104.8%	92.4%	110.2%	108.3%	112.2%	109.8%	123.5%	<b>99.5%</b>
Relevant healthcare expenditure per average beneficiary per month	1,517	1,440	2,133	2,549	4,030	2,313	5,745	6,049	10,485	1,376	2,960	<b>2,280</b>
Relevant healthcare expenditure as a percentage of insurance revenue	93%	90%	92%	100%	102%	88%	107%	105%	110%	101%	118%	<b>94%</b>
Directly attributable insurance service expenses per average beneficiary per month	115	120	127	126	115	107	155	155	174	132	147	<b>120</b>
Directly attributable insurance service expenses as a percentage of insurance revenue	7.06%	7.50%	5.47%	5.19%	2.92%	4.09%	2.90%	2.70%	1.83%	9.63%	5.85%	<b>4.97%</b>

**OPERATIONAL STATISTICS FOR THE SCHEME**

	<b>2025</b>	<b>2024</b>
Average accumulated funds per average member at 31 December	27,522	23,638
Average accumulated funds per average beneficiary at 31 December	13,248	11,322
Return on investments as a percentage of investments	8.59%	8.55%
Directly attributable and non-attributable expenses as a percentage of gross insurance revenue	6.42%	6.99%

**BESTMED MEDICAL SCHEME**  
**(Registration Number: 1252)**  
**REPORT OF THE BOARD OF TRUSTEES**

**15. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998, AS AMENDED**

NON-COMPLIANCE	NATURE AND CAUSE	MANAGEMENT ACTION
<p><b>Non-Compliance with S26(7) of the Medical Schemes Act &amp; Scheme Rule 13.2.1</b></p>	<p>Section 26(7) of the Medical Schemes Act states that Contributions must be received within three days of becoming due.</p> <p>Furthermore Scheme rule 13.2.1 stated that Subscriptions shall be due monthly in advance, or in arrears as shall be determined and approved by the Scheme, on the following dates:            13.2.1.1 On the 20th (twentieth); or            13.2.1.2 On the 25th (twenty-fifth); or            13.2.1.3 On the 1st (first); or            13.2.1.4 As agreed upon between the Scheme and an Employer,            and be payable by not later than the 3rd (third) day after each respective due date of each month.</p> <p>There were instances whereby the Scheme, in absence of any agreement or understanding received contributions more than 3 days after due date.</p>	<p>Employer group discrepancies are actively monitored and rectified on a monthly basis,</p>
<p><b>Non-compliance with Section 59(2) of the Medical Schemes Act &amp; Scheme Rule 16.3</b></p>	<p>Section 59(2) of the Medical Schemes Act states the following: "A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme".</p> <p>Furthermore Scheme rule 16.3 states the following:            Subject to the respective provisions of Rules 12.7, 17.2 and 17.4, the Scheme shall, where an account has been correctly rendered, pay any benefit that is due to a Member, either to that Member or to the supplier of the relevant health service who rendered the account, within 30 (thirty) days after the date of receipt of the claim pertaining to such benefit.</p> <p>Instances were identified where claims were paid 30 Days after the day on which the claim was received by the scheme.</p>	<p>Claims are paid bi-weekly and where further investigation is required, this could result in the claim being paid after 30 days from notification</p>
<p><b>Non-compliance with Section 33(2)(b) of the Medical Schemes Act</b></p>	<p>Section 33(2)(b) of the Medical Schemes Act states the following: 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 will not jeopardise the financial soundness of any existing benefit option within the medical scheme.</p> <p>During the year under review four benefit options of the Scheme, namely Beat 3 Network, Rhythm 1, Rhythm 2 and Pace 3 incurred a Net Deficit.</p>	<p>The Scheme monitors the results of all options and evaluates different strategies to improve the financial outcomes of all options. The strategy on sustainability of options must balance short and long-term financial considerations, with fairness to both healthy and sick members and with continued affordability of cover for members on different levels of income and needs. The Scheme remains committed to comply with the applicable legislation, as far as possible, but also focuses on the overall stability and financial position of the Scheme as a whole and not only on individual options.</p>
<p><b>Non-compliance with Section 35(6)(a) of the Medical Schemes Act</b></p>	<p>Section 35(6)(a) states that "A medical scheme shall not encumber its assets            The Scheme registered as a financial service provider with the Financial Sector Conduct Authority (FSCA). Registration number 44058. The FSCA required a guarantee of R1 million in terms of section 8(7) of the FSCA Board notice 106 of 2008.            The terms of the Scheme building lease agreement required a guarantee to an amount of R2 523 036.</p>	<p>The Scheme obtained CMS exemption for guarantees in respect of the FSCA for the duration of the guarantee and building lease (until 31 December 2025)</p>

**BESTMED MEDICAL SCHEME**  
**(Registration Number: 1252)**  
**REPORT OF THE BOARD OF TRUSTEES**

**15. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998, AS AMENDED (continued)**

<b>NON-COMPLIANCE</b>	<b>NATURE AND CAUSE</b>	<b>MANAGEMENT ACTION</b>
<b>Non-compliance with Section 35(8)(a), (c) and (d) of the Medical Schemes Act</b>	<p>Section 35(8) of the Medical Schemes Act states that "A medical scheme shall not invest any of its assets in the business of or grant loans to</p> <p>(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 above.</p> <p>Due to some of the Scheme's employer groups being listed on the JSE, investments were made in a certain number of its employer groups listed on the JSE through the portfolios of the investment products the Scheme utilises. This is also applicable to a JSE listed medical scheme administrators groups.</p>	<p>The CMS has granted the Scheme an exemption from section 35(8)(a), (c) and (d) of the Medical Schemes Act until 31 December 2028.</p>
<b>Non-compliance with Section 65 (2) of the Medical Schemes Act and Regulation 28</b>	<p>Section 65 of the Medical Schemes Act states the following: A medical scheme may compensate any person, in cash or otherwise, in accordance with its rules, for the introduction or admission of a member to that medical scheme.</p> <p>(2) The Minister may prescribe the amount of the compensation which, the category of persons to whom, the conditions upon which, and any other circumstances under which, a medical scheme may compensate any person in terms of subsection(1). Circular 2 of 2025, provides that the maximum amount payable in terms of Section 65 of the Medical Scheme Act is R121,84 plus VAT.</p> <p>An instance was identified, where commission amount paid to the broker was not VAT inclusive, and another where the commission was not paid at all, as per Circular 2 of 2025 and in accordance with Section 65 of the Medical Schemes Act.</p>	<p>These were oversights and isolated instances which have been corrected.</p>
<b>Non-Compliance with Regulation 8 of the Medical Scheme Act &amp; Scheme Rule 13.5.4</b>	<p>Regulation 8 of the Medical Schemes Act No 31 of 1998, as amended, states the following:</p> <p>"(1) Subject to the provisions of the regulation, any benefit option that is offered by a Medical Scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions".</p> <p>Furthermore Rule 13.5.4 of the Scheme Rules states that: "The balance standing to the credit of a Member in terms of any option which provides for individual medical savings accounts shall be for the exclusive benefit of the Member and his Dependents: Provided that such savings account; shall not be used to pay for the costs of prescribed minimum benefits".</p> <p>An instance was identified where a prescribed minimum benefit "PMB" claim was incorrectly paid from savings.</p>	<p>Reversal to savings was subsequently effected after investigating the nature of the claim.</p>
<b>Non-compliance with Section 28(c) of the Medical Schemes Act</b>	<p>Section 28(c) of the Medical Schemes Act states that no person shall claim or accept benefits in respect of himself or herself or any dependant from any medical scheme other than the medical scheme of which he or she is a member or a dependant.</p> <p>An instance was identified where a membership was activated in the incorrect period and medicine claims erroneously paid as a consequence.</p>	<p>The membership was subsequently updated and the member requested to refund the Scheme.</p>

## Independent Auditor's Report

To the Members of Bestmed Medical Scheme

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Bestmed Medical Scheme (the Scheme), set out on pages 18 to 62, which comprise the statement of financial position as at 31 December 2025, the statement of profit and loss and comprehensive income, and the statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Bestmed Medical Scheme as 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 and the requirements of the Medical Schemes Act of South Africa.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code), as applicable to audits of financial statements of public interest entities, 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.

In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette No. 49309 dated 15 September 2023 (EAR Rule), we report:

#### Final Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the nature and extent of our audit work and in evaluating the results of our work.



Managing Partner: ML Tshabalala

A full list of partners and directors is available on request

**B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice**

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Materiality:</b>	R82 million (2024: R72 million).
<b>How we determined it:</b>	1% of Insurance revenue for the year. The insurance revenue balance is Gross Insurance Revenue less Personal Medical savings contributions.
<b>Rationale for the materiality benchmark applied:</b>	A key judgement in determining materiality is the determination of the appropriate benchmark to use which should be based on our understanding of the needs of the users of the financial statements. We have determined the users of the financial statements to be the members of Bestmed Medical Scheme. We chose insurance revenue as the primary benchmark as it is the benchmark against which the performance of the Scheme is measured by users.

### Key Audit Matters

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

In terms of the EAR Rule, we are required to report the outcome of audit procedures or key observations with respect to the key audit matters and these are included below.

<b>Key audit matter Note 11 of the Annual Financial Statements</b>	<b>How the matter was addressed in the audit</b>
<p>Valuation of the liability for incurred claims ("LIC") included in the Insurance Contract Liability.</p> <p>The Insurance Contract Liability as per Note 11 is made up of the following 3 components:</p> <ul style="list-style-type: none"> <li>• The Present Value of Future Cash Flows of R1 739 013 800 (2024: R1 687 743 864)</li> <li>• The Risk adjustment of R9 648 858 (2024: R9 912 533); and</li> <li>• The Liability for remaining coverage of R35 801 448 (2024: R49 726 623) recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but that were only reported to the Scheme after year-end.</li> </ul> <p>The provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme and the Risk adjustments (RA) are components that make up the liability for incurred claims ("LIC").</p> <p>The LIC includes the component recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but are only reported to the Scheme after year-end. The LIC also includes a risk adjustment for non-financial risk.</p> <p>The determination of the provision for the estimated costs of healthcare benefits that have occurred before the year end but have not been reported to the Scheme by that date, requires the Scheme's Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date.</p>	<p>We obtained an understanding from the Scheme's actuaries regarding the process followed in calculating the provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme and the Risk Adjustment for Non-financial Risk.</p> <p>We evaluated the calculations approved by the board of trustees and performed procedures which included:</p> <ul style="list-style-type: none"> <li>• Considering the design and implementation of the Scheme's key controls within the provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme process and RA calculation though gaining an understanding of the end-to end claims and LIC provision business process.</li> <li>• Evaluated the competence, capabilities, and objectivity of the Scheme's actuary.</li> <li>• We obtained the report of the Scheme's actuary relating to the provision at year end and tested the appropriateness of the estimate as follows: <ul style="list-style-type: none"> <li>○ Obtained an understanding of the method and models used in calculating the provision estimate. With the assistance of our actuarial specialists, we assessed the appropriateness of the methodology and assumptions used in determining the provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme and RA components in terms of acceptable methodologies, industry standards, and that they meet the measurement objectives of IFRS 17.</li> </ul> </li> </ul>

<p>This is an estimate of the future payments to be made on claim events that have taken place during the reporting period but have yet to be reported and paid.</p> <p>The calculation is based on a number of factors which include:</p> <ul style="list-style-type: none"> <li>• Previous experience in claims patterns;</li> <li>• Claims settlement patterns;</li> <li>• Changes in the nature and number of members according to gender and age;</li> <li>• Trends in claims frequency.</li> <li>• Changes in the claims processing cycle;</li> <li>• Variations in the nature and average cost per claim; and</li> <li>• Other factors such as expectations of future events that are believed to be reasonable to be taken into account in the valuation of the provision for the estimated costs of healthcare benefits that have occurred before the year end but have not been reported to the scheme by that date.</li> </ul> <p>Under IFRS 17, Insurance Contracts (“IFRS 17”), a risk adjustment reflects the compensation that the entity requires for bearing the uncertainty for the amount and the timing of the cashflows that arise from non-financial risk during the coverage period. The RA is principle-based and exhibits the following main properties:</p> <ul style="list-style-type: none"> <li>• Reflects risks and uncertainty as viewed by the Scheme;</li> <li>• Considers all aspects of non-financial risk and uncertainty; and</li> </ul> <p>Excludes financial risks, such as investment returns (cash flows not directly tied to contract).</p> <p>The abovementioned factors require judgement and assumptions to be made by the Scheme’s Trustees and therefore accordingly, for the purposes of our audit, we identified the valuation of the provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme and the RA for Non-financial Risk as representing a key audit matter.</p>	<ul style="list-style-type: none"> <li>○ Our audit specialist performed an independent calculation of the estimate of the provision by utilising historical claims data and trends and using this estimate as a basis of assessing the reasonableness of the board of trustees’ estimate of the provision.</li> <li>○ On a sample basis we tested the integrity of the information used in the calculation of the estimated future cash flows included in the provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme and the RA applied, by performing substantive procedures to test the accuracy and completeness of data used in the determination of the estimation of future cash flows and the RA.</li> <li>• Assessed the presentation and disclosure in respect of the LIC provision and considered the adequacy of these disclosures against the requirements of IFRS17 and relevant industry guidance.</li> </ul> <p>Based on the procedures performed above, we are satisfied that the methodology and assumptions applied in calculating the provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme and RA components of the LIC are appropriate.</p>
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## Other Information

The Scheme’s trustees are responsible for the other information. The other information comprises the information included in the document titled “Bestmed Medical Scheme Financial Statements for the year ended 31 December 2025”, which includes the Statement of Responsibility by the Board of Trustees, Statement of Corporate Governance by the Board of Trustees and the Report of the Board of Trustee as required by the Medical Schemes Act of South Africa. The other information does not include the financial statements and our auditor’s report thereon.

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

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

## **Responsibilities of the Scheme's Trustees for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.
- Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

## Report on Other Legal and Regulatory 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 the Deloitte firm has been the auditor of Bestmed Medical Scheme for 5 years.

The engagement associate director Ilze De Villiers has been responsible for Bestmed Medical Scheme's audit for 1 year.

Signed by:  
  
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Deloitte & Touche  
Per: Ilze De Villiers  
Associate Director  
Registered Auditor

08 May 2026

5 Magwa Crescent  
Waterfall City  
2090

**BESTMED MEDICAL SCHEME**  
(Registration Number: 1252)

**STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2025**

	Notes	2025 R	2024 R
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>3,218,054,508</b>	<b>2,663,484,049</b>
Property and equipment	2	27,953,281	27,716,222
Intangible assets	3	20,892,143	21,989,333
Lease assets	5	78,443,253	11,249,062
Financial assets at fair value through profit or loss	4(a)	2,372,824,315	2,063,840,727
Financial assets at fair value through other comprehensive income	4(b)	717,941,516	538,688,705
<b>Current assets</b>		<b>3,292,029,027</b>	<b>2,763,290,905</b>
Financial assets at fair value through profit or loss		2,748,610,792	2,369,795,080
Scheme	4(a)	1,737,771,765	1,435,358,236
Personal medical savings account trust monies invested	4(a)	1,010,839,027	934,436,843
Trade and other receivables	6	32,224,712	29,411,008
Reinsurance contract assets	9	7,910,931	6,527,128
Cash and cash equivalents		503,282,592	357,557,688
Scheme	8	56,440,563	16,960,129
Personal medical savings account trust monies invested	8	446,842,029	340,597,559
<b>Total assets</b>		<b>6,510,083,535</b>	<b>5,426,774,954</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Non-current liabilities</b>		<b>4,663,563,546</b>	<b>3,565,199,783</b>
Insurance liability attributable to members for future benefits	11	4,588,214,682	3,556,132,204
Retirement benefit obligations	10	7,978,316	7,614,915
Lease liability	5	67,370,548	1,452,663
<b>Current liabilities</b>		<b>1,846,519,989</b>	<b>1,861,575,172</b>
Insurance liability attributable to members for future benefits	11	-	63,435,925
Insurance liability for current members	11	1,784,464,106	1,747,383,021
Reinsurance contract liabilities	9	3,290,149	2,591,612
Lease liability	5	14,269,585	12,613,057
Trade and other payables	12	44,496,150	35,551,558
<b>Total funds and liabilities</b>		<b>6,510,083,535</b>	<b>5,426,774,954</b>

**BESTMED MEDICAL SCHEME**  
(Registration Number: 1252)

**STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025**

	Notes	2025 R	2024 R
<b>Insurance revenue</b>	13	<b>8,244,265,191</b>	<b>7,244,488,100</b>
Insurance service expense*	13	(7,645,086,363)	(7,209,639,226)
Net claims incurred**		(7,265,468,645)	(6,849,622,396)
Risk claims incurred		(7,143,390,631)	(6,660,143,312)
Third party claims recoveries		278,037	700,491
Accredited managed healthcare services		(174,637,850)	(169,582,188)
Hospital benefit management services		(61,654,598)	(51,685,437)
Pharmacy benefit management services		(82,751,260)	(86,276,884)
Managed care network management services & risk management		(10,180,398)	(13,900,171)
Active disease risk management		(20,051,593)	(17,719,695)
Changes that relate to past service - adjustments to the LIC		52,281,798	(20,597,387)
Insurance acquisition cash flow**		(173,706,186)	(156,001,666)
Attributable maintenance expenses**		(205,911,532)	(204,015,164)
Net income/(expenses) from reinsurance contracts held		17,036,019	22,132,335
Reinsurance expenses from reinsurance contracts held	9	(114,502,518)	(100,805,766)
Reinsurance income from reinsurance contracts held	9	131,538,537	122,938,101
<b>Insurance service result</b>	13	<b>616,214,847</b>	<b>56,981,209</b>
Net finance expenses from insurance contracts issued - PMSA	17	(105,094,748)	(105,466,847)
<b>Other income</b>		<b>527,465,066</b>	<b>457,124,357</b>
Investment income		526,012,445	456,972,703
Scheme	15	420,917,697	351,505,856
Net personal medical savings account trust monies invested	17	105,094,748	105,466,847
Sundry income	16	1,452,621	151,654
<b>Other expenditure</b>		<b>(255,231,876)</b>	<b>(244,246,041)</b>
Non-attributable expenses	14	(244,250,437)	(236,038,984)
Interest expense	18	(4,992,468)	(2,013,179)
Asset management fees	19	(5,988,971)	(6,193,878)
<b>Net surplus before amounts attributable to members for future benefits</b>		<b>783,353,289</b>	<b>164,392,677</b>
Transfer (to)/from liability to members for future benefits		(783,353,289)	(164,392,677)
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(0)</b>	<b>0</b>
<b>Other comprehensive income</b>		<b>185,293,263</b>	<b>41,705,580</b>
<b>Items that will not be reclassified to profit and loss</b>		<b>185,293,263</b>	<b>41,705,580</b>
Unrealised gains/(losses) on equity instruments designated at FVOCI	15 (c)	168,493,028	30,651,314
Cumulative gains upon disposal of equity instruments designated at FVOCI	15 (c)	16,800,235	11,054,266
<b>Items that will be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>
<b>Amounts attributable to members for future benefits</b>		<b>(185,293,263)</b>	<b>(41,705,580)</b>
<b>TOTAL COMPREHENSIVE RESULT FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>RELEVANT HEALTHCARE EXPENDITURE**</b>	13	<b>7,248,432,626</b>	<b>6,827,490,060</b>

\* Insurance service expenses in accordance with IFRS 17 include amounts attributable to members for future benefits, the total value of insurance service expenses therefore amounts to R167 138 442 (2024: R107 411 468).

\*\* As required by CMS Circular 32 of 2025, "relevant healthcare expenditure" is presented as a separate line item and comprises net claims incurred, accredited managed healthcare services (no transfer of risk), and net income/(expense) from risk transfer arrangements/reinsurance. This resulted in a representation of the prior year affected line items which were previously disclosed in Note 13.

**BESTMED MEDICAL SCHEME**  
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**STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 DECEMBER 2025\***

		<b>Investment at fair value through other comprehensive income R</b>	<b>Total R</b>
<b>Balance as at 1 January 2024</b>		<b>34,831,776</b>	<b>34,831,776</b>
Other comprehensive income		30,651,314	30,651,314
Unrealised (losses)/gains on equity instruments designated at FVOCI	15 (c)	30,651,314	30,651,314
Cumulative gains/(losses) upon disposal of equity instruments designated at FVOCI	15 (c)	11,054,266	11,054,266
Cumulative gains/(losses) on equity instruments designated at FVOCI transferred to liability to members for future benefits		(11,054,266)	(11,054,266)
<b>Balance as at 31 December 2024</b>		<b>65,483,090</b>	<b>65,483,090</b>
Other comprehensive income		168,493,028	168,493,028
Unrealised (losses)/gains on equity instruments designated at FVOCI	15 (c)	168,493,028	168,493,028
Cumulative gains/(losses) upon disposal of equity instruments designated at FVOCI	15 (c)	16,800,235	16,800,235
Cumulative gains/(losses) on equity instruments designated at FVOCI transferred to liability to members for future benefits		(16,800,235)	(16,800,235)
<b>Balance as at 31 December 2025</b>		<b>233,976,118</b>	<b>233,976,118</b>

\*As required by CMS Circular 42 of 2025, the Statement of Changes in Reserves has been represented to include the disclosure relating to 2024.

**BESTMED MEDICAL SCHEME**  
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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025**

	Notes	2025 R	2024 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from members	21	8,216,840,725	7,247,084,691
Cash receipts/(payments) from members and providers - other loans and receivables	21	(3,111,908)	2,888,555
Cash paid for claims, acquisition and directly attributable expenses	21	(7,641,550,888)	(6,890,189,668)
Cash paid to providers and employees - non-attributable expenses	21	(186,896,498)	(211,078,711)
Cash payments to reinsurers	21	(115,187,783)	(93,073,587)
Increase in personal savings account liabilities	21	97,672,122	55,378,962
Cash generated from/(utilised in) operations		<u>367,765,771</u>	<u>111,010,241</u>
Interest paid		(32,985,281)	(28,138,165)
Scheme	18	(4,992,468)	(2,013,179)
Net finance expenses from insurance contracts issued - PMSA	17	(27,992,813)	(26,124,985)
<b>Net cash generated from/(utilised in) operating activities</b>		<u><b>334,780,490</b></u>	<u><b>82,872,076</b></u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for financial assets		(5,193,589,733)	(5,463,583,743)
Proceeds from sale of financial assets		5,006,110,000	5,407,000,000
Purchase of personal medical savings trust financial assets		699,751	(323,919)
Purchase of property and equipment	2	(12,329,748)	(7,706,899)
Proceeds from disposal of property and equipment	2	83,654	205,342
Purchase of intangible assets	3	(2,720,141)	(4,772,573)
Interest income		31,033,581	29,475,170
Scheme	15	3,040,768	3,350,184
Net finance expenses from insurance contracts issued - PMSA	17	27,992,813	26,124,985
<b>Net cash flows (utilised in)/generated from investing activities</b>		<u><b>(170,712,636)</b></u>	<u><b>(39,706,622)</b></u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Principal element of lease payments	5	(18,342,950)	(22,065,938)
<b>Net cash flows utilised in financing activities</b>		<u><b>(18,342,950)</b></u>	<u><b>(22,065,938)</b></u>
Net increase in cash and cash equivalents		145,724,903	21,099,516
Cash and cash equivalents at beginning of year		357,557,688	336,458,172
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><b>503,282,592</b></u>	<u><b>357,557,688</b></u>
<b>CASH AND CASH EQUIVALENTS</b>		<u><b>503,282,592</b></u>	<u><b>357,557,688</b></u>
Scheme	8	56,440,563	16,960,129
Personal medical savings account trust monies invested	8	446,842,029	340,597,559

**BESTMED MEDICAL SCHEME**  
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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

**1. ACCOUNTING POLICIES**

**1.1 BASIS OF PREPARATION**

Bestmed Medical Scheme is an open medical scheme registered under the Medical Schemes Act 131 of 1998, as amended. The Scheme is self-administered and offers the insurance of hospital, chronic illness and day-to-day cover benefits.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgement, or areas where estimates are material to the financial statements, are disclosed under 1.3.

The financial statements are prepared on a going concern basis using the historical cost convention, except for certain financial assets and liabilities which include:

- \* Financial assets at fair value through profit & loss;
- \* Financial assets at fair value through other comprehensive income;
- \* Financial instruments classified as originated loans carried at amortised cost;
- \* Insurance assets and liabilities; and
- \* Retirement benefit obligation.

All monetary information and figures presented in these financial statements are stated in Rand, unless otherwise indicated.

**The following amended standards are expected to be applicable to the Scheme in future periods:**

The Scheme has not early adopted these standards and it is not expected that they will have any material impact to the Scheme's results but may result in additional disclosure in the financial statements.

<b>International Financial Reporting Standards and amendments issued but not effective for 31 December 2025 year-end relevant to the Scheme</b>			
<b>Number</b>	<b>Effective date</b>	<b>Executive summary</b>	<b>Impact</b>
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	1 January 2026	The amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities. The amendments make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	Not material to the Scheme.
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027	The new IFRS Accounting Standard IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 Presentation of Financial Statements. The standard will improve the quality of financial reporting by: - requiring 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.	Not material to the Scheme.

**1.2 SIGNIFICANT JUDGEMENTS AND ESTIMATES IN APPLYING IFRS 17**

In the process of adopting IFRS 17, the Board of Trustees has made a number of judgements and estimates that had the most significant effect on the amounts recognised in the financial statements.

**(i) Significant judgements**

**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.

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

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

The rules of the Scheme do not contain specific guidance on how the assets of the scheme should be distributed on liquidation. The Act prohibits the disposal of assets of a medical scheme except in limited, listed circumstances, one of them being the liquidation of the scheme. Members can opt for voluntary liquidation and can distribute the scheme's remaining assets amongst themselves. As Bestmed 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" (IFRS 17.2). Therefore, based on customary business practices, the remaining assets of Bestmed 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, Bestmed meets the definition of a mutual entity in IFRS.

Bestmed 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 insurance liability attributable 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 insurance liability attributable to members for future benefits are included in the insurance service expenses line.

1. ACCOUNTING POLICIES (continued)

1.2 SIGNIFICANT JUDGEMENTS AND ESTIMATES IN APPLYING IFRS 17 (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 their portfolio as the scheme as a whole due to the holistic pricing methodologies and risk management strategy that manages the risk on a scheme level.

The above is demonstrated by the following:

- \* All contracts - regardless of option - cover similar risks on the basis that they all provide cover for medical / health risk.
- \* 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.
- \* Reinsurance contracts are based on services to be rendered 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.

The Scheme has decided to apply the exemption to grouping as allowed by IFRS 17 paragraph 20 as the Medical Scheme Act (MSA) regulation specifically constrains the scheme's practical ability to set different prices for members with different characteristics. As such, Bestmed does not group contracts in various profitability groupings.

In order to determine whether the group of contracts is onerous, the Scheme will consider applicable facts and circumstances, including information available from their budgeting model, with an allowance for the existing accumulated member funds, budgeted contributions, claims and IFRS 17 attributable expenses, as well as an allowance for the risk adjustment.

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

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Scheme requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as it fulfils insurance contracts. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Schemes' degree of risk aversion. The Scheme estimates an adjustment for non-financial risk separately from all other estimates. The risk adjustment is included in the LIC and disclosed separately from the outstanding claims provision within the LIC.

The risk adjustment was calculated at the portfolio level as the Scheme doesn't 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 Scheme does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The methods and assumptions used to determine the risk adjustment for non-financial risk were consistently applied in the 2024 and 2023 financial years for the purpose of IFRS 17 implementation.

**(ii) Methods used and judgements applied in determining the IFRS 17 transition amounts**

The Scheme has adopted IFRS 17 retrospectively, applying the full retrospective approach.

The Scheme has determined that reasonable and supportable information was available for all contracts in force at the transition date. In addition, all insurance contracts are eligible for the Premium Allocation Approach and therefore the Scheme has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable.

Accordingly, the Scheme has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied and recognised any resulting net difference in reserves.

**(iii) 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. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to note 27.

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

Included in the measurement of the group of contracts are all the future cash flows within the boundary of the group of 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 scenarios representing the probability weighted mean of a full 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.

**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 method 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 that is not yet fully developed to produce an estimated ultimate claims cost for each healthcare year. The chain ladder method is the most appropriate for this claim pattern.

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

The following was taken into account when estimating the LIC:

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

**BESTMED MEDICAL SCHEME**  
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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

**1. ACCOUNTING POLICIES (continued)**

**1.3 CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the process of applying the Scheme's accounting policies, the Board of Trustees has made a number of judgements that had the most significant effect on the amounts recognised in the financial statements.

Certain critical accounting judgements in applying the Scheme's accounting policies and key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date, are discussed below:

**(a) Insurance contract assets**

Detailed disclosure of judgements on insurance contracts is made under Note 11.

**(b) Liability for incurred claims**

There are some sources of uncertainty that need to be considered in the estimate of the liability that the Scheme will ultimately pay for such claims. Provisions for such liabilities are made by the Actuaries, and derived as the claims process develops. All estimates are revised and adjusted at year-end by management. Details are disclosed under Note 11.

**(c) Risk adjustment**

Detailed disclosure of risk adjustment is made under Note 11.

**(d) Reinsurance contracts assumptions**

Detailed disclosure of the reinsurance contracts assumptions is made under Note 9.

**(e) Post-retirement medical benefits**

The Scheme provides post-retirement healthcare benefits to retired employees. An independent qualified actuary carries out valuations of the obligations on an annual basis. Details are disclosed under Note 10.

**1.4 PROPERTY AND EQUIPMENT**

Property and equipment are reflected at cost less accumulated depreciation and accumulated impairments. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Scheme and the cost of the item can be measured reliably. Depreciation is charged on the straight-line basis over the estimated useful lives of the assets after taking into account the assets' residual values. The estimated maximum useful lives are:

Furniture	10 years
Leasehold Improvements	Between 5 and 7 years
Computer equipment	Between 3 and 6 years
Office equipment	Between 3 and 5 years
Medical equipment	10 years
Motor vehicles	5 years
Security equipment	5 years
Telephone system	3 years

The useful lives and residual values are assessed annually and adjusted appropriately. Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are expensed in the statement of comprehensive income.

Surpluses and deficits on the disposal of property and equipment are recognised in profit/loss in the statement of comprehensive income.

Carrying amounts of all items of property and equipment are reduced to their recoverable amount, where this is lower than the carrying amount. Where components of an item of property and equipment have different useful lives, they are accounted for as separate items.

**1.5 INTANGIBLE ASSETS**

**Computer software internally developed**

Costs associated with researching or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Scheme are recognised as intangible assets when the following criteria are met as per IAS38:

- \* It is technically feasible to complete the software product so that it will be available for use;
- \* Management intends to complete the software product and use or sell it;
- \* There is an ability to use or sell the software product;
- \* It can be demonstrated how the software product will generate probable future economic benefits;
- \* Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- \* The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as expenses as and when incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

Intangible assets that have an indefinite useful life or that are not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Intangible assets are reflected at cost less accumulated amortisation and accumulated impairments. Amortisation begins once the assets are ready for use or to sell on the straight-line basis over the estimated useful lives of the assets after taking into account the assets' residual values. The useful life of intangible assets is estimated to be 10 years.

**1.6 CLASSIFICATION, RECOGNITION, PRESENTATION AND DERECOGNITION OF FINANCIAL INSTRUMENTS**

A Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and liabilities are recognised on the Scheme's statement of financial position when it becomes a party to the contractual provisions of the instrument. The Scheme has grouped its financial instruments into the following classes:

- \* Financial assets;
- \* Cash and cash equivalents; and
- \* Trade and other payables.

**1. ACCOUNTING POLICIES (continued)**

**1.7 FINANCIAL ASSETS: INITIAL AND SUBSEQUENT MEASUREMENT**

**Definition and classification**

The Scheme classifies its financial assets in the following categories: at fair value through profit or loss, at fair value through other comprehensive income and amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are not reclassified subsequent to their initial measurement unless the scheme changes its business model for managing financial assets, in which cases all affected financial assets are reclassified in the first day of the first reporting period following the change in the business model.

**(a) Financial assets at fair value through other comprehensive income (FVOCI)**

Equity instruments which are not held for trading, and which the Scheme has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Scheme considers this classification to be more relevant.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

**(b) Financial assets at fair value through profit or loss (FVTPL)**

Debt investments that do not qualify for measurement at either amortised cost or fair value through other comprehensive income.

Equity investments that are held for trading and equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

**(c) Amortised cost (AC)**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

**(d) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Scheme's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

The Scheme holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

**Recognition and measurement**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Scheme commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Scheme has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Scheme measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

**Subsequent measurement**

Despite the foregoing, the Scheme may make the following irrevocable election/designation at initial recognition of a financial asset:

The Scheme may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

The Scheme may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

**(a) Debt instruments**

Subsequent measurement of debt instruments depends on the Scheme's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Scheme classifies its debt instruments, i.e. AC, FVOCI and FVTPL.

**(b) Equity instruments**

The Scheme subsequently measures all equity investments at fair value. Where the Scheme's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Scheme's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**Derecognition**

The Scheme derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Scheme neither transfers nor retains substantially all the risks and 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. If the Scheme retains substantially all the risks and rewards of ownership of a transferred financial asset, the Scheme continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Derecognition of an investment in an equity instrument which the group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to insurance liability attributable to members for future benefits.

**1. ACCOUNTING POLICIES (continued)**

**1.7 FINANCIAL ASSETS: INITIAL AND SUBSEQUENT MEASUREMENT (continued)**

**Impairment of financial assets**

Debt instruments that are measured subsequently at amortised cost are subject to impairment. In relation to the impairment of financial assets an expected credit loss model is required. The expected credit loss model requires the Scheme to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The loss allowance for a financial instrument is calculated at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Scheme is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

In addition, IFRS 9 requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables. The current model adapted by the Scheme approximates the IFRS 9 method in computing the provision for impairment.

**1.8 TRADE AND OTHER RECEIVABLES**

The Scheme holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables do not contain a significant financing component and therefore are not subject to impairment.

**1.9 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 equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of twelve months or less from the date of acquisition.

**1.10 IMPAIRMENT OF NON-FINANCIAL ASSETS**

Assets that have an indefinite useful life – intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**1.11 INSURANCE CONTRACTS LIABILITIES**

**Definition and classification**

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

All contracts currently issued by Bestmed meet this definition.

**Unit of account**

Before the Scheme accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct services other than insurance contract services.

While the Scheme has identified that the Member Savings Accounts meet the definition of Investment Components under IFRS 17, these are non-distinct and as such Bestmed does not have any contracts that require further separation or combination of insurance contracts and thus all components of the contracts are measured under IFRS 17.

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

The portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts).

The Scheme has decided to apply the exemption to grouping as allowed by IFRS 17 paragraph 20 as the MSA regulation specifically constrains the scheme's practical ability to set different prices for members with different characteristics. As such, Bestmed does not group contracts in various profitability groupings.

**1. ACCOUNTING POLICIES (continued)**

**1.11 INSURANCE CONTRACTS LIABILITIES (continued)**

**Contract boundary**

Bestmed uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the member is obligated to pay contributions or

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

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

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

The Scheme has assessed all its contracts and determined all contracts have a boundary of one month with an annual option benefit entitlement. The annual option benefit entitlement coincides with the Scheme's financial year.

**Recognition and derecognition**

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

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

No insurance contracts have been acquired in a business combination within the scope of IFRS 3 or a portfolio transfer.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

An insurance contract is derecognised when it is:

- extinguished (i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- if the terms are modified due to an agreement between the Scheme and its member or by regulation and the modification terms meet the requirement in IFRS 17.72.

If the modification does not comply with all the requirements of IFRS 17.72 the Scheme shall treat the changes in cash flow as changes in estimates of fulfilment cash flows (FCF).

**Initial and subsequent measurement**

The insurance contract liabilities consist of two components:

- a. the insurance liability attributable to current members.
- b. the insurance liability attributable to members for future benefits.

**(a) Insurance contract liability attributable to current members**

The Scheme uses the Premium Allocation Approach (PAA) for all its contracts. The basis for this is that the coverage period of all contracts is 1 year or less.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are expensed as they are incurred.

For insurance contracts issued, on initial recognition, the carrying amount of the group of insurance contracts issued at each reporting period is the sum of:

- a. the liability for remaining coverage; and
- b. the liability for incurred claims, comprising the fulfilment cashflows (future cashflows adjusted for the risk adjustment for non-financial risk).

For insurance contracts issued, on initial recognition, the Scheme measures the liability for remaining coverage (LRC) at the amount of contributions received.

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.

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

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

For insurance contracts issued, at each of the subsequent reporting dates, the insurance liability attributable to current members (the LIC) is:

- a. present value of future cash flows; and
- b. risk adjustment for non-financial risk.

Refer to 1.2 above for the significant judgements and estimates used to determine the LIC and the estimates to determine the fulfilment cash flow.

Where a group of insurance contracts has contributions receivables that relate to past service – or contributions payable in respect of reinsurance contracts held – these amounts are transferred to the LIC from the LRC.

The Scheme does not adjust the LRC or LIC for insurance contracts issued for the effect of the time value of money, because contributions are due within one year of providing coverage and claims are settled within 1 year of services being provided.

The personal medical saving accounts (PMSA) within member contracts issued meet the definition of non-distinct investment components. These balances are disclosed as such in the LIC.

**(b) Insurance contract liability attributable to members for future benefits**

As the Scheme is a mutual entity, all the accumulated funds are attributable to members for future benefits. The insurance liability attributable to members for future benefits consists of accumulated surpluses (losses) of the Scheme and it is increased by net surpluses for the period; and correspondingly decreased by the net deficit for the period. Cumulative gains/(losses) on equity instruments designated at FVOCI are also allocated to insurance liability attributable for future members upon disposal.

The historical cost basis of accounting for intangible assets and property, plant and equipment, does not have a material impact on the fair value measurement of the insurance contract liability to future members.

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

- a. increased by net profits for the period;
- b. decreased by the net losses for the period; and
- c. decreased or increased by the cumulative gains/(losses) upon disposal of equity instruments designated at FVOCI.

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**1. ACCOUNTING POLICIES (continued)**

**1.11 INSURANCE CONTRACT LIABILITIES (continued)**

**(c) Onerous contract assessment**

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

**(d) IFRS 17 accounting policy choices made:**

**Classification of contribution receivables**

The Scheme has accounted for all contribution debtors that relate to insurance services already rendered in Liability for Incurred Claims (LIC) at year-end.

**Classification of expenditures/income outstanding at year end that meet the definition of financial liabilities or financial assets**

The fulfilment cash flows may include expenditures incurred in accounting standards other than IFRS 17, for example broker commission. When broker commission is outstanding, this would meet the definition of a financial liability. Where expenditures/income outstanding at year-end meet the definition of financial liabilities or financial assets, the Scheme has an accounting policy choice to either include the payable/receivables in the insurance contract liabilities or to recognise it as a separate IFRS 9 liability/asset such as trade and other payables/receivables. The Scheme has chosen to include these payables in the insurance contract liabilities.

**Personal medical savings accounts: trust monies managed by the Scheme on behalf of its members**

Members' personal medical savings accounts represent a financial liability of funds due to members by the Scheme. The savings account facility assists members in managing cash flows for costs to be borne by them during the year and meeting provider service expenses not covered by the Scheme's approved benefits. Advances on personal medical savings contributions are funded from the Scheme's funds and the risk of impairment is carried by the Scheme.

Unspent personal medical savings accounts at year-end are carried forward to meet future expenses for which the members are responsible. In terms of the Medical Schemes Act 131 of 1998, as amended, balances standing to the credit of members are refundable only in terms of Regulation 10 of the Medical Schemes Act.

The personal medical savings accounts are invested on behalf of members in a current bank account and money market instruments with banks.

**Unclaimed payments**

Unallocated funds that have legally prescribed, i.e. funds older than three years, are written back and are included under other income in the statement of comprehensive income. These amounts are treated as insurance contract liabilities.

**Insurance revenue**

As the Scheme provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period shall depict the consideration to which a scheme expects to receive over the coverage period of the contracts. Insurance revenue presented in profit or loss shall exclude any investment components, i.e. PMSA contributions.

Gross insurance revenue from contracts measured under the PAA are determined and approved annually and included in the medical scheme rules. Insurance revenue is represented after the deduction of PMSA contributions.

For the group of insurance contracts measured under the PAA, the Scheme recognises insurance revenue based on the expected pattern of release of risk over the coverage period of the group of contracts.

Risk contributions are not adjusted for non collectability given the immateriality of the anticipated write-offs.

**Insurance service expense**

Insurance service expense include:

- incurred claims and benefits excluding investment components, i.e. PMSA claims;
- other incurred directly attributable insurance service expenses;
- changes that relate to past service (i.e., changes in the FCF relating to the LIC);
- changes that relate to future service (i.e., losses/reversals on onerous groups of contracts from changes in the loss components); and

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

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

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

**Insurance interest income and expenses**

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

The Scheme does not disaggregate insurance finance income or expenses into amounts presented in profit loss and amounts presented in other comprehensive income.

**1.12 RISK TRANSFER ARRANGEMENTS (REINSURANCE CONTRACT ASSETS/(LIABILITIES))**

**Definition and classification**

Risk transfer arrangements are contractual arrangements entered into by the Scheme with a provider. The provider is paid a fixed fee per member to cover the risk of the number of incidents that occur during a specified period and the cost of providing the service. Risk transfer arrangements do not reduce the Schemes' primary obligations to its members and their dependents.

These arrangements meet the definition of reinsurance contracts held per IFRS 17. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

**Unit of account**

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

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis.

The Scheme tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

**Recognition and derecognition**

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

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

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

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**1. ACCOUNTING POLICIES (continued)**

**1.12 RISK TRANSFER ARRANGEMENTS (REINSURANCE CONTRACT ASSETS/(LIABILITIES) (continued))**  
**Initial and subsequent measurement**

The Scheme uses the PAA for all risk transfer arrangements. The basis for this is that the coverage period of all contracts is 1 year or less. For reinsurance contracts held, on initial recognition, the Scheme measures the remaining coverage at the amount of ceding contributions paid. The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a. the remaining coverage; and
- b. the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date adjusted for the risk adjustment for non-financial risk.

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

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

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

All risk transfer contracts held by the Scheme has a coverage period aligning to the financial reporting period.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is increased for contributions received in the period and decreased for the amounts of expected contributions received recognised as insurance revenue for the services provided in the period.

**Contract boundary**

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

The Schemes' capitation agreements held have a duration of one year but are cancellable with a 30-day notice period by either party.

**Net income/ (expense) from reinsurance contracts held**

The Scheme presents financial performance of groups of reinsurance contracts held on a gross basis.

Reinsurance income consists of:

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

Reinsurance expenses consist of:

- a. reinsurance expenses;
- b. other incurred directly attributable insurance service expenses;
- c. effect of changes in risk of reinsurer non-performance.

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

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

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis.

**1.13 LEASES**

IFRS 16 established the principles for the recognition, measurement, presentation and disclosure of all lease arrangements within the scope of the standard. Under the standard, an asset (the right to use the leased item) and the liability to pay rentals are recognised. The only exceptions are short-term leases (defined as leases with a lease term of 12 months or less), and low-value leases which are accounted for as operating leases using the straight-line method unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed in the statement of comprehensive income.

The lease payments are discounted using the average prime rate as proxy for the incremental borrowing rate. Incremental borrowing rate is the rate that the Scheme would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Scheme. Each lease payment is allocated between the liability and finance cost. The finance cost charged on the lease agreements is the effective interest rate. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Agreements where the counterparty retains control of the underlying asset are classified as leases. The Scheme leases various offices and office equipment. Offices consist mainly of head office buildings and branches. Rental contracts are typically made for fixed periods of three to seven years but may have extension options that exist. Head office buildings are typically leased for longer periods than branches and are the main contributor to the carrying value of the right-of-use asset. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Scheme does not sub-lease any of its leased space.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments.

**1.14 FINANCIAL LIABILITIES - INITIAL AND SUBSEQUENT MEASUREMENT**

Financial liabilities are initially recognised at fair value net of transaction costs incurred. After initial recognition, financial liabilities are measured at fair value, with gains and losses through profit and loss. The fair value is determined as the present value of cash flows required to settle the liabilities. However, due to their short-term maturities, their fair value approximates cost. In addition, the Scheme is not permitted to borrow in terms of Section 35 of the Medical Schemes Act 131 of 1998, as amended. Therefore the Scheme has no long-term financial liabilities. As a result, no fair value adjustments arise.

**Trade payables**

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

**1.15 PROVISIONS**

Provisions are recognised when the Scheme has a present legal or contractual obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

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**1. ACCOUNTING POLICIES (continued)**

**1.16 ADMINISTRATION AND OTHER OPERATING EXPENSES**

Expenses for administration and other operating expenses are expensed as incurred.

**1.17 INVESTMENT INCOME**

Investment income comprises dividends, interest on cash and cash equivalents, fixed interest securities, realised and unrealised gains and losses on financial assets through profit and loss.

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

Dividend income from investments is recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

Investment income is disclosed as cash flows from investing activities in the statement of cashflows.

**1.18 REIMBURSEMENTS FROM THE ROAD ACCIDENT FUND (RAF)**

The Scheme grants assistance to its members in defraying expenditure incurred in connection with rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act 56 of 1996 (the RAF). If the member is reimbursed by the RAF, the member is obliged contractually to cede that payment to the Scheme to the extent that he or she has already been compensated.

A reimbursement from the RAF is a possible asset that arises from a claim submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme. The contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. Due to the uncertainty around the confirmation and measurability of the Road Accident Fund amounts, the Scheme accounts for these amounts on a cash basis. These amounts are recognised as a reduction of net claims incurred.

**1.19 EMPLOYEE BENEFITS**

**Pension obligations**

All the employees of the Scheme contribute towards a defined contribution fund. A defined contribution fund is a pension fund under which the Scheme pays fixed contributions into a separate entity. The Scheme has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to the defined contribution fund are recognised in the statement of comprehensive income for the year in which they are incurred.

**Other post-employment obligations**

The Scheme provides for medical scheme defined benefits upon retirement of employees who qualify. The provision comprises annual funding upon actuarial advice to provide for the future liability of medical benefits after retirement. Post-employment medical scheme benefits are defined benefits therefore the risk lies with the Scheme.

**Leave pay accrual**

The Scheme recognises in full employees' rights to annual leave entitlement in respect of past service.

**Bonuses**

Management and staff bonuses are recognised as an expense in staff costs as incurred.

**1.20 INCOME TAX**

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

**1.21 ALLOCATION OF INCOME AND EXPENDITURE TO BENEFIT OPTIONS**

The following items are directly allocated to benefit options:

- \* Insurance revenue;
- \* Insurance service expenses;
- \* Reinsurance expenses from reinsurance contracts held;
- \* Broker service fees; and
- \* Interest paid on personal medical savings account balances.

The following items are apportioned based on the average number of members per option:

- \* Managed care management services; and
- \* Attributable and non-attributable expenses.

1. ACCOUNTING POLICIES (continued)

1.21 ALLOCATION OF INCOME AND EXPENDITURE TO BENEFIT OPTIONS (continued)

The following items are apportioned based on a percentage of gross insurance revenue per option:

- \* Investment income;
- \* Other income;
- \* Expenses for asset management services rendered;
- \* Finance costs excluding interest paid on personal medical savings account balances; and
- \* Other expenditure.

IFRS 17 requires expenses to be classified into the following categories:

- \* Attributable acquisition expenses which are expenses incurred in "selling, underwriting and starting a group of insurance contracts."
- \* Attributable maintenance expenses which are policy administration, claims handling costs and an allocation of fixed and variable overhead expenses.
- \* Non-attributable expenses are all remaining expenses, including development and training costs.

Attributable acquisition expenses:

The methodology to identify whether acquisition expenses are attributable is to assess if the expense relates to acquiring new business for the current contracts on book, i.e. within the current contract boundary.

The costs of selling (mainly broker fees) the insurance contracts are classified as acquisition expenses and the Scheme choose to recognise insurance acquisition cash flows as expenses when it incurs those costs. Broker fees may only be paid once contributions have been received and therefore only after the insurance contract has been recognised.

Attributable expenses:

The methodology to identify whether expenses are attributable is to identify whether or not it is expected that such expense is unavoidable due to entering the insurance contract. Where it is not obvious whether an expense is avoidable or not, the Scheme will consider whether the activity resulting in the expense will continue if Bestmed were in run-off.

Expenses paid from activities still expected to take place in a run-off scenario would represent the cash flows required for the scheme to fulfil its obligations under such a contract.

Non-attributable expenses:

This will be all remaining expenses.

The Scheme considered the SAICA guidance in determining the classification of the expenses between attributable and non-attributable expenses.

1.22 STRUCTURED ENTITIES

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

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

The scheme has determined that some of its investments in pooled funds and collective investment schemes ("funds") are investments in unconsolidated structured entities. The scheme invests in these funds, whose objectives range from achieving medium- to long-term capital growth and whose investment strategy do not include the use of leverage.

The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

The change in fair value of each fund is included in the statement of profit or loss and other comprehensive income in 'Net gains/ (losses) on financial assets'.

2. PROPERTY AND EQUIPMENT

	Furniture R	Leasehold improvements R	Computer, office and medical equipment R	Motor vehicles R	Security and telephone system R	Total R
<b>Year ended 31 December 2025</b>						
<b>Cost</b>						
At the beginning of the year	8,192,462	11,148,937	75,491,870	1,074,770	6,353,694	102,261,733
Additions	417,896	37,656	11,665,680	-	208,517	12,329,748
Disposals	(2,555)	-	(3,656,323)	-	(1,878,011)	(5,536,888)
At the end of the year	8,607,804	11,186,593	83,501,227	1,074,770	4,684,200	109,054,594
<b>Accumulated depreciation</b>						
At the beginning of the year	6,544,218	10,321,875	51,003,010	927,400	5,749,008	74,545,512
Disposals	(2,554)	-	(3,637,973)	-	(1,877,852)	(5,518,379)
Depreciation charges	295,716	645,447	10,686,627	34,200	412,190	12,074,179
At the end of the year	6,837,380	10,967,321	58,051,665	961,600	4,283,346	81,101,313
<b>Carrying amount at the end of the year</b>	1,770,423	219,271	25,449,562	113,170	400,854	27,953,281

	Furniture R	Leasehold improvements R	Computer, office and medical equipment R	Motor vehicles R	Security and telephone system R	Total R
<b>Year ended 31 December 2024</b>						
<b>Cost</b>						
At the beginning of the year	8,542,764	10,504,684	69,558,987	1,048,823	6,650,920	96,306,178
Additions	217,225	644,253	6,551,838	154,000	139,583	7,706,899
Disposals	(567,526)	-	(618,954)	(128,053)	(436,810)	(1,751,344)
At the end of the year	8,192,462	11,148,937	75,491,870	1,074,770	6,353,694	102,261,733
<b>Accumulated depreciation</b>						
At the beginning of the year	6,825,867	9,337,922	37,617,371	946,086	5,596,589	60,323,834
Disposals	(567,376)	-	(591,582)	(128,052)	(434,982)	(1,721,993)
Depreciation charges	285,728	983,953	13,977,222	109,366	587,402	15,943,670
At the end of the year	6,544,218	10,321,875	51,003,010	927,400	5,749,008	74,545,512
<b>Carrying amount at the end of the year</b>	1,648,244	827,062	24,488,860	147,370	604,685	27,716,221

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<b>3. INTANGIBLE ASSETS</b>	<b>2025</b>	<b>2024</b>
	<b>R</b>	<b>R</b>
<b>Year ended 31 December 2025</b>		
<b>Cost</b>		
At the beginning of the year	35,819,696	31,047,123
Additions	2,720,141	4,772,573
At the end of the year	<u>38,539,836</u>	<u>35,819,696</u>
<b>Accumulated amortisation</b>		
At the beginning of the year	(13,830,363)	(10,386,194)
Amortisation for the year	(3,817,330)	(3,444,169)
At the end of the year	<u>(17,647,693)</u>	<u>(13,830,363)</u>
<b>Carrying value at the end of the year</b>	<u><b>20,892,143</b></u>	<u><b>21,989,333</b></u>

The intangible asset consists of development costs incurred for the member administration IT system. The developments are immediately put into use by the Scheme.

<b>4. FINANCIAL ASSETS</b>	<b>2025</b>	<b>2024</b>
	<b>R</b>	<b>R</b>
<b>(a) Financial assets at fair value through profit or loss represent investments in:</b>		
<b>Scheme:</b>		
Listed bonds	217,042,012	257,044,715
Linked insurance policies	1,709,777,066	1,505,979,277
Collective investment schemes	1,818,058,889	1,479,789,830
Money market instruments	365,718,113	256,385,142
	<u><b>4,110,596,080</b></u>	<u><b>3,499,198,964</b></u>
Non-current	2,372,824,315	2,063,840,727
Current	1,737,771,765	1,435,358,236
	<u><b>4,110,596,080</b></u>	<u><b>3,499,198,964</b></u>
<b>Personal medical savings investments:</b>		
Money market instruments	444,770,393	411,709,385
Linked insurance policies	566,068,634	522,727,458
	<u><b>1,010,839,027</b></u>	<u><b>934,436,843</b></u>
Non-current*	-	-
Current*	1,010,839,027	934,436,843
	<u><b>1,010,839,027</b></u>	<u><b>934,436,843</b></u>

The personal medical savings accounts were invested on behalf of members in money market instruments and Linked insurance policies. The effective interest rate on the investments was 7.60% (2024: 8.86%).

\* The carrying amount of the personal medical savings account trust investments approximates the fair values due to the short-term nature of the investments. The personal medical savings trust investments are presented as current assets on the face of the Statement of Financial Position due to the short-term liquidity of the instruments therein.

<b>(b) Financial assets at fair value through other comprehensive income represent investments in:</b>		
- Listed equities	679,133,962	507,939,804
- SA Listed properties	38,807,553	30,748,902
	<u><b>717,941,516</b></u>	<u><b>538,688,705</b></u>

Non-compliance with Section 35(8)(a), (c) and (d) of the Medical Schemes Act relates to the above investment balances.

A register of investments is available for inspection at the registered office of the Scheme. Refer to Note 27 for Financial Risk Management disclosures.

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**5. LEASES**

Under IFRS 16, an asset (the right to use the leased item) and the liability to pay rentals, are recognised at the inception of the lease. The asset is disclosed separately and the liability to pay rentals is disclosed separately as lease liabilities. The Scheme has elected to apply an exemption on leases for which the underlying asset is of low value, being individual assets which are valued at less than R65 000. These are treated as operating leases and are accounted for as operating leases using the straight-line method in the statement of comprehensive income.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce the constant periodic rate of interest on the remaining balance of the liability for each period. The weighted average of the prime rate is used as the proxy for the incremental borrowing rate applied to the lease liabilities on 31 December 2025 was 8.9% (2024: 7.2%).

**IMPACT ON STATEMENT OF FINANCIAL POSITION**

The statement of financial position shows the following amounts relating to leases:

	2025 R	2024 R
The carrying amount of lease assets and new lease assets during the reporting period are presented in the table below:		
<b>Lease assets*</b>		
Carrying amount of Right-of-use assets:		
Opening Balance	11,249,062	27,633,373
Additions to the right-of-use of assets <sup>1</sup>	85,917,363	2,370,063
Depreciation	(18,723,172)	(18,754,374)
<b>Total</b>	<b>78,443,253</b>	<b>11,249,062</b>

\* Leased assets comprise of buildings.

<sup>1</sup> New leases entered into and lease modification during the financial year.

	2025 R	2024 R
<b>Lease liabilities</b>		
Opening Balance	14,065,720	33,761,595
Cash movements		
Principal element of lease payments	(18,342,950)	(22,065,938)
Non-cash movements		
New leases entered into and lease modifications during the year	85,917,363	2,370,063
<b>Lease liability at the end of the year</b>	<b>81,640,133</b>	<b>14,065,720</b>
Current	14,269,585	12,613,057
Non-current	67,370,548	1,452,663
<b>Total</b>	<b>81,640,133</b>	<b>14,065,720</b>

**AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME**

The statement of comprehensive income includes the following amounts relating to leases:

	2025 R	2024 R
Depreciation charge of right-of-use assets:		
Buildings	18,723,172	18,754,374
Interest expense on lease liabilities	4,992,468	2,013,179
Expenses relating to short-term leases and low-value assets <sup>1</sup>	441,337	1,521,033
	<b>24,156,977</b>	<b>22,288,587</b>

<sup>1</sup>The Scheme leases computer equipment on a short-term basis and has elected to exempt these leases from IFRS 16.

The following table summarises the contractual maturity analysis for lease liabilities over the contractual period. The maturity analysis is presented on an undiscounted contractual cash flow basis.

	Within 1 year R	1 – 5 years R	Total R
<b>31 December 2025</b>			
Lease liability	22,373,474	81,508,565	103,882,040
<b>31 December 2024</b>			
Lease liability	13,111,247	1,565,819	14,677,066

**6. TRADE AND OTHER RECEIVABLES**

	2025 R	2024 R
Prepaid expenses and deposits	16,901,579	16,238,066
Accrued interest	15,122,660	13,126,503
Sundry accounts receivable	200,473	46,439
	<b>32,224,712</b>	<b>29,411,008</b>

Trade and other receivables represent financial assets held at amortised cost. The carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets. Estimated cash flow receipts have not been discounted as the effect would be immaterial.

**7. CONTINGENT ASSET**

**Road Accident Fund**

Claims for third party debtors (the Road Accident Fund) for benefits paid on behalf of the Scheme's members are disclosed as a contingent asset as the inflow of economic benefits is probable, but not virtually certain. No claims were recovered since 2024 given challenges experienced at the Road Accident Fund.

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	2025 R	2024 R
<b>8. CASH AND CASH EQUIVALENTS</b>		
<b>Scheme</b>		
Call accounts	5,938,160	5,487,609
Current accounts	50,502,403	11,472,520
	<b>56,440,563</b>	<b>16,960,129</b>

The weighted average effective interest rate on short-term cash deposits was 5.80% (2024: 6.86%) and had an average maturity of 29.50 days (2024: 29.50 days). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

The total interest earned on the Schemes' call and current accounts was R3,040,768 (2024: R3,350,184), which is included in investment income in profit or loss. Refer to Note 15 for full disclosure on investment income.

	2025 R	2024 R
<b>Personal medical savings account</b>		
Current account	446,842,029	340,597,559
	<b>446,842,029</b>	<b>340,597,559</b>

The weighted average effective interest rate on the short-term cash was 6.93% (2024: 7.78%) and the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term nature of these assets.

The total interest earned on the personal medical savings current account was R27,992,813 (2024: R26,124,985), which is included in investment income in profit or loss. Refer to Note 15 for full disclosure on investment income.

**9. REINSURANCE CONTRACTS ASSETS/(LIABILITIES)**

**Reconciliation of the remaining coverage and incurred claims  
2025**

	LRC Excluding loss recovery component	LIC		Total
		Present value of future cash flows	Risk adjustment for non-financial risk	
Total - Reinsurance contracts held	R	R	R	R
Opening reinsurance contract assets	-	(6,340,801)	(186,327)	(6,527,128)
Opening reinsurance contract liabilities	-	2,591,612	-	2,591,612
<b>Reinsurance contract liabilities/(assets) as at 1 January</b>	-	<b>(3,749,189)</b>	<b>(186,327)</b>	<b>(3,935,516)</b>
<b>Net (income)/expenses from reinsurance contracts held</b>				
Reinsurance expenses	114,502,518	-	-	114,502,518
Other incurred directly attributable expenses	-	-	-	-
Incurred claims recovery	-	(132,259,191)	(230,341)	(132,489,532)
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	764,668	186,327	950,995
<b>Net (income)/expenses from reinsurance contracts held</b>	<b>114,502,518</b>	<b>(131,494,523)</b>	<b>(44,013)</b>	<b>(17,036,019)</b>
<b>Total amounts recognised in comprehensive income</b>	<b>114,502,518</b>	<b>(131,494,523)</b>	<b>(44,013)</b>	<b>(17,036,019)</b>
Investment components	-	-	-	-
Other changes: Transfer of Premium payables to LIC	(3,290,149)	3,290,149	-	-
<b>Cash flows</b>				
Premiums paid net of ceding commissions and other directly attributable expenses paid	(111,212,368)	(2,591,612)	-	(113,803,980)
Cash claims recovered through risk transfer arrangements	-	-	-	-
<b>Total cash flows</b>	<b>(111,212,368)</b>	<b>(2,591,612)</b>	<b>-</b>	<b>(113,803,980)</b>
Non-cash claims recovered through risk transfer arrangements	-	130,154,735	-	130,154,735
<b>Reinsurance contract liabilities/(assets) as at 31 December</b>	-	<b>(4,390,440)</b>	<b>(230,341)</b>	<b>(4,620,781)</b>
Closing reinsurance contract assets	-	(7,680,590)	(230,341)	(7,910,931)
Closing reinsurance contract liabilities	-	3,290,149	-	3,290,149

**Reconciliation of the remaining coverage and incurred claims  
2024**

	LRC Excluding loss recovery component	LIC		Total
		Present value of future cash flows	Risk adjustment for non-financial risk	
Total - Reinsurance contracts held	R	R	R	R
Opening reinsurance contract assets	-	(4,790,458)	(152,801)	(4,943,259)
Opening reinsurance contract liabilities	-	4,433,733	-	4,433,733
<b>Reinsurance contract liabilities/(assets) as at 1 January</b>	-	<b>(356,726)</b>	<b>(152,801)</b>	<b>(509,526)</b>
<b>Net (income)/expenses from reinsurance contracts held</b>				
Reinsurance expenses	100,805,766	-	-	100,805,766
Other incurred directly attributable expenses	-	-	-	-
Incurred claims recovery	-	(125,739,170)	(186,327)	(125,925,497)
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	2,834,595	152,801	2,987,396
<b>Net (income)/expenses from reinsurance contracts held</b>	<b>100,805,766</b>	<b>(122,904,575)</b>	<b>(33,526)</b>	<b>(22,132,335)</b>
<b>Total amounts recognised in comprehensive income</b>	<b>100,805,766</b>	<b>(122,904,575)</b>	<b>(33,526)</b>	<b>(22,132,335)</b>
Investment components	-	-	-	-
Other changes: Transfer of Premium payables to LIC	(2,591,612)	2,591,612	-	-
<b>Cash flows</b>				
Premiums paid net of ceding commissions and other directly attributable expenses paid	(98,214,154)	(4,433,733)	-	(102,647,887)
Cash claims recovered through risk transfer arrangements	-	11,158,168	-	11,158,168
<b>Total cash flows</b>	<b>(98,214,154)</b>	<b>6,724,436</b>	<b>-</b>	<b>(91,489,718)</b>
Non-cash claims recovered through risk transfer arrangements	-	110,196,064	-	110,196,064
<b>Reinsurance contract liabilities/(assets) as at 31 December</b>	-	<b>(3,749,189)</b>	<b>(186,327)</b>	<b>(3,935,516)</b>
Closing reinsurance contract assets	-	(6,340,801)	(186,327)	(6,527,128)
Closing reinsurance contract liabilities	-	2,591,612	-	2,591,612

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**9. REINSURANCE CONTRACTS ASSETS/(LIABILITIES) (continued)**

Details pertaining to reinsurance contracts:

2025	AZOZA	Netcare 911	Preferred Provider	Total
	R	R	Negotiators	
Capitation fees paid	9,242,157	29,569,957	75,690,404	114,502,518
Recoveries received	(8,445,298)	(42,461,717)	(80,587,508)	(131,494,523)
Risk adjustment				(44,013)
<b>Net expense/(income) from reinsurance contracts held</b>	<b>796,859</b>	<b>(12,891,760)</b>	<b>(4,897,104)</b>	<b>(17,036,019)</b>

2024	AZOZA	Netcare 911	Preferred Provider	Total
	R	R	Negotiators	
Capitation fees paid	7,769,245	22,860,833	70,175,689	100,805,766
Recoveries received	(1,437,071)	(39,065,805)	(82,401,700)	(122,904,575)
Risk adjustment				(33,526)
<b>Net (income)/expense from reinsurance contracts held</b>	<b>6,332,174</b>	<b>(16,204,972)</b>	<b>(12,226,011)</b>	<b>(22,132,335)</b>

A reinsurance contract is an insurance contract issued by one insurer (the reinsurer) to compensate another insurer (the cedent) for losses on one or more contracts issued by the cedent. IFRS 17 clarifies that significant insurance risk is transferred under a reinsurance contract even when the entity is not exposed to the possibility of a significant loss as a result of the contract.

The cost the Medical Scheme would have incurred to deliver the specified benefits had it not entered into the capitation agreement, primarily represents the Scheme's exposure to its members, as the capitation agreement cannot absolve the Medical Scheme from its responsibility towards its members. The Scheme would have incurred this "cost" (had it not entered into the capitation agreement) to deliver the specified benefits and as such it represents the Scheme's recovery in kind from the managed healthcare provider. This recovery in kind, of cost incurred, is disclosed as reinsurance income from reinsurance contracts held.

The Scheme has assessed its risk transfer arrangements and noted that they meet the IFRS 17 definition of reinsurance contracts held. The above reinsurance contracts held are assessed relative to IFRS 17 requirements on an annual basis. On the basis that the unexpired risk (and hence incurred claims asset) in respect of the reinsurance contract is limited as at each financial year end, the Scheme have decided to apply the same factor in calculating the risk adjustment as was calibrated for the claims reserve not covered by reinsurance contracts.

The Scheme entered into the above reinsurance contracts whereby the parties agreed that the above service providers will render services to beneficiaries on certain options of the Scheme. A fixed fee was paid monthly to Netcare 911, AZOZA (previously known as Europ Assistance), and the Preferred Provider Negotiators per beneficiary to provide emergency transport, international emergency transport and optical services respectively.

The methodologies used to determine the claims covered by these arrangements are set out below:

**Netcare 911**

The cost that the Scheme would have incurred for ambulance services are disclosed by Netcare 911. Detailed records are kept of all services to every member of a medical scheme with a contracted capitation agreement. The fixed cost per member per month paid to Netcare 911 includes administration costs, which consist of marketing cost, the pre-authorisation system and administration fees.

**AZOZA**

The Scheme took out insurance for International Travel at a rate of R6.21 (2024: R5.40) per member with AZOZA.

**Preferred Provider Negotiators**

Preferred Provider Negotiators are to provide Optometric Services by the participating providers to Bestmed members, which include consultations, frames, lenses and contact lenses. Claims incurred and recoveries received were calculated based on utilisation figures obtained from Preferred Provider Negotiators.

**10. RETIREMENT BENEFIT OBLIGATIONS**

**Pension Fund**

All the employees of the Scheme contribute towards a defined contribution fund. A defined contribution fund is a pension fund under which the Scheme and employees pay fixed percentage contributions into a separate entity. The Scheme has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

**Post-retirement medical obligation**

The Scheme did make provision for contributions towards medical benefits after normal retirement. Provision is made for the estimated benefits of the existing 13 (2024:13) pensioners as this liability is unfunded. There is no plan asset for this obligation. The total present value of the liability based on a projected-unit-credit basis as at 31 December 2025 is R7,978,316 (2024: R7,614,915).

	2025	2024
<b>The independent actuarial assumptions and valuation at year-end were:</b>		
Number of pensioner members	13	13
Future long-term medical inflation	5.8 p.a	7.2% p.a
Expected yield on assets	8.2%	10.4%
<b>Mortality assumptions</b>		
Post-retirement Male	Rated down by 1 year PA 90	PA 90
Post-retirement Female	Rated down by 2 years PA 90	PA 90
<b>Life expectancy - present age 62</b>		
Male	13.44	12.51
Female	16.72	15.36

**Other assumptions**

No significant changes would occur in the structure of the medical arrangements. Current contribution scales for members have been used as a basis for the calculations and was assumed that the scales will remain unchanged, with the exception of annual adjustments for medical inflation.

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**10. RETIREMENT BENEFIT OBLIGATIONS**

**Contribution tables**

The monthly medical scheme contributions for 2026 used in the valuation of the contributions liability are as follows:

	Income Band	Principal Member R	Adult Dependant R	Child Dependant R	2025 R	2024 R
Beat2 Network	All	2,775	2,156	1,167		
Beat2	All	3,084	2,395	1,299		
Beat3	All	4,514	3,220	1,593		
Pace1	All	5,934	4,289	1,541		
Pace2	All	8,766	8,596	1,933		
					<b>7,978,316</b>	<b>7,614,915</b>

**The reconciliation of the value recognised in the statement of financial position is:**

Liability at 1 January		7,614,915	7,781,824
Actual Disbursements		(802,048)	(757,534)
Interest cost		750,983	747,670
Actuarial loss/(gain)		414,466	(157,046)
<b>Liability at year-end in the statement of financial position</b>		<b>7,978,316</b>	<b>7,614,915</b>

**Actual Disbursements**

Actual Disbursements are the amounts paid with respect to the monthly subsidies of pensioners' medical scheme contributions.

**Interest cost**

The interest cost is the assumed investment return on the unfunded liability. A rate of 10.4% per annum was used for the year ended 31 December 2025 (2024: 10.1%).

**Actuarial gain or loss**

The liabilities are based on projections of future experience. Any difference between the actual experience since the date of previous valuation and that assumed in the previous projections will emerge as actuarial gains or losses. In addition, any changes to the assumptions will manifest as an actuarial gain or loss.

An actuarial loss of R414,466 (2024: gain of R157,046) is reported over the past year in the statement of comprehensive income. This loss is due to the following factors:

	2025 R	2024 R
* Demographic experience (including option changes) and that assumed in the previous valuation gave rise to an actuarial (gain)/loss.	248,231	(119,838)
* Changes made to assumptions, the decrease in the discount rate from 10.4% to 8.2% (2024 increase: 10.1% to 10.4%) and a decrease in the medical cost inflation assumption from 7.2% to 5.8% (2024: 7.6% to 7.2%).	436,100	(364,329)
* Actual contribution increases on 1 January 2026 was lower than assumed in the previous valuation.	(284,615)	327,923
* Higher than expected disbursements paid during the year.	14,750	(802)
	<b>414,466</b>	<b>(157,046)</b>

**Sensitivity analysis**

The following table illustrates the impact of a 1% and 0.5% increase and decrease in the assumed future rate of medical inflation:

2025	Base	Inflation plus 1%	Inflation plus 0.5%	Inflation minus 1%	Inflation minus 0.5%
	R	R	R	R	R
Liability at 1 January 2025	7,614,915	7,614,915	7,614,915	7,614,915	7,614,915
Disbursements	(802,048)	(802,048)	(802,048)	(802,048)	(802,048)
Interest cost	750,983	750,983	750,983	750,983	750,983
Actuarial loss/(gain)	414,466	961,479	161,351	(79,274)	680,885
<b>Liability as at 31 December 2025</b>	<b>7,978,316</b>	<b>8,525,329</b>	<b>7,725,201</b>	<b>7,484,575</b>	<b>8,244,735</b>
2026	Base	Inflation plus 1%	Inflation plus 0.5%	Inflation minus 1%	Inflation minus 0.5%
	R	R	R	R	R
Liability at 1 January 2026	7,978,316	8,525,329	7,725,201	7,484,575	8,244,735
Disbursements	(817,423)	(817,423)	(817,423)	(817,423)	(817,424)
Interest cost	620,708	665,563	599,952	580,221	642,554
<b>Liability as at 31 December 2026</b>	<b>7,781,600</b>	<b>8,373,468</b>	<b>7,507,729</b>	<b>7,247,373</b>	<b>8,069,865</b>

For the purposes of this disclosure, all other assumptions shall be held constant. For plans operating in a high inflation environment, the disclosure shall be the effect of a percentage increase or decrease in the assumed medical cost trend rate of a significance similar to one percentage point in a low inflation environment.

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**11. INSURANCE CONTRACTS LIABILITIES**

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

- (a) Liability attributable to current members; and
- (b) Liability attributable to members for future benefits.

	2025 R	2024 R
Insurance contract liabilities - Liability attributable to current members	1,784,464,106	1,747,383,021
Insurance contract liabilities - Liability attributable to members for future benefits - Current	-	63,435,925
Insurance contract liabilities - Liability attributable to members for future benefits - Non current	4,588,214,682	3,556,132,204
<b>Insurance contract liabilities at the end of the year</b>	<b>6,372,678,787</b>	<b>5,366,951,150</b>

**(a) Liability attributable to current members**

**Reconciliation of the liability for remaining coverage and the liability for incurred claims  
2025**

**11. INSURANCE CONTRACTS LIABILITIES**

**Reconciliation of the remaining coverage and incurred claims  
2025**

Total - Insurance contracts issued	LRC		LIC		Total
	Excluding loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total	
	R	R	R	R	
Opening insurance contract assets	-	-	-	-	
Opening insurance contract liabilities	49,726,623	1,687,743,864	9,912,533	-	1,747,383,021
Scheme		373,536,530			
Investment components		1,314,207,335			
<b>Insurance contract liabilities/(Insurance contract assets) as at 1 January 2025</b>	<b>49,726,623</b>	<b>1,687,743,864</b>	<b>9,912,533</b>	<b>-</b>	<b>1,747,383,021</b>
<b>Insurance revenue</b>					
New contracts and contracts measured under the full retrospective approach at transition	(8,244,265,191)	-	-	-	(8,244,265,191)
<b>Total insurance revenue</b>	<b>(8,244,265,191)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,244,265,191)</b>
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	-	7,514,013,117	9,648,858	-	7,523,661,975
Changes that relate to past service - adjustments to the LIC	-	(42,369,265)	(9,912,533)	-	(52,281,798)
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Insurance acquisition cash flows	-	173,706,186	-	-	173,706,186
<b>Total insurance service expenses</b>	<b>-</b>	<b>7,645,350,038</b>	<b>(263,675)</b>	<b>-</b>	<b>7,645,086,363</b>
<b>Insurance service result</b>	<b>(8,244,265,191)</b>	<b>7,645,350,038</b>	<b>(263,675)</b>	<b>-</b>	<b>(599,178,828)</b>
Finance income/(expenses) from insurance contracts issued	-	105,094,748	-	-	105,094,748
Effect of movements in exchange rates	-	-	-	-	-
Investment return	-	-	-	-	-
Other operating expenses	-	-	-	-	-
<b>Total amounts recognised in comprehensive income</b>	<b>(8,081,796,241)</b>	<b>7,587,975,835</b>	<b>(263,675)</b>	<b>-</b>	<b>(494,084,081)</b>
Investment components	(1,470,276,745)	1,470,276,745	-	-	-
Other changes: Transfer of contributions receivable to LIC	162,468,950	(162,468,950)	-	-	-
<b>Cash flows</b>					
Premiums received	8,067,871,066	148,969,660	-	-	8,216,840,725
Scheme	8,244,265,191				
Outstanding contributions	(160,812,847)				
Personal medical savings account advances	(1,656,103)				
Contributions received in advance prior year	(49,726,623)				
Contributions received in advance current year	35,801,448				
Claims and other directly attributable expenses paid	-	(7,641,550,888)	-	-	(7,641,550,888)
Claims paid	-	(7,263,900,379)	-	-	(7,263,900,379)
Relevant insurance expenses	-	(7,133,930,109)	-	-	
Reported not yet paid	-	7,994,715	-	-	
Increase in liability for incurred claims	-	(13,379,873)	-	-	
Insurance contracts - Other payables and accrued expenses	-	(135,377,476)	-	-	
Unclaimed payments	-	10,792,368	-	-	
Directly attributable expenses paid	-	(203,944,327)	-	-	(203,944,327)
Other directly attributable maintenance expenses	-	(197,894,714)	-	-	
Changes in the expected non-recoverability of healthcare receivables in SOC1	-	(8,016,818)	-	-	
Less: Expected non-recoverability	-	767,827	-	-	
Insurance contracts - Trade creditors payable	-	(188,099)	-	-	
Unclaimed credits write off	-	1,387,476	-	-	
Insurance acquisition cash flows paid	-	(173,706,186)	-	-	(173,706,186)
Cash Payments to reinsurers	-	(113,803,981)	-	-	(113,803,981)
Investment components received/(paid)	1,470,276,745	(1,400,597,435)	-	-	69,679,310
Personal medical savings claims paid on behalf of members	-	(1,360,283,649)	-	-	
Transfers to other schemes	-	(5,599,485)	-	-	
Refunds on death or resignations	-	(45,275,343)	-	-	
Advances on personal medical savings accounts written off or in debt recovery process	-	10,313,162	-	-	
Advances on personal medical savings accounts	-	247,880	-	-	
<b>Total cash flows</b>	<b>9,538,147,810</b>	<b>(9,006,982,644)</b>	<b>-</b>	<b>-</b>	<b>531,165,166</b>
<b>Insurance contract liabilities/(Insurance contract assets) as at 31 December 2025</b>	<b>35,801,448</b>	<b>1,739,013,800</b>	<b>9,648,858</b>	<b>-</b>	<b>1,784,464,106</b>
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	35,801,448	1,739,013,800	9,648,858	-	1,784,464,106
Scheme		250,032,408			
Investment components		1,488,981,392			

**BESTMED MEDICAL SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

**11. INSURANCE CONTRACTS LIABILITIES**

	<b>2025</b> <b>R</b>
<b>Insurance contract payables</b>	
Contributions received in advance	35,801,448
Unclaimed payments	41,216,262
Reported claims not yet paid	12,835,117
Other payables and accrued expenses	28,863,426
Trade creditors payable	4,830,069
	123,546,321
<b>Liability for incurred claims</b>	
Incurred but not yet reported	329,910,931
Risk adjustment	9,648,858
Investment components - Personal medical savings accounts	1,488,981,392
	1,828,541,180
<b>Insurance contract receivables</b>	
Contributions outstanding	160,812,847
Recoveries from providers	3,061,998
Recoveries from members	13,297,544
Personal medical savings account advances	1,656,103
Sundry accounts receivable	789,154
	179,617,647
Less: Provision for impairment	(11,994,251)
Total receivables arising from insurance contracts	167,623,396
<b>Net closing balance - 31 December 2025</b>	<b>1,784,464,106</b>

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

2024	LIC		LIC		Total
	Excluding loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total	
Total - Insurance contracts issued	R	R	R	R	R
Opening insurance contract assets	-	-	-	-	-
Opening insurance contract liabilities	27,789,381	1,345,232,166	9,084,218	-	1,382,105,766
Scheme		165,745,656			
Investment components		1,179,486,511			
<b>Insurance contract liabilities/(insurance contract assets) as at 1 January 2023</b>	<b>27,789,381</b>	<b>1,345,232,166</b>	<b>9,084,218</b>	<b>-</b>	<b>1,382,105,766</b>
<b>Insurance revenue</b>					
New contracts and contracts measured under the full retrospective approach at transition	(7,244,488,100)	-	-	-	(7,244,488,100)
<b>Total insurance revenue</b>	<b>(7,244,488,100)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,244,488,100)</b>
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	-	7,023,127,640	9,912,533	-	7,033,040,173
Changes that relate to past service - adjustments to the LIC	-	29,681,605	(9,084,218)	-	20,597,387
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Insurance acquisition cash flows	-	156,001,666	-	-	156,001,666
<b>Total insurance service expenses</b>	<b>-</b>	<b>7,208,810,911</b>	<b>828,315</b>	<b>-</b>	<b>7,209,639,226</b>
<b>Insurance service result</b>	<b>(7,244,488,100)</b>	<b>7,208,810,911</b>	<b>828,315</b>	<b>-</b>	<b>(34,848,873)</b>
Finance income/(expenses) from insurance contracts issued	-	105,466,847	-	-	105,466,847
Effect of movements in exchange rates	-	-	-	-	-
Investment return	-	-	-	-	-
Other operating expenses	-	-	-	-	-
<b>Total amounts recognised in comprehensive income</b>	<b>(7,095,518,440)</b>	<b>7,165,308,099</b>	<b>828,315</b>	<b>-</b>	<b>70,617,974</b>
Investment components	(1,286,460,169)	1,286,460,169	-	-	-
Other changes - Transfer of contributions receivable to LIC	148,969,660	(148,969,660)	-	-	-
<b>Cash flows</b>					
Premiums received	7,117,455,682	129,629,009	-	-	7,247,084,691
Scheme	7,244,488,100				
Outstanding contributions	(147,561,437)				
Personal medical savings account advances	(1,408,223)				
Contributions received in advance prior year	(27,789,381)				
Contributions received in advance current year	49,726,623				
Claims and other directly attributable expenses paid	-	(6,890,189,668)	-	-	(6,890,189,668)
Claims paid	-	(6,527,460,088)	-	-	(6,527,460,088)
Relevant insurance expenses	-	(6,737,842,462)	-	-	(6,737,842,462)
Reported not yet paid	-	(20,861,979)	-	-	(20,861,979)
Increase in liability for incurred claims	-	100,912,184	-	-	100,912,184
Insurance contracts - Other payables and accrued expenses	-	121,566,305	-	-	121,566,305
Unclaimed payments	-	8,765,861	-	-	8,765,861
Directly attributable expenses paid	-	(206,727,914)	-	-	(206,727,914)
Other directly attributable maintenance expenses	-	(192,720,492)	-	-	(192,720,492)
Changes in the expected non-recoverability of healthcare receivables in SOCI	-	(11,294,672)	-	-	(11,294,672)
Less: Expected non-recoverability	-	(2,932,917)	-	-	(2,932,917)
Insurance contracts - Trade creditors payable	-	244,505	-	-	244,505
Unclaimed credits write off	-	(24,337)	-	-	(24,337)
Insurance acquisition cash flows paid	-	(156,001,666)	-	-	(156,001,666)
Cash Payments to reinsurers	-	(91,489,718)	-	-	(91,489,718)
Investment components received/(paid)	1,286,460,169	(1,257,206,193)	-	-	29,253,977
Personal medical savings claims paid on behalf of members	-	(1,221,598,395)	-	-	(1,221,598,395)
Transfers to other schemes	-	(3,515,019)	-	-	(3,515,019)
Refunds on death or resignations	-	(40,923,779)	-	-	(40,923,779)
Advances on personal medical savings accounts written off or in debt recovery process	-	11,145,609	-	-	11,145,609
Advances on personal medical savings accounts	-	(2,314,609)	-	-	(2,314,609)
<b>Total cash flows</b>	<b>7,117,455,682</b>	<b>(8,109,256,570)</b>	<b>-</b>	<b>-</b>	<b>294,659,281</b>
<b>Insurance contract liabilities/(insurance contract assets) as at 31 December 2024</b>	<b>(1,236,733,546)</b>	<b>1,687,743,864</b>	<b>9,912,533</b>	<b>-</b>	<b>460,922,851</b>
Closing insurance contract assets	-	-	-	-	-
Closing insurance contract liabilities	49,726,623	1,687,743,864	9,912,533	-	1,747,383,021
Scheme		373,536,530			
Investment components		1,314,207,335			

**BESTMED MEDICAL SCHEME**  
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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

**11. INSURANCE CONTRACTS LIABILITIES**

**(a) Liability attributable to current members (continued)**

Reconciliation of the liability for remaining coverage and the liability for incurred claims closing balances consist of:

	<b>2024</b>	
	<b>R</b>	
<b>Insurance contract payables</b>		
Contributions received in advance	49,726,623	
Unclaimed payments	30,423,894	
Reported claims not yet paid	4,840,402	
Other payables and accrued expenses	144,820,667	
Trade creditors payable	5,018,168	
	234,829,753	
<b>Liability for incurred claims</b>		
Incurred but not yet reported	342,840,801	
Risk adjustment	10,098,860	
Investment components - Personal medical savings accounts	1,314,207,335	
	1,667,146,996	
<b>Insurance contract receivables</b>		
Contributions outstanding	147,561,437	
Recoveries from providers	2,799,552	
Recoveries from members	13,394,003	
Personal medical savings account advances	1,408,223	
Sundry accounts receivable	656,938	
	165,820,153	
Less: Provision for impairment	(11,226,424)	
Total receivables arising from insurance contracts	154,593,729	
<b>Net closing balance - 31 December 2024</b>	<b>1,747,383,021</b>	

	<b>2025</b>	<b>2024</b>
	<b>R</b>	<b>R</b>
<b>Investment components - Personal medical savings accounts</b>		
<b>Monies managed by the Scheme on behalf of its members</b>		
Balance on personal medical savings account liability at the beginning of the year	1,314,207,335	1,179,486,511
<b>Less</b>		
Advances on personal medical savings accounts	(1,408,223)	(3,722,832)
	1,312,799,112	1,175,763,679
Balance on personal medical savings account liability at the beginning of the year	1,312,799,112	1,175,763,679
<b>Add</b>		
Personal medical savings account contributions received or receivable (Note 11)	1,468,117,858	1,283,535,324
Personal medical savings account balances received from other Schemes	2,158,887	2,924,845
Interest on personal medical savings account trust funds invested paid to members (Note 15)	106,091,227	106,383,201
Advances on personal medical savings accounts written off or in debt recovery process	10,313,162	11,145,609
<b>Less</b>		
Personal medical savings claims paid on behalf of members	(1,360,283,649)	(1,221,598,395)
Transfers to other schemes	(5,599,485)	(3,515,019)
Refunds on death or resignations	(45,275,343)	(40,923,779)
Personal medical savings payable to the Guardians Fund	-	-
Bank charges and management fees (Note 19)	(996,480)	(916,354)
Contributions relief payment from savings	-	-
<b>Add</b>		
Advances on personal medical savings accounts	1,656,103	1,408,223
<b>Balances due to members on personal medical savings accounts held in trust at the end of the year</b>	<b>1,488,981,392</b>	<b>1,314,207,335</b>

The Personal Medical Savings Accounts ("PMSA") have been identified as a investment component, however these are non-distinct and as such do not require separation from the main insurance contract. PMSA are measured under IFRS 17. Refer to Note 1.2 for detailed disclosures and significant judgements made in transition to IFRS 17.

In accordance with the Rules of the Scheme, the personal medical savings accounts are underwritten by the Scheme.

The personal medical savings account trust liability contains a demand feature in terms of Regulation 10 of the Medical Schemes Act that any credit balance on a member's personal medical savings account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option, and then enrolls in another benefit option or medical scheme without a personal medical savings account or does not enrol in another medical scheme.

The carrying amount of the personal medical savings account trust investments approximates their fair values due to the short-term nature of the investments. Interest earned on all personal medical savings account funds invested as cash and cash equivalents and financial assets investments are allocated to members' personal medical saving account balances, and are not recognised as income for the Scheme.

The Scheme does not charge interest on debit personal medical savings plan balances and advances on personal medical savings accounts are funded by the Scheme and are included and disclosed in insurance contracts.

The difference between the personal medical savings account trust liability and the personal savings trust account assets (Note 4 and 11), is attributable to the timing of the collection of savings contributions versus the transfer of funds from the Scheme's bank account to the Personal medical savings account.

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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

**11. INSURANCE CONTRACTS LIABILITIES (continued)**

	2025	2024
	R	R
<b>(b) Insurance contract liabilities – Liability attributable to members for future benefits</b>		
<b>Opening balance</b>	<b>3,619,568,129</b>	<b>3,413,469,872</b>
Movement in insurance liability attributable to members for future benefits	968,646,552	206,098,258
Amounts attributable to members for future benefits	783,353,289	164,392,677
Unrealised (losses)/gains on equity instruments designated at FVTOCI	168,493,028	30,651,314
Cumulative gains/(losses) on equity instruments designated at FVOCI transferred to insurance liability attributable to members for future benefits upon disposal	16,800,235	11,054,266
<b>Closing balance</b>	<b>4,588,214,682</b>	<b>3,619,568,129</b>
Current	-	63,435,925
Non-current	4,588,214,682	3,556,132,204
<b>Total</b>	<b>4,588,214,682</b>	<b>3,619,568,129</b>

The current portion of the insurance liability for future members represents the Schemes' budgeted net underwriting deficit for the next financial period as submitted to Council for Medical Schemes. The Scheme anticipate a net underwriting surplus for the 2026 financial year.

**12. TRADE AND OTHER PAYABLES**

	2025	2024
	R	R
<b>Financial liabilities</b>		
Other payables and accrued expenses	25,253,029	19,984,704
Trade creditors payable	2,944,279	330,217
	28,197,307	20,314,920
<b>Provisions</b>		
Leave provision at the beginning of the year	15,236,638	12,515,033
Movement for the year	1,062,205	2,721,604
Leave provision at the end of the year	16,298,843	15,236,638
<b>Total trade and other payables</b>	<b>44,496,150</b>	<b>35,551,558</b>

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

**13. INSURANCE REVENUE AND SERVICE EXPENSES**

	2025	2024
	R	R
<b>Insurance revenue</b>	<b>8,244,265,191</b>	<b>7,244,488,100</b>
<b>Insurance service expenses</b>	<b>(7,645,086,363)</b>	<b>(7,209,639,226)</b>
Net claims incurred**	(7,265,468,645)	(6,849,622,396)
Risk claims incurred	(7,143,390,631)	(6,660,143,312)
Third party claims recoveries	278,037	700,491
Accredited managed healthcare services	(174,637,850)	(169,582,188)
Hospital benefit management services	(61,654,598)	(51,685,437)
Pharmacy benefit management services	(82,751,260)	(86,276,884)
Managed care network management services & risk management	(10,180,398)	(13,900,171)
Active disease risk management	(20,051,593)	(17,719,695)
Changes that relate to past service - adjustments to the LIC	52,281,798	(20,597,387)
Insurance acquisition cash flow	(173,706,186)	(156,001,666)
Attributable maintenance expenses	(205,911,532)	(204,015,164)
<b>Reinsurance service result**</b>	<b>17,036,019</b>	<b>22,132,335</b>
Reinsurance expenses – contracts measured under the PAA	(114,502,518)	(100,805,766)
Reinsurance income - contracts measured under the PAA	131,538,537	122,938,101
Recovered claims	132,489,532	125,925,497
Changes that relate to past service - adjustments to the LIC	(950,995)	(2,987,396)
<b>Total insurance service result</b>	<b>616,214,847</b>	<b>56,981,209</b>

\*\*As required by CMS Circular 32 of 2025, "Relevant healthcare expenditure" comprises Net claims incurred and Reinsurance service result.

**(a) Insurance revenue**

Gross insurance revenue from contracts measured under the PAA	9,712,383,049	8,528,023,424
Less: Investment component - Personal medical savings account contributions (Note 11)	(1,468,117,858)	(1,283,535,324)
	<b>8,244,265,191</b>	<b>7,244,488,100</b>

The personal medical savings account contributions are received by the Scheme in terms of Regulation 10(1) and the Scheme's Registered Rules and it is held in a trust on behalf of the members of the Scheme.

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**13. INSURANCE REVENUE AND SERVICE EXPENSES (continued)**

	Note	2025 R	2024 R
<b>(b) Insurance acquisition cash flow</b>			
Brokers' fees		138,838,728	124,504,665
Other directly attributable acquisition cashflows:	14	34,867,458	31,497,002
Employee benefits expenses		33,968,131	30,432,932
Other directly attributable acquisition expenses		899,327	1,064,070
		<b>173,706,186</b>	<b>156,001,666</b>
<b>(c) Attributable maintenance expenses</b>			
Employee benefits expenses		95,577,556	90,513,980
Other directly attributable maintenance expenses		102,317,157	102,206,512
	14	197,894,714	192,720,492
Changes in the expected non-recoverability of healthcare receivables		8,016,818	11,294,672
		<b>205,911,532</b>	<b>204,015,164</b>

Other directly attributable acquisition cashflows comprise of direct sales and member record management. Attributable maintenance expenses comprise of broker relation, information technology costs, claims, client service management and accredited wellness expenses.

**14. ADMINISTRATION EXPENSES**

	Notes	2025 R		2024 R	
		Directly attributable acquisition and maintenance expenses	Not directly attributable expenses	Directly attributable acquisition and maintenance expenses	Not directly attributable expenses
Managed care management services		7,954,060	-	8,524,419	-
Wellness and preventative care		4,085,453	-	4,733,808	-
Maternity programme		3,868,607	-	3,790,611	-
Actuarial fees		2,908,445	-	2,764,681	-
Audit fees*		-	3,407,019	-	3,113,947
External audit services for previous year's audit		-	1,920,023	-	1,991,686
External audit services for current year audit		-	1,486,996	-	1,122,261
Bank charges		-	8,656,119	-	8,044,266
Consultation fees		107,755	4,369,244	232,551	6,597,929
Investigation Fees		-	6,882,902	-	7,106,389
Debt collection fees		-	712,986	-	570,228
Amortization	3	-	3,817,330	-	3,444,170
Depreciation	2	-	30,797,351	-	34,698,044
Employee benefit expenses		129,545,687	99,372,012	120,946,912	93,684,407
Employee recruitment, training and development		-	6,159,790	-	5,842,735
Insurance premiums		-	1,633,159	-	1,710,833
Information Technology		53,283,285	-	52,703,945	-
IT maintenance		3,348,310	-	3,194,872	-
License fees		25,924,012	-	27,443,870	-
Legal fees		-	2,924,145	-	820,111
Marketing and advertising expenses		1,283,132	42,049,694	379,073	35,109,761
Rent paid		-	646,543	-	1,728,131
Building expenses		1,081,515	3,710,308	1,060,349	3,706,263
Other expenses		997,014	4,120,853	1,069,698	5,077,593
Principal Officers' fees		-	8,253,764	-	7,837,787
Printing and stationery expenses		407,820	1,841,325	352,384	2,241,258
Registrar's levies and other fees		-	6,286,505	-	5,675,779
Telephone and postage fees		2,360,454	1,842,792	2,287,575	2,610,989
Total trustee remuneration and travel and accommodation expenses		-	5,413,255	-	4,106,007
Trustees vetting expenses		-	820,086	-	1,941,129
Travel, accommodation and conferences		3,560,682	533,253	3,257,166	371,226
		<b>232,762,171</b>	<b>244,250,437</b>	<b>224,217,494</b>	<b>236,038,984</b>

\*The below audit fees breakdown note has been included in the current year to align with the disclosure requirements of the International Ethics Standards Board for Accountants(IESBA) Code.

	R
Financial Statement Audit**	3,279,652
Regulatory Audit	127,367
	<b>3,407,019</b>

\*\*Financial Statement Audit amount includes 2024 and 2025 audit fees as disclosed above.

**15. INVESTMENT INCOME**

	2025 R	2024 R
<b>Scheme:</b>		
Financial assets at fair value through profit or loss:		
- Interest income	151,208,961	145,904,304
Income from financial assets at fair value through other comprehensive income:		
- Dividend income	39,037,831	29,120,424
Cash and cash equivalents - interest income	3,040,768	3,350,184
Net realised (losses)/gains on financial assets at fair value through profit or loss(a)	6,719,589	19,296,692
Net unrealised gains on financial assets at fair value through profit or loss(b)	220,910,549	153,834,252
	<b>420,917,697</b>	<b>351,505,856</b>
<b>Personal medical savings account trust monies invested</b>		
Financial assets at fair value through profit or loss:		
- Interest income	78,098,414	80,258,216
Cash and cash equivalents - interest income	27,992,813	26,124,985
	<b>106,091,227</b>	<b>106,383,201</b>

**BESTMED MEDICAL SCHEME**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

	2025 R	2024 R
<b>(a) Net realised (losses)/gains on financial assets at fair value through profit or loss</b>		
- Listed bonds	4,060,986	(3,005,802)
- Linked insurance policies	-	10,812,603
- Collective investment schemes	2,658,603	11,489,891
	<b>6,719,589</b>	<b>19,296,692</b>
<b>(b) Net unrealised gains on financial assets at fair value through profit or loss</b>		
- Listed bonds	9,347,599	3,161,073
- Linked insurance policies	203,797,789	146,923,526
- Collective investment schemes	7,765,161	3,749,653
	<b>220,910,549</b>	<b>153,834,252</b>
<b>(c) Income from financial assets at fair value through other comprehensive income:</b>		
- Unrealised gains (losses) on equity instruments designated at FVOCI	168,493,028	30,651,314
- Cumulative gains upon disposal of equity instruments designated at FVOCI	16,800,235	11,054,266
<b>16. SUNDRY INCOME</b>		
Unclaimed credits written off	1,387,476	(24,337)
Net profit on disposal of fixed assets	65,145	175,991
	<b>1,452,621</b>	<b>151,654</b>
<b>17. FINANCE EXPENSES FROM INSURANCE CONTRACTS ISSUED - PMSA</b>		
Net finance expenses from insurance contracts issued - PMSA	77,101,935	79,341,862
Cash and cash equivalents - interest income	27,992,813	26,124,985
	<b>105,094,748</b>	<b>105,466,847</b>
<b>18. INTEREST EXPENSE</b>		
Finance costs - lease liability	5 4,992,468	2,013,179
	<b>4,992,468</b>	<b>2,013,179</b>
<b>19. ASSET MANAGEMENT FEES</b>		
<b>Scheme</b>		
Expenses for asset management services rendered	5,988,971	6,193,878
	<b>5,988,971</b>	<b>6,193,878</b>
<b>Personal medical savings account trust monies invested</b>		
Expenses for asset management services rendered	996,480	916,354
	<b>996,480</b>	<b>916,354</b>
<b>20. EMPLOYEE BENEFIT EXPENSES</b>		

**As at 31 DECEMBER 2025**

Salaries and Bonuses  
Retirement benefits  
Medical and other benefits  
Increase in leave pay accrual  
Retirement benefit obligations

Less: Principal Officer's compensation and benefits  
- Salary  
- Bonuses paid and provided for  
- Retirement benefits  
- Medical and other benefits

**Total**

Directly attributable acquisition and maintenance expenses R	Non-attributable expenses R	Total R
101,578,699	80,791,076	182,369,775
13,632,962	10,097,667	23,730,629
14,334,026	7,971,646	22,305,671
-	7,599,938	7,599,938
-	1,165,449	1,165,449
<b>129,545,687</b>	<b>107,625,776</b>	<b>237,171,464</b>
-	(8,253,764)	(8,253,764)
-	(4,122,984)	(4,122,984)
-	(3,130,837)	(3,130,837)
-	(742,451)	(742,451)
-	(257,492)	(257,492)
<b>129,545,687</b>	<b>99,372,012</b>	<b>228,917,699</b>

**As at 31 DECEMBER 2024**

Salaries and Bonuses  
Retirement benefits  
Medical and other benefits  
Increase in leave pay accrual  
Retirement benefit obligations

Less: Principal Officer's compensation and benefits  
- Salary  
- Bonuses paid and provided for  
- Retirement benefits  
- Medical and other benefits

**Total**

Directly attributable acquisition and maintenance expenses R	Non-attributable expenses R	Total R
95,964,027	75,889,156	171,853,183
12,454,394	9,080,587	21,534,981
12,528,491	7,402,415	19,930,906
-	8,559,411	8,559,411
-	590,625	590,625
<b>120,946,912</b>	<b>101,522,193</b>	<b>222,469,105</b>
-	(7,837,787)	(7,837,787)
-	(3,908,438)	(3,908,438)
-	(2,993,901)	(2,993,901)
-	(702,214)	(702,214)
-	(233,233)	(233,233)
<b>120,946,912</b>	<b>93,684,407</b>	<b>214,631,318</b>

**BESTMED MEDICAL SCHEME**  
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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

21. CASH FLOWS FROM OPERATING ACTIVITIES*	Note	2025 R	2024 R
Insurance revenue	13	8,244,265,191	7,244,488,100
Increase in insurance receivables		(13,499,290)	(19,340,651)
(Decrease)/increase in liability for remaining coverage		(13,925,175)	21,937,242
<b>Cash Receipts from members - Insurance revenue</b>		<b>8,216,840,725</b>	<b>7,247,084,691</b>
(Increase)/decrease in insurance receivables - Other		(165,988)	5,904,177
(Increase)/decrease in other loans and receivables		(132,216)	1,504,476
Increase in trade and other receivables	6	(2,813,704)	(4,520,099)
<b>Cash Receipts from members and providers - Trade and other receivables</b>		<b>(3,111,908)</b>	<b>2,888,555</b>
Reinsurance contracts expenditure		(114,502,518)	(100,805,766)
Reinsurance contracts receipts			11,158,168
Increase in recovery under reinsurance contracts		(1,383,802)	(1,583,869)
Increase/(decrease) in reinsurance contracts liabilities		698,537	(1,842,121)
<b>Cash Payments to reinsurers</b>		<b>(115,187,783)</b>	<b>(93,073,587)</b>
Investment components - received	11	1,470,276,745	1,286,460,169
Investment components - paid	11	(1,400,597,435)	(1,257,206,193)
Net receipts		69,679,310	29,253,977
Cash and cash equivalents - interest income	17	27,992,813	26,124,985
<b>Increase in personal savings account liabilities</b>		<b>97,672,122</b>	<b>55,378,962</b>
Increase in insurance contract liabilities		(130,158,365)	210,626,880
Unclaimed payments		10,792,368	8,765,861
Reported not yet paid		7,994,715	(20,861,975)
Insurance contracts - Other payables and accrued expenses		(135,377,476)	121,566,305
Insurance contracts - Trade creditors payable		(188,099)	244,505
Increase in liability for incurred claims		(13,379,873)	100,912,184
Unclaimed credits write off	16	1,387,476	(24,337)
Insurance service expenses		(7,512,779,999)	(7,100,792,210)
Relevant insurance expenses		(7,133,930,109)	(6,737,842,462)
Insurance acquisition cash flow		(173,706,186)	(156,001,666)
Other directly attributable maintenance expenses		(197,894,714)	(192,720,492)
Changes in the expected non-recoverability of healthcare receivables in SOCI		(8,016,818)	(11,294,672)
Less: Expected non-recoverability		767,827	(2,932,917)
<b>Cash paid for claims and acquisition cost</b>		<b>(7,641,550,888)</b>	<b>(6,890,189,668)</b>
Expenses incurred for providers and employees - non-attributable expenses		(250,239,409)	(242,232,862)
Eliminate non cash items:			
Depreciation		30,797,351	34,698,044
Amortisation of intangible assets	3	3,817,330	3,444,170
Increase in provision for leave	12	1,062,205	2,721,604
Increase/(decrease) in provision for retirement benefit obligation	10	363,401	(166,909)
Increase/(decrease) in trade and other payables	12	27,302,623	(9,542,759)
<b>Cash paid to providers and employees - non-attributable expenses</b>		<b>(186,896,498)</b>	<b>(211,078,711)</b>

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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

**22. TOTAL TRUSTEE REMUNERATION AND CONSIDERATION EXPENSES**

	Fees for attending Board meetings	Annual Retainer Fees	Fees for attending subcommittee meetings	Total Remuneration	Travel & Accommodation	Training	Total Considerations
	R	R	R	R	R	R	R
<b>2025</b>							
L de Vries	137,998		285,990	423,988	43,498	4,474	<b>471,959</b>
GS du Plessis	206,997	74,076	483,545	764,618	-	4,474	<b>769,091</b>
A Hartzenberg	137,998		353,304	491,302	-	4,474	<b>495,776</b>
L Jordaan	165,598	52,926	471,112	689,636	24,583	4,474	<b>718,692</b>
BE Legobye	114,956		434,152	549,108	-	4,474	<b>553,582</b>
C Lombard	137,998		245,807	383,805	18,352	4,474	<b>406,631</b>
M Slabbert	137,998		383,272	521,270	-	4,474	<b>525,744</b>
L Shah	137,998		354,205	492,203	18,954	4,474	<b>515,631</b>
TH du Buisson	137,998		305,157	443,155	-	4,474	<b>447,629</b>
M Brewis	116,564		360,995	477,559	26,488	4,474	<b>508,521</b>
	<b>1,432,103</b>	<b>127,002</b>	<b>3,677,539</b>	<b>5,236,644</b>	<b>131,874</b>	<b>44,737</b>	<b>5,413,255</b>

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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

**22. TOTAL TRUSTEE REMUNERATION AND CONSIDERATION EXPENSES (continued)**

	Fees for attending Board meetings	Annual Retainer Fees	Fees for attending subcommittee meetings	Total Remuneration	Travel & Accommodation	Gifts	Total considerations
	R	R	R	R	R	R	R
<b>2024</b>							
L de Vries	132,619	-	170,048	302,667	44,549	-	<b>347,216</b>
GS Du Plessis	176,733	59,424	256,248	492,405	-	-	<b>492,405</b>
A Hartzenberg	132,619	-	213,785	346,404	-	-	<b>346,404</b>
L Jordaan	145,479	25,506	292,267	463,253	8,588	-	<b>471,841</b>
BE Legobye	111,185	-	259,057	370,242	-	-	<b>370,242</b>
C Lombard	132,619	-	221,692	354,311	25,972	-	<b>380,283</b>
E Marx	59,817	-	113,774	173,591	-	10,000	<b>183,591</b>
CM Mowatt	88,907	33,210	242,604	364,720	7,988	10,000	<b>382,708</b>
M Slabbert	132,619	-	249,444	382,063	-	-	<b>382,063</b>
L Shah	132,619	-	191,303	323,922	5,623	-	<b>329,545</b>
TH du Buisson	72,802	-	116,285	189,087	-	-	<b>189,087</b>
M Brewis	72,802	-	150,535	223,337	7,286	-	<b>230,623</b>
	<b>1,390,821</b>	<b>118,140</b>	<b>2,477,041</b>	<b>3,986,001</b>	<b>100,006</b>	<b>20,000</b>	<b>4,106,007</b>

Annual retainer fees are amounts paid in accordance with the provisions of the Trustee Remuneration Policy

The 2025 and 2024 amounts are disclosed as per the 2025 SAICA guide categories.

Travel & Accommodation expenses are paid in order for members to attend Board/Subcommittee meetings/other meetings in Pretoria, or if needed at another location

**BESTMED MEDICAL SCHEME**  
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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

**23. RELATED PARTY TRANSACTIONS**

The Scheme is governed by the Board of Trustees which is elected by the members and appointed by the Board of Trustees and employers.

Parties with significant influence over the Scheme:

\* Key management personnel of the Scheme and their close family members.

Key management personnel being those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees, the Principal Officer and Executives of the Scheme. The disclosure deals with full-time personnel who are compensated on a salary basis (Principal Officer and Executive Managers) and part-time personnel who are compensated on a fee basis (Board of Trustees).

\* Close family members include family members of the Board of Trustees, Principal Officer and Executives of the Scheme.

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

**Insurance revenue**

This constitutes the contributions paid by the related party, in his or her individual capacity as a member of the Scheme. All contributions were on the same terms applicable to other members.

**Insurance service expenses**

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

**Personal medical savings account balances**

The amounts owing to the related parties relate to personal medical savings account balances to which the parties have a right. In line with the terms applied to other members, the balances earn monthly interest on the savings funds invested, on an accrual basis. The amounts are all current, and would need to be payable on demand should an appropriate claim be issued, or should the member resign from the Scheme, as applicable to other members.

**Service provider fees paid/payable**

These constitute fees paid to a healthcare provider (medical practitioner). Fees are paid on the same basis as applicable to third parties. Invoices paid for non-healthcare providers are also included.

**Principal Officer's compensation**

This total includes salary cost, retirement benefits, medical benefits, leave encashment, other benefits and a performance bonus.

The following related party transactions occurred during the financial year:

	2025 R	2024 R
<b>Board of Trustees</b>		
Gross medical scheme contributions received	555,189	634,110
Medical scheme insurance revenue - risk portion	477,957	541,836
Medical scheme insurance revenue - personal medical savings portion	77,232	92,274
Gross benefits paid out	477,281	584,156
Benefits paid from risk pool	393,456	488,737
Benefits paid from personal medical savings available	83,824	95,419
Saving available at year-end	6,880	12,908
Trustee remuneration and travel and accommodation expenses (Note 22)	5,413,255	4,106,007
Trustee other expenses	63,432	63,657
<b>Principal Officer</b>		
Gross medical scheme contributions received	151,128	134,040
Medical scheme insurance revenue - risk portion	122,412	108,564
Medical scheme insurance revenue - personal medical savings portion	28,716	25,476
Gross benefits paid out	43,555	187,830
Benefits paid from risk pool	16,453	162,354
Benefits paid from personal medical savings available	27,102	25,476
Saving available at year-end	1,634	-
Principal Officer's compensation (Note 23)	8,253,764	7,837,787
Leave provision at end of year	858,332	773,162
<b>Key management</b>		
Gross medical scheme contributions received	446,508	395,490
Medical scheme insurance revenue - risk portion	354,380	312,978
Medical scheme insurance revenue - personal medical savings portion	92,128	82,512
Gross benefits paid out	169,404	328,236
Benefits paid from risk pool	103,660	247,706
Benefits paid from personal medical savings available	65,744	80,530
Saving available at year-end	71,183	131,352
Compensation to key management personnel	27,787,266	25,796,827
Leave provision at end of year	1,351,092	1,763,307
<b>Service providers connected to key management and Board of Trustees</b>		
Gross benefits paid to related party service providers for consultation	352,117	278,767

**BESTMED MEDICAL SCHEME**  
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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

**24. MATTERS OF NON-COMPLIANCE**

NON-COMPLIANCE	NATURE AND CAUSE	
<p><b>Non-Compliance with S26(7) of the Medical Schemes Act &amp; Scheme Rule 13.2.1</b></p>	<p>Section 26(7) of the Medical Schemes Act states that Contributions must be received within three days of becoming due.</p> <p>Furthermore Scheme rule 13.2.1 stated that Subscriptions shall be due monthly in advance, or in arrears as shall be determined and approved by the Scheme, on the following dates:            13.2.1.1 On the 20th (twentieth); or            13.2.1.2 On the 25th (twenty-fifth); or            13.2.1.3 On the 1st (first); or            13.2.1.4 As agreed upon between the Scheme and an Employer,            and be payable by not later than the 3rd (third) day after each respective due date of each month.</p> <p>There were instances whereby the Scheme, in absence of any agreement or understanding received contributions more than 3 days after due date.</p>	<p>Employer group discrepancies are actively monitored and rectified on a monthly basis.</p>
<p><b>Non-compliance with Section 59(2) of the Medical Schemes Act &amp; Scheme Rule 16.3</b></p>	<p>Section 59(2) of the Medical Schemes Act states the following: A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.</p> <p>Furthermore Scheme rule 16.3 states the following:            Subject to the respective provisions of Rules 12.7, 17.2 and 17.4, the Scheme shall, where an account has been correctly rendered, pay any benefit that is due to a Member, either to that Member or to the supplier of the relevant health service who rendered the account, within 30 (thirty) days after the date of receipt of the claim pertaining to such benefit.</p> <p>Instances were identified where claims were paid 30 Days after the day on which the claim was received by the scheme.</p>	<p>Claims are paid bi-weekly and where further investigation is required, this could result in the claim being paid after 30 days from notification</p>
<p><b>Non-compliance with Section 33(2)(b) of the Medical Schemes Act</b></p>	<p>Section 33(2)(b) of the Medical Schemes Act states the following: 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 will not jeopardise the financial soundness of any existing benefit option within the medical scheme.</p> <p>During the year under review four benefit options of the Scheme, namely Beat 3 Network, Rhythm 1, Rhythm 2 and Pace 3 incurred a Net Deficit.</p>	<p>The Scheme monitors the results of all options and evaluates different strategies to improve the financial outcomes of all options. The strategy on sustainability of options must balance short and long-term financial considerations, with fairness to both healthy and sick members and with continued affordability of cover for members on different levels of income and needs. The Scheme remains committed to comply with the applicable legislation, as far as possible, but also focuses on the overall stability and financial position of the Scheme as a whole and not only on individual options.</p>

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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

**24. MATTERS OF NON-COMPLIANCE (continued)**

<p><b>Non-compliance with Section 35(6)(a) of the Medical Schemes Act</b></p>	<p>Section 35(6)(a) states that A medical scheme shall not encumber its assets. The Scheme registered as a financial service provider with the Financial Sector Conduct Authority (FSCA). Registration number 44058. The FSCA required a guarantee of R1 million in terms of section 8(7) of the FSCA Board notice 106 of 2008. The terms of the Scheme building lease agreement required a guarantee to an amount of R2 523 036.</p>	<p>The Scheme obtained CMS exemption for guarantees in respect of the FSCA for the duration of the guarantee and building lease (until 31 December 2025)</p>
<p><b>Non-compliance with Section 35(8)(a), (c) and (d) of the Medical Schemes Act</b></p>	<p>Section 35(8) of the Medical Schemes Act states that 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 above.</p> <p>Due to some of the Scheme's employer groups being listed on the JSE, investments were made in a certain number of its employer groups listed on the JSE through the portfolios of the investment products the Scheme utilises. This is also applicable to a JSE listed medical scheme administrators groups.</p>	<p>The CMS has granted the Scheme an exemption from section 35(8)(a), (c) and (d) of the Medical Schemes Act until 31 December 2028.</p>
<p><b>Non-compliance with Section 65 (2) of the Medical Schemes Act and Regulation 28</b></p>	<p>Section 65 of the Medical Schemes Act states the following: A medical scheme may compensate any person, in cash or otherwise, in accordance with its rules, for the introduction or admission of a member to that medical scheme.</p> <p>(2) The Minister may prescribe the amount of the compensation which, the category of persons to whom, the conditions upon which, and any other circumstances under which, a medical scheme may compensate any person in terms of subsection(1). Circular 2 of 2025, provides that the maximum amount payable in terms of Section 65 of the Medical Scheme Act is R121,84 plus VAT.</p> <p>An instance was identified, where commission amount paid to the broker was not VAT inclusive, and another where the commission was not paid at all, as per Circular 2 of 2025 and in accordance with Section 65 of the Medical Schemes Act.</p>	<p>These were oversights and isolated instances which have been corrected.</p>
<p><b>Non-Compliance with Regulation 8 of the Medical Scheme Act &amp; Scheme Rule 13.5.4</b></p>	<p>Regulation 8 of the Medical Schemes Act No 31 of 1998, as amended, states the following: "(1) Subject to the provisions of the regulation, any benefit option that is offered by a Medical Scheme must pay in full, without co-payment or the use of deductibles, the diagnosis, treatment and care costs of the prescribed minimum benefit conditions".</p> <p>Furthermore Rule 13.5.4 of the Scheme Rules states that: "The balance standing to the credit of a Member in terms of any option which provides for individual medical savings accounts shall be for the exclusive benefit of the Member and his Dependents: Provided that such savings account; shall not be used to pay for the costs of prescribed minimum benefits".</p> <p>An instance was identified where a prescribed minimum benefit "PMB" claim was incorrectly paid from savings.</p>	<p>Reversal to savings was subsequently effected after investigating the nature of the claim.</p>
<p><b>Non-compliance with Section 28(c) of the Medical Schemes Act</b></p>	<p>Section 28(c) of the Medical Schemes Act states that no person shall claim or accept benefits in respect of himself or herself or any dependant from any medical scheme other than the medical scheme of which he or she is a member or a dependant.</p> <p>An instance was identified where a membership was activated in the incorrect period and medicine claims erroneously paid as a consequence.</p>	<p>The membership was subsequently updated and the member requested to refund the Scheme.</p>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2025**

25. SURPLUS/ (DEFICIT) PER BENEFIT OPTION 2025	Beat1*	Beat2*	Beat3*	Beat3 Plus	Beat4	Pace1	Pace2	Pace3	Pace4	Rhythm1	Rhythm2	Total Scheme
	R	R	R	R	R	R	R	R	R	R	R	R
<b>Average members for the financial year</b>	<b>12,213</b>	<b>55,151</b>	<b>7,877</b>	<b>1,366</b>	<b>2,130</b>	<b>29,693</b>	<b>7,425</b>	<b>4,477</b>	<b>1,519</b>	<b>822</b>	<b>1,351</b>	<b>124,023</b>
<b>Insurance revenue</b>	<b>541,138,540</b>	<b>2,405,291,832</b>	<b>510,835,427</b>	<b>91,902,123</b>	<b>231,027,106</b>	<b>2,593,192,465</b>	<b>866,559,368</b>	<b>633,995,032</b>	<b>276,814,526</b>	<b>23,445,063</b>	<b>70,063,709</b>	<b>8,244,265,191</b>
<b>Insurance service expense</b>	<b>(494,365,758)</b>	<b>(2,254,905,417)</b>	<b>(467,329,612)</b>	<b>(93,241,742)</b>	<b>(202,620,255)</b>	<b>(2,192,076,889)</b>	<b>(878,448,539)</b>	<b>(664,344,279)</b>	<b>(284,656,005)</b>	<b>(25,195,185)</b>	<b>(87,902,683)</b>	<b>(7,645,086,363)</b>
Net claims incurred	(459,778,442)	(2,090,594,441)	(442,140,762)	(88,925,465)	(195,450,009)	(2,096,490,232)	(855,718,274)	(649,024,062)	(280,156,342)	(23,210,084)	(83,980,531)	(7,265,468,645)
Risk claims incurred	(447,757,416)	(2,036,308,043)	(434,387,508)	(87,581,374)	(193,353,732)	(2,067,263,102)	(848,409,687)	(644,617,747)	(278,660,994)	(22,400,726)	(82,650,302)	(7,143,390,631)
Third party claims recoveries	27,378	123,639	17,658	3,061	4,774	66,566	16,646	10,036	3,406	1,843	3,030	278,037
Accredited managed healthcare services	(17,196,595)	(77,659,026)	(11,091,364)	(1,922,780)	(2,998,814)	(41,810,667)	(10,455,248)	(6,303,423)	(2,139,160)	(1,157,822)	(1,902,949)	(174,637,850)
Changes that relate to past service - adjustments to the LIC	5,148,190	23,248,989	3,320,451	575,628	897,763	12,516,971	3,130,016	1,887,073	640,406	346,620	569,691	52,281,798
Insurance acquisition cash flow	(14,653,641)	(73,951,377)	(12,125,076)	(2,036,296)	(3,550,620)	(45,567,094)	(10,051,434)	(7,569,047)	(1,840,065)	(653,704)	(1,707,833)	(173,706,186)
Attributable maintenance expenses	(19,933,674)	(90,359,600)	(13,063,773)	(2,279,981)	(3,619,627)	(50,019,563)	(12,678,831)	(7,751,169)	(2,659,597)	(1,331,397)	(2,214,319)	(205,911,532)
Net income/expenses from reinsurance contracts held	(295,644)	(3,019,107)	702,210	723,381	900,047	9,158,060	3,896,927	3,859,473	1,269,581	(75,059)	(83,850)	17,036,019
Reinsurance expenses from reinsurance contracts held	(3,821,032)	(17,255,523)	(2,465,320)	(1,512,012)	(4,292,123)	(54,749,604)	(15,400,131)	(9,987,037)	(3,168,893)	(460,985)	(1,389,858)	(114,502,518)
Reinsurance income from reinsurance contracts held	3,619,032	14,659,311	3,227,928	2,245,863	5,208,500	64,135,345	19,353,992	13,880,835	4,450,123	392,231	1,316,370	132,489,532
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	(93,645)	(422,894)	(60,398)	(10,471)	(16,330)	(227,681)	(56,934)	(34,325)	(11,649)	(6,305)	(10,363)	(950,995)
<b>Insurance service result</b>	<b>46,477,138</b>	<b>147,367,308</b>	<b>44,208,026</b>	<b>(616,238)</b>	<b>29,306,898</b>	<b>410,273,636</b>	<b>(7,992,244)</b>	<b>(26,489,774)</b>	<b>(6,571,897)</b>	<b>(1,825,182)</b>	<b>(17,922,824)</b>	<b>616,214,847</b>
Net finance expenses from insurance contracts issued - PMS	(246,455)	(15,401,268)	(5,861,215)	(741,309)	(3,227,654)	(53,147,925)	(14,629,433)	(9,891,774)	(1,673,310)	(48,556)	(225,848)	(105,094,748)
<b>Other income</b>	<b>23,795,570</b>	<b>139,663,745</b>	<b>31,959,007</b>	<b>6,069,951</b>	<b>14,895,120</b>	<b>192,284,503</b>	<b>58,423,594</b>	<b>41,940,734</b>	<b>14,083,951</b>	<b>1,069,918</b>	<b>3,278,975</b>	<b>527,465,066</b>
Investment income	23,714,580	139,236,380	31,869,251	6,051,624	14,854,993	191,805,983	58,272,976	41,830,510	14,041,268	1,066,405	3,268,475	526,012,445
Scheme	23,468,125	123,835,112	26,008,035	5,310,315	11,627,339	138,658,058	43,643,544	31,938,737	12,367,958	1,017,849	3,042,627	420,917,698
Personal medical savings account trust accounts	246,455	15,401,268	5,861,215	741,309	3,227,654	53,147,925	14,629,433	9,891,774	1,673,310	48,556	225,848	105,094,748
Other operating income	80,990	427,365	89,756	18,326	40,127	478,520	150,617	110,223	42,683	3,513	10,500	1,452,621
<b>Other expenditure</b>	<b>(24,663,616)</b>	<b>(111,845,546)</b>	<b>(16,191,036)</b>	<b>(2,827,764)</b>	<b>(4,497,523)</b>	<b>(62,094,352)</b>	<b>(15,761,455)</b>	<b>(9,649,297)</b>	<b>(3,314,524)</b>	<b>(1,645,898)</b>	<b>(2,740,866)</b>	<b>(255,231,877)</b>
Non-attributable expenses	(24,051,349)	(108,614,777)	(15,512,505)	(2,689,221)	(4,194,175)	(58,476,864)	(14,622,826)	(8,816,038)	(2,991,853)	(1,619,343)	(2,661,486)	(244,250,437)
Asset management fees	(333,913)	(1,761,971)	(370,052)	(75,557)	(165,438)	(1,972,878)	(620,976)	(454,436)	(175,976)	(14,482)	(43,292)	(5,988,971)
Finance costs	(278,353)	(1,468,797)	(308,479)	(62,985)	(137,911)	(1,644,611)	(517,652)	(378,823)	(146,695)	(12,073)	(36,088)	(4,992,468)
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>45,362,637</b>	<b>159,784,238</b>	<b>54,114,781</b>	<b>1,884,639</b>	<b>36,476,841</b>	<b>487,315,861</b>	<b>20,040,462</b>	<b>(4,090,111)</b>	<b>2,524,220</b>	<b>(2,449,718)</b>	<b>(17,610,562)</b>	<b>783,353,289</b>
Number of Members**	12,450	56,368	8,160	1,775	2,074	29,943	7,286	4,453	1,484	831	1,300	126,124
Number of Beneficiaries	25,205	113,527	17,111	3,772	4,197	73,505	11,586	7,953	2,082	1,254	1,998	262,190
Average Age	37.46	32.17	38.33	36.24	47.95	35.54	59.16	59.52	68.15	34.21	49.44	37.25
Pensioner Ratio	10.96%	5.16%	14.66%	11.37%	27.47%	11.92%	50.83%	51.21%	71.13%	14.75%	32.53%	12.78%

\* The Scheme offered fourteen benefit options for the year under review, eleven original options and three Efficiency Discounted Options (EDO's). The EDO's namely Beat1 Network, Beat2 Network and Beat3 Network are included in the original eleven options for reporting purposes.

\*\* Disclosure has been updated to align with SAICA Medical Scheme Accounting Guide.

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25. SURPLUS/ (DEFICIT) PER BENEFIT OPTION	Beat1*	Beat2*	Beat3*	Beat3 Plus	Beat4	Pace1	Pace2	Pace3	Pace4	Rhythm1	Rhythm2	Total Scheme
2024	R	R	R	R	R	R	R	R	R	R	R	R
<b>Average members for the financial year</b>	<b>11,494</b>	<b>51,403</b>	<b>7,988</b>	<b>658.58</b>	<b>2,390</b>	<b>29,629</b>	<b>7,904</b>	<b>4,650</b>	<b>1,635</b>	<b>657</b>	<b>1,487</b>	<b>119,896</b>
<b>Insurance revenue</b>	<b>448,597,788</b>	<b>1,997,416,934</b>	<b>456,134,510</b>	<b>39,533,472.55</b>	<b>230,906,944</b>	<b>2,310,064,694</b>	<b>825,532,547</b>	<b>585,969,577</b>	<b>264,351,533</b>	<b>15,998,546</b>	<b>69,981,554</b>	<b>7,244,488,100</b>
<b>Insurance service expense</b>	<b>(449,957,254)</b>	<b>(1,951,966,675)</b>	<b>(443,428,950)</b>	<b>-</b>	<b>(241,988,890)</b>	<b>(2,134,321,690)</b>	<b>(909,380,788)</b>	<b>(634,395,807)</b>	<b>(296,624,526)</b>	<b>(17,567,506)</b>	<b>(86,427,988)</b>	<b>(7,209,639,226)</b>
Net claims incurred	(418,275,938)	(1,802,133,166)	(418,490,582)	-	(235,252,668)	(2,039,780,933)	(885,445,904)	(618,559,874)	(291,795,985)	(16,026,422)	(82,335,299)	(6,849,622,396)
Risk claims incurred	(400,044,066)	(1,720,596,665)	(405,820,218)	(40,480,976)	(231,462,160)	(1,993,483,144)	(872,908,914)	(611,184,139)	(289,202,006)	(14,984,019)	(79,977,004)	(6,660,143,312)
Third party claims recoveries	-	-	-	-	-	700,491	-	-	-	-	-	700,491
Accredited managed healthcare services	(16,257,271)	(72,705,695)	(11,298,101)	(931,509)	(3,379,977)	(41,908,134)	(11,179,172)	(6,576,906)	(2,313,038)	(929,506)	(2,102,880)	(169,582,188)
Changes that relate to past service - adjustments to the LIC	(1,974,602)	(8,830,806)	(1,372,263)	(113,141)	(410,531)	(5,090,146)	(1,357,818)	(798,828)	(280,941)	(112,897)	(255,415)	(20,597,387)
Insurance acquisition cash flow	(12,611,317)	(64,065,179)	(11,388,916)	(924,877)	(2,539,814)	(43,139,572)	(9,959,721)	(7,459,673)	(1,838,986)	(463,527)	(1,610,084)	(156,001,666)
Attributable maintenance expenses	(19,069,998)	(85,768,331)	(13,549,452)	(1,128,651)	(4,196,407)	(51,401,185)	(13,975,163)	(8,376,260)	(2,989,555)	(1,077,557)	(2,482,605)	(204,015,164)
Net income/expenses from reinsurance contracts held	339,903	(1,164,278)	562,449	1,853,886	93,771	9,080,081	5,709,222	4,187,277	1,580,507	(165,662)	55,178	<b>22,132,335</b>
Reinsurance expenses from reinsurance contracts held	(2,935,953)	(13,131,246)	(2,040,262)	(778,754)	(4,038,411)	(49,713,944)	(14,392,777)	(9,276,397)	(2,967,490)	(339,279)	(1,191,253)	(100,805,766)
Reinsurance income from reinsurance contracts held	3,562,247	13,247,767	2,801,741	2,649,050	4,191,724	59,532,287	20,298,934	13,579,534	4,588,744	189,992	1,283,477	<b>125,925,497</b>
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	(286,392)	(1,280,799)	(199,030)	(16,410)	(59,542)	(738,263)	(196,935)	(115,860)	(40,747)	(16,374)	(37,045)	(2,987,396)
<b>Insurance service result</b>	<b>(1,019,563)</b>	<b>44,285,981</b>	<b>13,268,009</b>	<b>-</b>	<b>(10,988,175)</b>	<b>184,823,086</b>	<b>(78,139,019)</b>	<b>(44,238,953)</b>	<b>(30,692,486)</b>	<b>(1,734,621)</b>	<b>(16,391,255)</b>	<b>56,981,209</b>
Net finance expenses from insurance contracts issued - PMS	(179,871)	(14,435,353)	(6,145,414)	(263,902)	(3,525,529)	(53,175,780)	(15,344,499)	(10,381,211)	(1,746,548)	(36,908)	(231,834)	(105,466,847)
<b>Other income</b>	<b>18,690,663</b>	<b>112,274,988</b>	<b>28,245,049</b>	<b>2,444,705</b>	<b>14,586,357</b>	<b>170,709,038</b>	<b>54,906,602</b>	<b>38,464,226</b>	<b>12,983,714</b>	<b>697,804</b>	<b>3,121,210</b>	<b>457,124,357</b>
Investment income	18,682,680	112,232,794	28,235,519	2,443,764	14,581,587	170,658,352	54,889,541	38,452,115	12,978,868	697,519	3,119,964	456,972,703
Scheme	18,502,809	97,797,442	22,090,104	2,179,863	11,056,058	117,482,572	39,545,042	28,070,905	11,232,320	660,611	2,888,130	351,505,856
Personal medical savings account trust accounts	179,871	14,435,353	6,145,414	263,902	3,525,529	53,175,780	15,344,499	10,381,211	1,746,548	36,908	231,834	105,466,847
Other operating income	7,983	42,194	9,531	940	4,770	50,687	17,061	12,111	4,846	285	1,246	151,654
<b>Other expenditure</b>	<b>(23,060,268)</b>	<b>(103,481,403)</b>	<b>(16,241,428)</b>	<b>(1,347,450)</b>	<b>(4,962,681)</b>	<b>(61,074,339)</b>	<b>(16,483,436)</b>	<b>(9,809,707)</b>	<b>(3,481,739)</b>	<b>(1,309,189)</b>	<b>(2,994,400)</b>	<b>(244,246,041)</b>
Non-attributable expenses	(22,628,259)	(101,198,001)	(15,725,662)	(1,296,554)	(4,704,541)	(58,331,323)	(15,560,127)	(9,154,299)	(3,219,484)	(1,293,765)	(2,926,967)	(236,038,984)
Asset management fees	(326,038)	(1,723,287)	(389,249)	(38,411)	(194,819)	(2,070,158)	(696,822)	(494,637)	(197,925)	(11,641)	(50,892)	(6,193,878)
Finance costs	(105,971)	(560,115)	(126,517)	(12,485)	(63,321)	(672,858)	(226,486)	(160,770)	(64,331)	(3,784)	(16,541)	(2,013,179)
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(5,569,039)</b>	<b>38,644,213</b>	<b>19,126,216</b>	<b>833,353</b>	<b>(4,890,028)</b>	<b>241,282,005</b>	<b>(55,060,352)</b>	<b>(25,965,645)</b>	<b>(22,937,059)</b>	<b>(2,382,914)</b>	<b>(16,496,279)</b>	<b>164,392,677</b>
Number of Members	11,940	52,979	7,981	747	2,323	29,620	7,738	4,609	1,608	714	1,448	121,707
Number of Beneficiaries	23,913	107,248	16,395	1,513	4,740	73,432	12,541	8,414	2,276	1,058	2,242	253,772
Average Age	37.00	31.70	38.10	39.31	47.53	35.31	58.20	58.04	67.30	34.52	48.46	36.81
Pensioner Ratio	10.20%	4.70%	14.20%	15.07%	26.33%	11.47%	48.74%	48.15%	69.02%	13.71%	31.71%	12.71%

\* The Scheme offered fourteen benefit options for the year under review, eleven original options and three Efficiency Discounted Options (EDO's). The EDO's namely Beat1 Network, Beat2 Network and Beat3 Network are included in the original eleven options for reporting purposes.

\*\* Disclosure has been updated to align with SAICA Medical Scheme Accounting Guide.

## 26. INSURANCE RISK MANAGEMENT REPORT

### Nature and extent of risks arising from insurance contracts

The primary insurance activity of the Scheme is to indemnify covered members and their dependants against the risk of loss arising as the result of the occurrence of a health related event. The Scheme is exposed to the uncertainty surrounding the timing and severity of claims. Insurance events are by nature random and the actual number and size of events during one year may vary from those estimated using established techniques.

### Insurance risk - description of benefit options

The types of benefits offered by the Scheme in return for monthly contributions are:

#### Hospital benefits

The hospital benefit covers medical expenses for admission to hospital, provided that the Scheme has authorised the treatment, except in the case of a medical emergency where all admissions are covered.

#### Chronic illness benefit

Approved medication for 45 listed conditions of which 27 conditions on the Chronic Disease List (CDL) are covered by this benefit. These include conditions such as asthma, cholesterol and hypertension.

#### Day-to-day benefits

The day-to-day benefits include both the Joint Benefit Account and an insurance risk element - Protocol Treatment and Above Threshold Benefits (ATB). These benefits cover healthcare services where the cost occurs outside the hospital, such as visits to general practitioners and dentists. It also covers the cost of prescribed non-chronic medicine.

The primary insurance activity carried out by the Scheme assumes risks related to the health of the Scheme members and their registered dependants. As such, the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal.

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

When assessing and managing insurance risk the Scheme takes the following main factors into account:

#### 1. The size and composition of the risk pool for each type of contract

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome is likely to 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.

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

#### 2. Frequency and severity of claims

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. The principal risk is that the frequency and severity of claims are greater than expected.

For insurance contracts issued, climatic and seasonal changes, as well as the spread of pandemics give rise to more frequent and severe claims. However, the data shows that the frequency and severity of claims stay relatively stable year-on-year. The quality and availability of effective private healthcare services further reduces the risk of sudden severe claim patterns.

#### 3. Benefit utilisation

The Scheme manages this risk through pre-authorisation and case management for hospitalisation, approval of registration for chronic medicine benefits, applying medicine formularies as well as various disease management programmes for high-risk/high-cost diseases such as cancer.

Various data sets are used to monitor utilisation. These include:

##### Hospitalisation

Hospitalisation accounts for more than 46.8% of the risk benefits paid by the Scheme. When the cost of service providers caring for patients in hospital is added, the percentage of risk benefits covered increases to 75.2%. This risk is managed through pre-authorisation of procedures and case management, the objective being to provide appropriate and cost-effective care for members of the Scheme.

In managing this risk the average cost per admission, number of admissions per 1 000 lives, average cost per 1 000 lives and average number of bed days per admission are monitored on a monthly basis.

##### Medicine

Medicine for chronic diseases accounts for 5.8% of the risk benefits paid. This risk is managed through pre-authorisation of utilisation and the use of a medicine formulary. Members are also required to re-apply for medicine after a prescribed period thus ensuring that the clinical necessity of continuing with the treatment is frequently assessed.

Average cost per beneficiary, average number of items per prescription and average cost per item are monitored on a monthly basis.

##### Claims ratio

Claims paid expressed as a percentage of contributions received, is an important indicator of the stability of the risk pool and the ability of the Scheme to fulfil its obligation under the insurance contract it sells.

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**26. INSURANCE RISK MANAGEMENT REPORT (continued)**

**4. Impact of legislation and regulation**

The medical scheme industry is governed by the Medical Schemes Act 131 of 1998, as amended. The governance under the Medical Schemes Act is fulfilled by a statutory body, the Council for Medical Schemes. Various legislative measures restrict the Scheme to fully manage its insurance risk, the main factor being the fact that the Scheme is not allowed to risk rate its members at all. This severely increases the risk in a risk pool with a too high load of above average claimers.

Managed care initiatives such as disease management programmes and preventative programmes such as a training programme for potential cardiovascular patients are implemented to reduce risk.

**Sensitivity to insurance risk**

The Scheme's profitability, reserves and, consequently, its solvency are sensitive to variables that arise from contribution increases relative to medical inflation and changes in the level of insurance events as well as the composition of the risk pool, all of which could have a material impact on the business of the Scheme.

Over and above daily and monthly management information on claims ratios and composition of the risk pool, the Scheme also makes use of the monitoring of the relative insurance events by the Scheme's actuaries. The actuaries provide estimates based on statistical models, on the probability of the occurrence of future events, thus predicting the profitability to year-end.

The accumulation of claims to the next claims payment run is monitored on a daily basis, both by volume and value. This ensures that any unexpected increase in utilisation is reported timeously. Furthermore, all severe cases of hospital admissions are monitored daily to ensure that treatment is done as effectively as possible. This also ensures that the Scheme is informed of possible high-value hospital claims in time.

The Scheme also has an independent monthly analysis of claims which is done by its actuaries. The actuaries also provide the Scheme with a monthly prediction of the outcome for the remainder of the financial year. This analysis is done based on the available data for the year together with the data for the past three years. The combined data set is run through a stochastic model which takes into account the expected behaviour of each beneficiary of the Scheme. The assumptions in the stochastic model are based on the past behaviour patterns of beneficiaries from different Schemes that participated in the same program, thus ensuring the reliability of the outcome.

The table below summarises the concentration of insurance risk, with reference to net claims incurred, by age group and type of benefits provided.

2025								
<u>Age group</u>	<u>General Practitioners</u>	<u>Specialists</u>	<u>Pathology</u>	<u>Medicines</u>	<u>Hospitals</u>	<u>Radiology</u>	<u>Other</u>	<u>Total</u>
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<30	20,753	177,416	61,824	62,506	543,790	38,299	101,457	1,006,045
30-39	14,577	148,226	49,132	50,661	341,141	32,226	68,344	704,306
40-49	18,587	162,785	68,839	82,699	385,057	51,962	95,495	865,423
50-59	20,262	212,912	73,196	115,186	453,656	63,803	108,148	1,047,164
60-69	22,971	289,048	85,005	139,262	595,926	75,089	135,018	1,342,319
70 +	33,738	394,848	134,293	171,678	941,909	101,998	215,572	1,994,035
Total	130,889	1,385,234	472,288	621,991	3,261,479	363,377	724,033	6,959,292

2024								
<u>Age group</u>	<u>General Practitioners</u>	<u>Specialists</u>	<u>Pathology</u>	<u>Medicines</u>	<u>Hospitals</u>	<u>Other</u>	<u>Total</u>	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<30	21,622	164,095	60,223	63,659	489,988		134,418	934,006
30-39	14,975	139,556	46,734	52,424	330,518		94,359	678,565
40-49	17,898	146,831	62,802	79,143	348,647		133,759	789,080
50-59	20,003	189,346	69,539	114,798	427,710		163,809	985,205
60-69	22,714	275,283	85,552	140,259	595,787		214,251	1,333,846
70 +	31,004	363,984	122,205	161,351	869,593		299,422	1,847,558
Total	128,216	1,279,094	447,056	611,634	3,062,243		1,040,017	6,568,260

**Sensitivity to insurance risk (continued)**

General Practitioners benefits cover the cost of all visits by members to and of the procedures performed by them, both in and out-of-hospital.

Specialists benefits cover the cost of all visits by members to specialists and of the procedures performed by them, both in and out-of-hospital.

Pathology benefits cover the cost of pathology tests performed, mainly in hospital but also out-of-hospital where a specific option covers such benefits from the risk pool.

Medicine benefits cover the costs of chronic medicine benefits as well as acute medicine where a specific option covers such benefits from the risk pool.

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

**Reinsurance contracts**

The Scheme entered into various capitation agreements with medical service providers (refer Note 9). These reinsurance contracts spread the risk and minimise the effect of losses and are on annually renewable terms. The amount of each risk retained depends on the Scheme's evaluation of the specific risk, subject in certain circumstances to maximum limits on the basis of characteristics of coverage.

According to the terms of the reinsurance contracts, the third party agrees to reimburse the ceded amount in the event the claim is paid. According to the terms of the capitation agreements, the suppliers provide certain minimum benefits to the Scheme members, as and when required by the members.

The Scheme does, however, remain liable to its members if any supplier fails to meet the obligations it assumes. When selecting suppliers, the Scheme considers their relative security and their ability to provide the relevant service. The security of the supplier is assessed from public rating information and from internal investigations such as considering capital adequacy, solvency, capacity and appropriate resources.

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**26. INSURANCE RISK MANAGEMENT REPORT (continued)**

The following tables summarises the concentration of insurance risk transferred, with reference to the amount of the insurance claims incurred by option and in relation to the type of risk covered/benefits provided:

2025 Options	Optometry	Emergency Evacuation
Beat1	-	100%
Beat2	-	100%
Beat3	-	100%
Beat3 Plus	-	100%
Beat4	-	100%
Pace1	100%	100%
Pace2	100%	100%
Pace3	100%	100%
Pace4	100%	100%
Rhythm1	100%	100%
Rhythm2	100%	100%

**Claims development**

Claims development tables are not presented as the uncertainty regarding the amount and timing of claim payments is typically resolved within one year and in the majority of cases within four months. At year-end, a provision is made for those claims outstanding that are not yet reported at that date.

**Underwriting risk**

Underwriting risk is the risk that the actual exposure of the Scheme in respect of outstanding claims will exceed the present value of future cash flows of the amounts provided for the cash flows required to settle them. External actuaries have been consulted in setting these estimates at year-end, including the estimate for those claims outstanding at year-end, which had not yet been reported.

The Scheme participates in its external actuaries, Insight Actuaries & Consultants (Insight) risk management model. This model is a stochastic risk management model that was specifically designed and developed for medical schemes. Insight runs on detailed beneficiary-level demographic data and claims data on claim-line level. The database is updated on a monthly basis and reconciled to the Scheme's financial statements. Actual claims experience is compared to Insight's projected claims experience every month to ensure that the model provides a reliable basis from which to project expected claims experience. Allowance is made within the setup of Insight for inflation (both the severity and utilisation of claims) and seasonal variation of claim patterns. The impact that demographic changes are expected to have on claims incurred is automatically incorporated in all projected results.

Insight estimates claims incurred by service date based on the Scheme's actual demographic structure and past claims. It has been used by the Scheme for more than eight years, and has proven to be a reliable predictor of claims incurred. Results from Insight are reconciled with the actual claims paid on a monthly basis and adjustments are made where necessary to ensure that the results remain accurate. By comparing the claims predicted by Insight to actual claims paid by the Scheme, the actuaries are able to calculate an appropriate provision for outstanding claims. The outstanding claims provision is calculated using traditional "chain ladder" methods based on claims development patterns derived from a period of 12 months prior to the calculation date.

The outstanding claims provision is calculated after considering the results of both Insight's model and the chain ladder techniques. In general terms, chain ladder methods tend to be reliable when claims administration processes are stable, whether or not this is the case for beneficiaries' claims propensities. Conversely, using methodology based on Insight's projections (which bear some similarity to traditional Loss Ratio methods) tend to be more reliable when beneficiaries' claims propensities are stable, whether or not this is the case for administrative processes. Insight's model also adjusts for demographic and benefit changes, whereas these are not automatically reflected by traditional chain ladder methods.

As opposed to claims for 2025 that have already been paid, the claims for 2025 estimated to be paid in future payment months are still subject to uncertainty.

**Risk adjustment**

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2025.

**Sensitivity analysis**

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.

This analysis is prepared for a change in a specified variable with other assumptions remaining constant. The change in liability also represents the absolute change in surplus for the period. It should be noted that increases in liabilities will result in decreases in surplus and vice versa. These reasonable possible changes in key variables do not result in any direct changes directly in reserves.

**Risk adjustment at different levels of confidence**

The risk adjustment at a higher level of confidence would provide a greater certainty of the sufficiency of the provision, by including a higher risk adjustment. The sensitivity of the risk adjustment to the level of confidence is given in the table below.

Risk adjustment at different levels of confidence

Scenario	Claims for 2025 services paid from Jan 2025 to Dec 2025	Total expected claims for 2025 services	Liability for Incurred Claims	Risk adjustment at different levels of confidence	Outstanding claims provision	Change in outstanding claims provision	% change in outstanding claims provision
Base scenario – RA at 75%	R6 685 698 199	R7 020 533 316	R334 835 117	R9 648 858	R344 483 975		
Confidence at 80%	R6 685 698 199	R7 020 533 316	R334 835 117	R13 797 728	R348 632 845	R4 148 870	1.2%
Confidence at 85%	R6 685 698 199	R7 020 533 316	R334 835 117	R19 194 433	R354 029 550	R9 545 575	2.8%
Confidence at 90%	R6 685 698 199	R7 020 533 316	R334 835 117	R26 573 422	R361 408 539	R16 924 564	4.9%
Confidence at 95%	R6 685 698 199	R7 020 533 316	R334 835 117	R38 405 487	R373 240 603	R28 756 629	8.3%

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**27. FINANCIAL RISK MANAGEMENT REPORT**

**Financial risk factors**

The Scheme's activities expose it to a variety of financial risks as its financial assets include the effects of changes in equity market prices, creditworthiness and interest rates. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, interest rate risk, market risk and liquidity risk. 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.

The Board of Trustees has overall responsibility for the establishment and oversight of the risk management framework of the Scheme. The carrying amounts of the financial assets and financial liabilities per category are disclosed in the statement of financial position.

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

**Investment risk**

Investment risk is the risk that the investment value and its related returns on accumulated assets will be insufficient to cover future liabilities. Continuous monitoring takes place to ensure that appropriate assets are held where the Scheme's liabilities are dependent upon the performance of the investment portfolio and that a suitable match of assets exists for all liabilities.

The Scheme's Investment Committee invests funds in line with the Medical Schemes Act 131 of 1998, as amended. Expert advice is obtained from Willis Towers Watson to assist in developing an appropriate investment strategy and portfolio.

Given that the central purpose of the Scheme is to provide medical benefits to members rather than to maximise investment returns, a moderate risk appetite is adopted, on a risk adjusted basis. The Committee believes that the primary objective that the Scheme needs to manage is to earn a sufficient investment return in excess of inflation over a five-year period, without losing focus on downside protection over a one-year period. The Committee believes that risk should be managed in part by holding a diversified portfolio, with a significant proportion of the assets providing returns that offer protection against inflation over the longer term.

In appointing active managers, the Committee believes that the better investment strategy is to select fundamental research orientated managers with a long-term focus, where the focus is on assessing the intrinsic value of an asset, or buying shares that have strong "value" characteristics (i.e. low price/earnings ratio, high dividend yield, low price to book ratio).

To achieve this goal, the Board has identified that an amount not exceeding the reserves of the Scheme as defined by Regulation 29, will be allocated to a strategic investment portfolio which will be managed by an Investment Committee in conjunction with the Scheme's appointed investment advisors. The balance of the available cash is held in cash and short-term investments to meet the daily operational needs of the Scheme.

The Investment Committee monitors the performance of the Scheme's investments in conjunction with the Scheme's investment advisors to ensure that maximum returns are achieved.

Personal medical savings trust investment risk is the risk that the investment balances and returns on the trust monies will not be sufficient to cover the trust liability. The trust monies are not a direct Scheme risk as these monies belong to the members and are held through trust accounts. However, the Scheme still has an obligation to oversee the investment performance of these trust assets to ensure that the personal medical savings liabilities towards members are sufficiently covered. The Scheme has adopted a conservative investment approach in this regard by investing in low risk bank accounts and money market instruments.

**Breakdown of investments**

The investments managed by the Investment Committee are split between the following categories in the financial statements:

- \* Financial assets investments; and
- \* Cash and cash equivalents.

**Financial assets investments**

The Scheme invests in various asset classes through linked insurance policies with a registered long-term insurers and through segregated portfolios. The performance of the investments are measured against the Consumer Price Index (CPI) with the objective to outperform CPI as follows over any rolling five-year period:

- \* Domestic only portfolios - CPI + 3%
- \* Domestic with global components portfolios - CPI + 4%

To better understand the risks associated with these investments, the following disclosure is presented under each category.

<b>Scheme</b>	<b>2025 R</b>	<b>2024 R</b>
<b>Financial assets at fair value through other comprehensive income:</b>		
- SA Listed equities	679,133,962	507,939,804
- SA Listed properties	38,807,553	30,748,902
	717,941,516	538,688,705
<b>Financial assets at fair value through profit or loss:</b>		
<b>Scheme:</b>		
Listed bonds	217,042,012	257,044,715
Linked insurance policies	1,709,777,066	1,505,979,277
Collective investment schemes	1,818,058,889	1,479,789,830
Money market instruments	365,718,113	256,385,142
	4,110,596,080	3,499,198,964
<b>Personal medical savings account trust monies invested</b>		
Money market instruments	444,770,393	411,709,385
Linked insurance policies	566,068,634	522,727,458
<b>Total</b>	1,010,839,027	934,436,843

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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

**27. FINANCIAL RISK MANAGEMENT REPORT (continued)**

**MARKET RISK**

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

The insurance liabilities of the Scheme are settled within one year. No insurance liabilities are discounted and therefore changes in market interest rates would not affect the Scheme's surplus or deficit.

<b>Risks identified per investment and cash instrument</b>	<b>Currency Risk</b>	<b>Price Risk</b>	<b>Interest Rate Risk</b>
Segregated portfolio			
- SA Listed equities	-	Yes	-
- Money market instruments	-	-	Yes
Listed bonds	-	-	Yes
- SA Listed properties	-	Yes	Yes
- International fixed interest	Yes	Yes	Yes
Linked insurance policies	-	Yes	Yes
Money market instruments - international)	Yes	-	Yes
Money market instruments - local	-	-	Yes
Collective investment schemes	-	Yes	Yes
Cash and cash equivalents.	-	-	Yes

**Currency risk**

The majority benefits of the Scheme are Rand-denominated and therefore the Scheme does not have material net currency risk on its benefits. The Scheme is however exposed to net currency risk through its foreign investment in international fixed interest funds.

**Price risk**

The Scheme is indirectly exposed to equity securities price risk, SA properties and commodities because of investments via linked insurance policies.

The Scheme is directly exposed to equity price risk through its segregated portfolios.

This risk is managed by the mandates issued to the investment managers which are utilised by the Scheme. Investment managers are required to invest within the restrictions of Regulation 30 of the Medical Schemes Act. Furthermore, investment risks and exposure are reviewed and assessed on a regular basis by the Investment Committee of the Scheme, management as well as by the Scheme's Investment Advisors - Willis Towers Watson.

**Equity sensitivity analysis table**

**Effect on equity if the listed equities index strengthens/weakens by 10%**

	<b>Carrying value at year-end</b>	<b>Effect on equity if the listed equities index strengthens/(weakens) by 10%</b>
	<b>R</b>	<b>R</b>
<b>2025</b>		
SA Listed equities		
SA Listed properties	679,133,962	67,913,396
	38,807,553	3,880,755
<b>2024</b>		
	<b>R</b>	<b>R</b>
SA Listed equities	507,939,804	50,793,980
SA Listed properties	30,748,902	3,074,890

**Linked insurance policies sensitivity analysis**

The Scheme acquired units in linked insurance policies with exposure to assets in domestic equity amongst other asset classes such as interest bearing assets. The value of each unit is calculated as the aggregate market value of all underlying assets at the end of the day, with due allowances being made where applicable for accrued interest and dividend income. From the aggregate market value is deducted any direct costs the manager may incur in the management of the portfolio. The resultant net aggregate market value is then divided by the number of units to derive the Unit Price. The table below shows the effect of changes in the market on the Unit Price.

<b>Linked Insurance Policies</b>	<b>R</b>	<b>Percentage effect on amount of Accumulated Funds</b>					
		<b>% Decrease in market</b>			<b>% Increase in market</b>		
		<b>30%</b>	<b>15%</b>	<b>5%</b>	<b>5%</b>	<b>15%</b>	<b>30%</b>
		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
2025	1,709,777,066	(512,933,120)	(256,466,560)	(85,488,853)	85,488,853	256,466,560	512,933,120
2024	1,505,979,277	(451,793,783)	(225,896,892)	(75,298,964)	75,298,964	225,896,892	451,793,783

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**27. FINANCIAL RISK MANAGEMENT REPORT (continued)**

**Interest rate risk**

The Scheme is exposed to interest rate risk through various interest bearing investments. The cashflow interest rate risk is managed by maintaining an appropriate combination of fixed and floating rate investments.

This risk is managed by regular reviews by the Investment Committee of the Scheme, management as well as by the Scheme's Investment Advisors - Willis Towers Watson. The performance of the investments are measured against the Consumer Price Index (CPI) with the objective to outperform CPI over any rolling five-year period.

**Sensitivity analysis table**

The following table summarises the Scheme's cash and cash equivalents and financial assets investments that are exposed to interest rate risks, disclosed at carrying amounts and categorised by the earlier of contractual repricing or maturity dates.

<b>As at 31 DECEMBER 2025</b>	<b>1 - 3 months</b> R	<b>4 - 12 months</b> R	<b>1 - 5 years</b> R	<b>Carrying value at year-end</b> <b>Total</b> R
Money market instruments				
Scheme	46,455,313	-	319,262,800	365,718,113
Personal medical savings account trust monies invested	100,147,486	344,622,907	-	444,770,393
Listed bonds				
Scheme	52	18,426,989	198,614,970	217,042,012
Linked insurance policies				
Scheme	-	-	1,709,777,066	1,709,777,066
Personal medical savings account trust monies invested	69,465,012	179,473,399	317,130,223	566,068,634
Collective investment schemes	1,347,284,731	325,604,680	145,169,478	1,818,058,889
Cash and cash equivalents				
Scheme	56,440,563	-	-	56,440,563
Personal medical savings account trust monies invested	446,842,029	-	-	446,842,029
<b>Total</b>	<b>2,066,635,187</b>	<b>868,127,975</b>	<b>2,689,954,538</b>	<b>5,624,717,699</b>

A sensitivity analysis has been performed on the effect a 1% increase/decrease in the interest rate would have on the investment income recognised by the Scheme:

	<b>1% increase in</b> <b>interest rate</b> R	<b>1% decrease in</b> <b>interest rate</b> R
Net impact on investment income for all portfolios	(70,599,801)	77,866,183

Interest rate risk is presented to reflect the total interest rate risk exposure of the total portfolio (fair value and cash flow interest rate risk), considering the mix of floating and fixed rate instruments.

<b>As at 31 DECEMBER 2024</b>	<b>1 - 3 months</b> R	<b>4 - 12 months</b> R	<b>1 - 5 years</b> R	<b>Carrying value at year-end</b> <b>Total</b> R
Money market instruments				
Scheme	32,738,578	27,125,934	196,624,222	256,488,734
Personal medical savings account trust monies invested	125,219,943	286,489,443	-	411,709,386
Listed bonds				
Scheme	-	12,786,999	244,154,124	256,941,123
Linked insurance policies				
Scheme	-	-	1,505,979,277	1,505,979,277
Personal medical savings account trust monies invested	122,374,772	123,898,133	276,454,553	522,727,458
Collective investment schemes	1,065,059,076	297,647,650	117,083,104	1,479,789,830
Cash and cash equivalents				
Scheme	16,960,129	-	-	16,960,129
Personal medical savings account trust monies invested	340,597,559	-	-	340,597,559
<b>Total</b>	<b>1,702,950,057</b>	<b>747,948,159</b>	<b>2,340,295,280</b>	<b>4,791,193,496</b>

A sensitivity analysis has been performed on the effect a 1% increase/decrease in the interest rate would have on the investment income recognised by the Scheme:

	<b>1% increase in</b> <b>interest rate</b> R	<b>1% decrease in</b> <b>interest rate</b> R
Net impact on investment income for all portfolios	(48,611,118)	50,497,394

Interest rate risk is presented to reflect the total interest rate risk exposure of the total portfolio (fair value and cash flow interest rate risk), considering the mix of floating and fixed rate instruments.

	<b>2025</b> %	<b>2024</b> %
<b>Summary of effective interest rate at year-end across applicable Scheme financial assets.</b>		
Financial assets		
Scheme	6.4%	8.0%
Personal medical savings account trust monies invested	7.6%	8.6%
Cash and cash equivalents		
Scheme	5.8%	6.9%
Personal medical savings account trust monies invested	6.9%	7.8%

**Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Scheme's principal financial assets are trade and other receivables, investments and cash and cash equivalents.

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**27. FINANCIAL RISK MANAGEMENT REPORT (continued)**

**Credit risk (continued)**

Exposure to credit risk

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

	2025 R	2024 R
Financial assets at fair value through profit or loss	5,329,194,146	4,624,167,673
Scheme	4,110,596,080	3,499,198,964
Personal medical savings account trust monies invested	1,010,839,027	934,436,843
Insurance contract assets	167,623,396	154,593,729
Trade and other receivables	32,224,712	29,411,008
Recovery under reinsurance contract assets	7,910,931	6,527,128
Cash and cash equivalents	503,282,592	357,557,688
Scheme	56,440,563	16,960,129
Personal medical savings account trust monies invested	446,842,029	340,597,559
	<b>5,832,476,738</b>	<b>4,981,725,361</b>

It should be noted that the full value of insurance policies (classified as financial assets at fair value through profit or loss) which have underlying credit and equity assets have been included above.

**A. Insurance contract assets**

In adoption of IFRS 17, the Scheme account for cash inflows receivables related to current and past service under insurance liabilities.

The main components of insurance contract assets are:

- \* Receivables for contributions due from members;
- \* Personal medical saving advances;
- \* Receivables for amounts recoverable from service providers and members in respect of claims debt and personal medical savings over-utilisation.

The Scheme manages credit risk by:

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

Contribution receivables are collected by means of debit orders or cash payments. Amounts which are past 120 days or more are not expected to be recovered.

Insurance contract receivables disclosed by quantitative analysis and maximum credit exposure at the end of the year:

**2025**

Insurance contracts assets that are neither past due  
Insurance contracts assets that are past due:  
    Past due 30 days  
    Past due 60 days  
    Past due 90 days  
Insurance contracts assets that are not expected to be recovered:  
    Past due 120 days and more

	Insurance contracts receivables R	Recoveries from members and providers R	Total R
	158,569,645	980,883	159,550,528
	1,547,333	1,064,891	2,612,223
	579,671	1,146,534	1,726,205
	110,688	1,178,495	1,289,183
	5,510	11,988,741	11,994,251
	<b>160,812,847</b>	<b>16,359,543</b>	<b>177,172,390</b>

**2024**

Insurance contracts assets that are neither past due  
Insurance contracts assets that are past due:  
    Past due 30 days  
    Past due 60 days  
    Past due 90 days  
Insurance contracts assets that are not expected to be recovered:  
    Past due 120 days and more

	Insurance contracts receivables R	Recoveries from members and providers R	Total R
	145,751,497	1,033,018	146,784,515
	1,308,340	1,392,428	2,700,768
	400,346	1,454,271	1,854,617
	77,796	1,110,872	1,188,668
	23,459	11,202,965	11,226,424
	<b>147,561,437</b>	<b>16,193,555</b>	<b>163,754,992</b>

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**27. FINANCIAL RISK MANAGEMENT REPORT (continued)**

**B. Investments**

Transactions are limited to high-quality financial institutions and the amount of exposure to any one financial institution is limited.

The Scheme limits its exposure to credit risk by investing in liquid securities and only with counterparties that have a credit rating of no less than Aaa.za as rated by Moody's Ratings. Owing to these high credit ratings the Board of Trustees does not expect any counterparty to fail to meet its obligations. Credit limits per institution are prescribed by Annexure B of the Regulations to the Medical Schemes Act 131 of 1998, as amended, which reduces the risk per individual institution. The utilisation of these credit limits are regularly monitored.

The table below shows the credit limit and balance of cash and cash equivalents as well as money market instruments held at five major counterparties at year-end. No credit limits as per Regulation 30 were exceeded during the reporting period and the Board of Trustees does not expect any losses from non-performance of these counterparties.

Counterparty	Credit rating	2025		2024	
		Credit limit R	Balance R	Credit limit R	Balance R
Nedbank	Aaa.za	2,278,529,237	252,719,258	1,899,371,234	203,810,784
ABSA	Aaa.za	2,278,529,237	326,101,095	1,899,371,234	158,859,106
Standard Bank	Aaa.za	2,278,529,237	184,343,354	1,899,371,234	214,033,330
FNB	Aaa.za	2,278,529,237	31,615,993	1,899,371,234	85,185,634
Investec	Aaa.za	2,278,529,237	23,879,964	1,899,371,234	27,931,403

Aaa.za means highest short-term credit quality on the Moody's national scale. It indicates the strongest intrinsic capacity for the timely payment of financial commitments.

	2025 R	2024 R
<b>C. Cash and cash equivalents</b>		
Counterparties with external credit ratings (Moody's)		
Aaa.za	503,282,592	357,557,688
	<b>503,282,592</b>	<b>357,557,688</b>

The Scheme applies the National Scale Short -Term Issue Credit Ratings for its short-term obligations. The rating relates to the capacity of the Scheme to meet its financial obligations.

Aaa.za means highest short-term credit quality on the Moody's national scale. It indicates the strongest intrinsic capacity for the timely payment of financial commitments.

**Financial assets**

The credit ratings of financial assets are linked to the underlying investment Funds within the segregated portfolios, linked insurance policy and money market instruments. The Scheme's investment portfolios managed by Investec, Allan Gray, Stanlib, Sanlam, NinetyOne, Precient and M&G Investments are all managed in compliance with Annexure B of Regulation 30 of the Medical Schemes Act. As such the per issuer limits per Annexure B applies to all the mandates. The credit rating exposures are monitored by the Scheme's Investment Advisor, Willis Towers Watson, which ensures mandate compliance.

**Fair values of financial assets by hierarchy level**

**Assets measured at fair value: 2025**

**Financial assets**

	Level 1 R	Level 2 R	Level 3 R
<b>Scheme</b>			
Financial assets at fair value through other comprehensive income:			
Listed shares	679,133,962	-	-
SA Listed properties	38,807,553	-	-
Financial assets at fair value through profit or loss:			
Listed bonds	217,042,012	-	-
Linked insurance policies	-	1,709,777,066	-
Collective investment schemes	-	1,818,058,889	-
Money market instruments	-	365,718,113	-
<b>Personal medical savings account trust monies invested</b>			
Financial assets at fair value through profit or loss:			
Money market instruments	-	444,770,393	-
Linked insurance policies	-	566,068,634	-
	<b>934,983,527</b>	<b>4,904,393,096</b>	-

**Fair values of financial assets by hierarchy level**

**Assets measured at fair value: 2024**

**Financial assets**

	Level 1 R	Level 2 R	Level 3 R
<b>Scheme</b>			
Financial assets at fair value through other comprehensive income:			
Listed shares	507,939,804	-	-
SA Listed properties	30,748,902	-	-
Financial assets at fair value through profit or loss:			
Listed bonds	257,044,715	-	-
Linked insurance policies	-	1,505,979,277	-
Collective investment schemes	-	1,479,789,830	-
Money market instruments	-	256,385,142	-
<b>Personal medical savings account trust monies invested</b>			
Financial assets at fair value through profit or loss:			
Money market instruments	-	411,709,385	-
Linked insurance policies	-	522,727,458	-
	<b>795,733,420</b>	<b>4,176,591,092</b>	-

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**27. FINANCIAL RISK MANAGEMENT REPORT (continued)**

**Analysis of carrying amounts of assets and liabilities per category**

The Scheme invests in funds whose objectives range from achieving medium to long-term capital growth and whose investment strategy does not include the use of leverage. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

	Cash and cash equivalents	Financial assets	Trade and other receivables	Trade payables and other payables	Insurance contract assets and liabilities	Total carrying amount
	R	R	R	R	R	R
<b>2025</b>						
Investments						
- Financial assets at fair value through FVOCI	-	717,941,516	-	-	-	717,941,516
- Financial assets at FVTPL	-	4,110,596,080	-	-	-	4,110,596,080
Personal medical savings account trust investment						
- Financial assets at FVTPL	-	1,010,839,027	-	-	-	1,010,839,027
Cash and cash equivalents						
- Scheme	56,440,563	-	-	-	-	56,440,563
- Personal medical savings account trust investment	446,842,029	-	-	-	-	446,842,029
Trade and other receivables	-	-	32,224,712	-	-	32,224,712
Reinsurance contract assets	-	-	-	-	167,623,396	167,623,396
Insurance liability attributable to members for future benefits	-	-	-	-	(4,588,214,682)	(4,588,214,682)
Insurance liability attributable to current members	-	-	-	-	(1,952,087,502)	(1,952,087,502)
Reinsurance contract liabilities	-	-	-	-	(3,290,149)	(3,290,149)
Trade and other payables	-	-	-	(44,496,150)	-	(44,496,150)
	<b>503,282,592</b>	<b>5,839,376,623</b>	<b>32,224,712</b>	<b>(44,496,150)</b>	<b>(6,375,968,936)</b>	<b>(45,581,159)</b>

	Cash and cash equivalents	Financial assets	Trade and other receivables	Trade payables and other payables	Insurance contract assets and liabilities	Total carrying amount
	R	R	R	R	R	R
<b>2024</b>						
Investments						
- Financial assets at fair value through FVOCI	-	538,688,705	-	-	-	538,688,705
- Financial assets at FVTPL	-	3,499,198,964	-	-	-	3,499,198,964
Personal medical savings account trust investment						
- Financial assets at FVTPL	-	934,436,843	-	-	-	934,436,843
Cash and cash equivalents						
- Scheme	16,960,129	-	-	-	-	16,960,129
- Personal medical savings account trust investment	340,597,559	-	-	-	-	340,597,559
Trade and other receivables	-	-	29,411,008	-	-	29,411,008
Reinsurance contract assets	-	-	-	-	154,593,729	154,593,729
Insurance liability attributable to members for future benefits	-	-	-	-	(3,619,568,129)	(3,619,568,129)
Insurance liability attributable to current members	-	-	-	-	(1,901,976,750)	(1,901,976,750)
Reinsurance contract liabilities	-	-	-	-	(2,591,612)	(2,591,612)
Trade and other payables	-	-	-	(35,551,558)	-	(35,551,558)
	<b>357,557,688</b>	<b>4,972,324,512</b>	<b>29,411,008</b>	<b>(35,551,558)</b>	<b>(5,369,542,762)</b>	<b>(45,801,111)</b>

**Analysis of carrying amounts of assets and liabilities per category**

Insurance receivables and payables included amounts due from/to:

- Contribution debtors
- Brokers
- MVA recoveries
- Recoveries from members for co-payments
- Provider balances
- Member balances excluding balances arising from personal medical savings accounts
- Reported claims not yet paid

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

**Pooled Investment Funds excluding personal medical savings account trust monies invested (Unconsolidated Structured Entities)**

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

The right of the Scheme to request redemption of its investments in funds ranges in frequency from weekly to annually. The exposure to investments in funds at fair value, by strategy employed, is disclosed in the following table:

Strategy	Total pool of investee funds	Fair value of asset investment at 31 December 2025*	% of net assets attributable to holders of units **
	R	R	%
<b>2025</b>			
<b>Allan Gray Linked Insurance Policy</b>			
Absolute mandate portfolios investing in various instruments	3,040,400,681	672,339,893	22.11%
<b>Prescient Linked Insurance Policy</b>			
Absolute mandate portfolios investing in various instruments	118,600,912,845	675,522,759	0.57%
<b>Ninety One Market Fund Class F</b>			
Conservative maturity profile investing in money market instruments	35,604,139,774	729,002,074	2.05%
<b>Ninety One High Income Fund Class A</b>			
Conservative maturity profile investing in money market instruments	31,728,105,526	618,282,656	1.95%
<b>Ninety One Stable Money Market</b>			
Stable returns over the medium term, with a focus on conservative money market instruments	2,363,296,625	8,037,784	0.34%
<b>Ninety One Stable Income</b>			
	254,796,489	254,783,847	100.00%
<b>Ninety One Multi Asset Credit Stable</b>			
	276,536,023	99,092,782	35.83%
<b>Stanlib Unit Trusts</b>			
	64,907,057,255	325,604,680	0.50%
<b>M&amp;G Corporate Bond Fund</b>			
	7,928,929,799	13,329,093	0.17%
<b>M&amp;G High Interest Fund</b>			
	12,393,064,198	87,634,574	0.71%
<b>M&amp;G Global Fixed Income Fund</b>			
	427,514,624	44,205,811	10.34%
	<b>277,524,753,838</b>	<b>3,527,835,955</b>	

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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

**27. FINANCIAL RISK MANAGEMENT REPORT (continued)**

Strategy	Total pool of investee funds	Fair value of asset investment at 31 December 2024 *	% of net assets attributable to holders of units **
	R	R	%
<b>2024</b>			
<b>Allan Gray Linked Insurance Policy</b> Absolute mandate portfolios investing in various instruments	3,183,032,808	581,360,202	18.26%
<b>Prescient Linked Insurance Policy</b> Absolute mandate portfolios investing in various instruments	105,600,000,000	584,785,456	0.55%
<b>Ninety One Money Market Fund Class F</b> Conservative maturity profile investing in money market instruments	37,059,722,807	497,699,077	1.34%
<b>Ninety One High Income Fund Class A</b> Conservative maturity profile investing in money market instruments	25,778,000,148	567,359,999	2.20%
<b>Ninety One Stable Money Market</b> Stable returns over the medium term, with a focus on conservative money market instruments	1,966,068,783	7,425,005	0.38%
<b>Ninety One Stable Income</b> Ninety One Multi Asset Credit Stable	226,517,483 278,991,955	226,459,452 105,949,163	99.97% 37.98%
<b>Stanlib Unit Trusts</b>	60,067,088,742	297,647,650	0.50%
<b>M&amp;G Corporate Bond Fund</b>	5,591,013,080	6,462,538	0.12%
<b>M&amp;G High Interest Fund</b>	10,461,090,887	72,535,877	0.69%
<b>M&amp;G Global Fixed Income Fund</b>	407,736,064	38,084,689	9.34%
	<b>250,619,262,756</b>	<b>2,985,769,107</b>	

\* The fair value of financial assets is included in financial assets in the statement of financial position.

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

The fair value of publicly traded financial instruments held as financial assets securities is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Scheme is the current bid price.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to ensure that the Scheme has the ability to fund its day-to-day operations. The Scheme manages liquidity risk by monitoring forecast cash flows and ensuring that adequate free cash is available.

The contractual maturities of liabilities at reporting date are tabled below.

As at 31 December 2025	1 - 3 months	4 - 12 months	1 - 5 years	Total
LIABILITIES	R	R	R	R
Insurance liability attributable to members for future benefits	-	-	4,588,214,682	4,588,214,682
Insurance liability attributable to current members	295,482,714	1,488,981,392	-	1,784,464,106
Reinsurance contract liabilities	3,290,149	-	-	3,290,149
Trade and other payables	44,496,150	-	-	44,496,150
<b>Total liabilities</b>	<b>343,269,012</b>	<b>1,488,981,392</b>	<b>4,588,214,682</b>	<b>6,420,465,086</b>
<b>As at 31 December 2024</b>	<b>1 - 3 months</b>	<b>4 - 12 months</b>	<b>1 - 5 years</b>	<b>Total</b>
<b>LIABILITIES</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Insurance liability attributable to members for future benefits	-	63,435,925	3,556,132,204	3,619,568,129
Insurance liability attributable to current members	433,175,686	1,314,207,335	-	1,747,383,021
Reinsurance contract liabilities	6,527,128	-	-	6,527,128
Trade and other payables	35,551,558	-	-	35,551,558
<b>Total liabilities</b>	<b>475,254,372</b>	<b>1,377,643,260</b>	<b>3,556,132,204</b>	<b>5,409,029,836</b>

**Cash and cash equivalents**

Cash and cash equivalents consist of the following:

	2025	2024
	R	R
Current accounts	497,344,432	352,070,079
Scheme	50,502,403	11,472,520
Personal medical savings account trust monies invested	446,842,029	340,597,559
Deposits on call account	5,938,160	5,487,609
Scheme	5,938,160	5,487,609
<b>Total</b>	<b>503,282,592</b>	<b>357,557,688</b>

For Other Assets - Refer to Sensitivity Analysis on page 57.

**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 there to be any significant concentration of legal risk that had not been provided for.

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**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2025**

**27. FINANCIAL RISK MANAGEMENT REPORT (continued)**

**Capital adequacy risk**

The Scheme's objectives for managing capital are to maintain the capital requirements as prescribed by the Medical Schemes Act 131 of 1998, as amended, and to safeguard the ability of the Scheme to continue as a going concern for the benefit of its stakeholders.

Regulation 29(2) of the Medical Schemes Act 131 of 1998, as amended, requires a minimum solvency ratio of accumulated funds expressed as a percentage of gross insurance revenue of 25%.

The solvency ratio was 35.14% of gross insurance revenue from contracts measured under the PAA at 31 December 2025 and 33.23% at 31 December 2024.

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

	<b>2025</b>	<b>2024</b>
	<b>R</b>	<b>R</b>
Insurance liability attributable to members for future benefits	4,588,214,682	3,619,568,129
Less: Unrealised investment gains	(1,174,857,801)	(785,454,225)
Accumulated funds as per Regulation 29	3,413,356,880	2,834,113,905
<b>Gross insurance revenue from contracts measured under the PAA</b>	<b>9,712,383,049</b>	<b>8,528,023,424</b>
<b>Solvency ratio calculated as the ratio of accumulated funds/Gross insurance revenue from contracts measured under the PAA x 100</b>	<b>35.14%</b>	<b>33.23%</b>

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 Scheme. Given the current financial health of the Scheme, the Board's target is a solvency of no less than 30% based on the statutory calculation as a percentage of annual gross contributions.

**28. GOING CONCERN**

The Scheme's objectives for managing capital are to maintain the capital requirements as prescribed by the Medical Schemes Act 131 of 1998, as amended, and to safeguard the ability of the Scheme to continue as a going concern for the benefit of its stakeholders.

**29. EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE**

No material events took place between the Statement of Financial Position as at 31 December 2025 and the date of this report.