



**Retail Medical Scheme
(Registration number 1176)**

**Annual Financial Statements
for the year ended 31 December 2025**

RETAIL MEDICAL SCHEME
(Registration no. 1176)

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RETAIL MEDICAL SCHEME
(Registration no. 1176)

SCHEME CONTACT DETAILS

TRUSTEES

Ms HB Khan	Employer Appointed (Chairperson)	
Mr A Allie	Member Elected	(Deceased: 1 July 2025)
Ms HM Groenewald	Member Elected	(Appointed: 1 July 2025)
Ms ML Hendricks	Member Elected	
Mr FJ Opperman	Employer Appointed	(Resigned: 31 January 2026)
Mr PJ Rossouw	Member Elected	
Mr ZA Sibiya	Employer Appointed	
Ms KC Soobramoney	Employer Appointed	
Mr G Sorensen	Member Elected	

PRINCIPAL OFFICER

Ms AJ Jaftha (Resigned: 21 January 2026)
Mr FJ Opperman (Appointed: 1 February 2026)

REGISTERED OFFICE

c/o William Dabbs Street & Old Paarl Road
Brackenfell
7560

P O Box 215
Brackenfell
7561

AUDITOR

BDO South Africa Incorporated

Wanderers Office Park
52 Corlett Drive
Illovo, Johannesburg
2196

Private Bag X 60500
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2041

ADMINISTRATOR

Discovery Health (Pty) Ltd

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c/o Rivonia and Katherine Street
Sandton
2196

P O Box 2379
Rivonia
2128

RETAIL MEDICAL SCHEME
(Registration no. 1176)

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation and fair presentation of the annual financial statements of Retail Medical Scheme, which comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, the statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of material accounting policies and other explanatory notes, in accordance with IFRS[®] Accounting Standards and the requirements of the Medical Schemes Act 131 of 1998, as amended, and the report of the Board of Trustees.


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

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

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

Approval of the annual financial statements

The annual financial statements were approved by the Board of Trustees on 16 April 2026 and are signed on its behalf:



CHAIRPERSON
MS HB KHAN



TRUSTEE
MR PJ ROSSOUW



PRINCIPAL OFFICER
MR FJ OPPERMAN

**RETAIL MEDICAL SCHEME
(Registration no. 1176)**

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Retail Medical Scheme is committed to the principles and practice of responsibility, accountability, fairness and transparency in its dealings with all stakeholders. The Scheme is committed to ensure compliance within recognised frameworks and conducting affairs in accordance with ethical values, furthermore to ensure the adoption of risk assessment, evaluation and management processes with regular monitoring of third party administrators and providers in accordance with the service level agreements. This includes evaluation of their performance by the Board and of the Audit Committee against agreed terms of reference and performance targets, establishment and management of internal controls by assessing the adequacy and effectiveness through the reports of the internal auditor and calling on of expert and professional advice when required. The Trustees are proposed and elected by the members of the Scheme or appointed by the participating Employer.

BOARD OF TRUSTEES

The Board of Trustees and their Committees meet regularly and monitor the performance of the Administrator and other service providers. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

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

INTERNAL CONTROL

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

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



CHAIRPERSON
MS HB KHAN



TRUSTEE
MR PJ ROSSOUW



PRINCIPAL OFFICER
MR FJ OPPERMAN

16 April 2026

INDEPENDENT AUDITOR'S REPORT

To the Members of
Retail Medical Scheme

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Retail Medical Scheme (the Scheme), set out on pages 9 to 61, which comprise the statement of financial position as at 31 December 2025; and the statement of comprehensive income; and the statement of cash flows for the year then ended; and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Retail 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), and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of the Liability for incurred claims (Notes 1.3, 5, and 17)	
<p>The valuation of the Liability for Incurred Claims (LIC) component forms part of the Insurance contract liability on the statement of financial position and consists of the estimates of future cash flows for incurred claims but not reported and the risk adjustment for non-financial risk (RA).</p> <p>At 31 December 2025, the LIC included an estimate of future cash flows relating to the claims incurred but not reported amounting to R23.6 million (2024: R15 million), as well as the RA of R0.9 million (2024: R0.6 million).</p>	<p>Our audit procedures for the LIC estimate component included the following:</p> <ul style="list-style-type: none">We obtained an understanding and documented the LIC estimation process; andWe assessed the design and evaluated the implementation of relevant controls over the claims process and the calculation of the LIC estimate. <p>Data</p>

In determining the LIC, the Scheme applies significant judgement and the assessment includes estimation uncertainties, due to the Scheme having to determine claims from healthcare events that have occurred but have not yet been reported. In addition, the Scheme is also required to estimate a run-off period, within which the incurred but not reported claims will be submitted to the Scheme.

Claims incurred but not reported methodology and assumptions:

The most significant assumptions in the determination of the estimates of future cash flows relating to the claims incurred but not reported are:

- Future cashflow projections developed using information about past events, current conditions and forecasts of future conditions;
- Probability weighted average; and
- Timing of the submission and payment, and the level of future claims submitted.

The method used by the Scheme to determine the best estimate of the claims incurred but not reported is the Basic Chain Ladder (BCL) method.

The BCL method involves analysing historical claims development factors and selecting estimated development factors based thereon.

The selected development factors are then applied to cumulative claims data for each period (in the Scheme's case, the four months post-year-end) that is not yet fully developed, to produce an estimated ultimate claims cost for each healthcare year.

RA methodology and assumptions:

The most significant assumptions in the determination of the RA are:

- Variability and level of claims;
- Degree of diversification benefits; and
- Confidence level.

The IFRS 17 Insurance Contracts RA represents the compensation a Scheme requires for bearing the uncertainty in the amount and timing of future cash flows arising from non-financial risk. Because the RA represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes, in a way that reflects the Scheme's degree of risk aversion.

Management has used the confidence level technique to determine the RA at the reporting date. The Scheme's calibrated risk adjustment is such that the insurance contract liabilities are considered sufficient at the 75th percentile of the ultimate loss distribution.

Due to the significant judgement and estimation uncertainty involved in the Scheme's valuation of the claims incurred but not reported and RA, this area was considered a matter of most significance to our current year audit of the financial statements.

We obtained the claims data from the claims processing system covering the year ended 31 December 2025, which was used in calculating the determination of the claims incurred but not reported and the RA, and performed a reconciliation of the data used in the calculation to the claims data tested as part of the insurance service expense for the year ended 31 December 2025. Based on the results of our reconciliation performed, we did not note material inconsistencies.

Calculations

Making use of our internal actuarial expertise we performed an independent calculation of the estimates of future cashflows relating to the claims incurred but not reported and RA. Our procedures included:

- We considered the appropriateness of the methodology and assumptions applied in determining the estimates of future cashflows relating to the claims incurred but not reported and RA against appropriate industry information;
- We performed an independent calculation of the estimates of future cashflows relating to the claims incurred but not reported and RA using the same methodology and assumptions as that of the Scheme. The independently calculated values were then compared to the Scheme's actuarial calculations. We noted no material differences in this regard; and
- We considered the appropriateness of the confidence level applied for the RA by performing a benchmarking exercise for RA as a percentage of the claims incurred but not reported and confirming that the RA for the Scheme is in range with similar market participants. Based on our work performed, we accepted the Scheme's use of the 75th percentile.

Back testing

The Scheme considers claims processed in the next financial year in respect of services provided during the year ended 31 December 2025 to determine if there is a need to disclose that actual claims are materially different from forecast claims and the LIC component judgement.

We considered the Scheme's assessment of the actual claims processed in the next financial year in respect of services provided during the year ended 31 December 2025 against the relevant requirements of the financial reporting framework, to assess the need for any subsequent events disclosure. Based on the results of our assessment, we accepted the Scheme's assessment, which indicated that such disclosure is not necessary due to the fact that the unutilised portion of the LIC is not material.

Disclosures

We evaluated the presentation of the disclosure relating to the LIC in the current year against the relevant requirements of the IFRS Accounting Standards and appropriate industry guidance.

Other Information

The Scheme's trustees are responsible for the other information. The other information comprises information included in the document title "Retail Medical Scheme Annual 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 Report of the Board of Trustees. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Scheme's trustees for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

From the matters communicated with the Scheme's trustees, we determine those matters that were of most significance in the audit of the financial statements of the current year 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 BDO South Africa Incorporated has been the auditor of Retail Medical Scheme for four years.

The engagement partner, Soné Jeanette Kock, has been responsible for Retail Medical Scheme's audit for four years.

BDO South Africa Incorporated

BDO South Africa Incorporated

Registered Auditors

Soné Jeanette Kock

Director

Registered Auditor

28 April 2026

Wanderers Office Park

52 Corlett Drive

Illovo, 2196

RETAIL MEDICAL SCHEME
(Registration no. 1176)

STATEMENT OF FINANCIAL POSITION
at 31 December 2025

	Notes	2025 R	2024 R
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	2	797,197,877	702,000,794
Current assets			
Financial assets at amortised cost	3	49,275,646	3,413,331
Cash and cash equivalents	4	137,788	107,047
		49,137,858	3,306,284
TOTAL ASSETS		846,473,523	705,414,126
LIABILITIES			
Non-current liabilities			
Insurance contract liabilities to members for future benefits	6	755,552,317	631,919,279
Current liabilities			
Insurance contract liabilities	5	90,921,206	73,494,846
Trade and other payables	8	90,299,619	72,014,565
		621,587	1,480,281
TOTAL LIABILITIES		846,473,523	705,414,126

In line with the requirements of Circular 32 and 36 of 2025, and the SAICA Medical Scheme Accounting guide, the Statement of Financial Position is disclosed in non-current and current components and not in order of liquidity that was used in the 2024 Annual Financial Statements.

RETAIL MEDICAL SCHEME
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STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2025

	Notes	2025 R	2024 R
Insurance revenue	9	530,859,084	471,415,671
Insurance service expense	9	(509,786,771)	(451,553,531)
Incurred claims *		(433,355,612)	(382,990,594)
Accredited managed healthcare services (no risk transfer) *		(24,609,134)	(22,083,631)
Third party claim recoveries		1,728,127	1,580,162
Other directly attributable expenses		(53,550,152)	(48,059,468)
Net expense from risk transfer arrangements *	7	(648,398)	(506,274)
Fees paid		(2,797,573)	(2,262,117)
Amounts received from risk transfer arrangements		2,149,175	1,755,843
Insurance service result		20,423,915	19,355,866
Interest from financial assets not measured at fair value through profit and loss	10	331,397	398,062
Investment income from investments at fair value through profit and loss	10	111,521,785	68,749,167
Net investment income		111,853,182	69,147,229
Finance expenses on Medical Savings Account monies		(519,293)	(566,827)
Net insurance finance expenses		(519,293)	(566,827)
Net insurance and investment result		131,757,804	87,936,267
Sundry income	11	40,418	114,067
Asset management fees		(1,624,702)	(1,437,732)
Other operating expenses	12	(6,540,482)	(6,045,050)
Net result before mutualisation		123,633,038	80,567,553
Amounts attributable to members for future benefits	6	(123,633,038)	(80,567,553)
Net surplus for the year		-	-

* Relevant healthcare expenditure

Relevant healthcare expenditure consists of net claims incurred, accredited managed healthcare services and net expense from risk transfer arrangements.

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STATEMENT OF CASH FLOWS
for the year ended 31 December 2025

	Notes	2025 R	2024 R
Cash flows from operating activities			
Cash receipts from members and providers		543,732,777	484,084,394
Cash receipts from members – contributions	5	542,004,650	482,504,232
Cash receipts from members and providers – other		1,728,127	1,580,162
Cash paid to providers, members and third parties		(512,925,494)	(465,366,460)
Cash paid to providers and members – claims		(451,690,642)	(408,384,547)
Cash paid for non-healthcare expenditure		(60,841,037)	(56,434,820)
Cash paid to members – Medical Savings Account refunds		(393,815)	(547,093)
Cash generated from operations		30,807,283	18,717,934
Interest received		324,291	387,393
Net cash from operating activities		31,131,574	19,105,327
Cash flows from investing activities			
Acquisitions of investments	2	(449,100,000)	(458,000,000)
Proceeds on disposals of investments	2	463,800,000	439,011,000
Net cash flows from investing activities		14,700,000	(18,989,000)
Net increase in cash and cash equivalents		45,831,574	116,327
Cash and cash equivalents at the beginning of the year		3,306,284	3,189,957
Cash and cash equivalents at the end of the year	4	49,137,858	3,306,284

RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. GENERAL INFORMATION

The principal accounting policies applied in the preparation of the financial statements are set out below and are in accordance with IFRS Accounting Standards. These policies were consistently applied to the previous year, unless otherwise stated.

The Scheme is a restricted membership medical scheme registered in terms of the Medical Schemes Act No. 131 of 1998, as amended (the Act), and is domiciled in the Republic of South Africa.

1.1 BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with IFRS Accounting Standards including interpretations issued by the IFRS Interpretations Committee (IFRIC®), which are set by the International Accounting Standards Board (IASB). The Financial Statements are also prepared in accordance with the Act, which requires additional disclosures for registered medical schemes.

The detailed accounting policies have been set out in the respective note to the Financial Statements, with the general accounting policies applied in the preparation of these Financial Statements set out below. These policies have been applied consistently to all years presented, except for changes required by the mandatory adoption of new and revised IFRS Accounting Standards.

The preparation of the Financial Statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies.

The Financial Statements are prepared in accordance with the going concern principle using the historical cost basis except for certain assets and liabilities, which include:

- Financial instruments at fair value through profit or loss; and
- Insurance and reinsurance assets and liabilities – measured in terms of IFRS 17.

The Statement of Financial Position is disclosed as current and non-current assets and current and non-current liabilities as required by IAS 1 as a clear identifiable operating cycle exists.

A Statement of changes in funds and reserves is not presented as the Scheme does not have any financial assets through other comprehensive income. Member funds are disclosed as Liabilities to members for future benefits in the annual financial statements.

RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

1.2 IMPLEMENTATION OF NEW STANDARDS

New standards, amendments and interpretations not yet effective in 2025 but relevant to the Scheme:

Standard	Scope	Effective date
Amendments to the Classification and Measurement of Financial Instruments – amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures.	<p>These amendments to IFRS 9 and IFRS 7 address feedback from the post-implementation review of classification and measurement requirements. They clarify the treatment of financial liabilities settled via electronic payment systems and refine the assessment of contractual cash flows, particularly for financial assets with ESG-linked features. Additionally, they enhance disclosure requirements for equity investments designated at fair value through other comprehensive income and introduce new disclosures for financial instruments with contingent features unrelated to basic lending risks and costs.</p> <p>This amendment has no further impact on the Scheme.</p>	Annual periods beginning on or after 1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	<p>The Standard was issued in April 2024 and supersedes IAS 1 Presentation of Financial Statements. The Standard provides additional requirements for the presentation and disclosure of information in the primary financial statements and the notes to improve transparency and comparability of information.</p> <p>IFRS 18 will impact the Scheme’s Income statement and related note disclosures. The Scheme will assess the additional disclosure requirements.</p>	Annual periods beginning on or after 1 January 2027

New standards, amendments and interpretations effective in 2025:

There were no new standards, amendments and interpretations effective in 2025.

RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2025

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING

Definition and classification

Insurance contracts are contracts under which the Scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member should a specified uncertain future event (the insured event) adversely affect the member.

A reinsurance contract transfers significant risk if it transfers substantially all 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.

The Scheme determines whether it has assumed significant insurance risk by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance and reinsurance contracts can also expose the Scheme to financial risk, which is not taken into account in the determination of significant insurance risk.

Significant judgements and estimates

IFRS 17 does not specify what significant insurance risk is. The Scheme's policy defines significant insurance risk as follows: The possibility that the present value of losses arising on the insurance contract exceeds 10% of the present value of income and receipts collected when applying a worst-case scenario upon inception of the insurance contract.

Separating components within insurance contracts

IFRS 17 requires an analysis of whether the contract contains components that should be separated from the insurance contract and accounted for under different IFRS Accounting Standards. IFRS 17 requires that cash flows relating to embedded derivatives, cash flows relating to distinct investment components and promises to transfer distinct goods or distinct services, other than insurance contract services, be accounted for separately.

The Scheme presently has no contracts requiring further separation or a combination of insurance contracts. The Scheme does not have contracts with specified embedded derivatives. Certain of the contracts with members contain a Medical Savings Account (MSA), an investment component.

The investment component and the insurance component are highly interrelated as the one component cannot be measured without considering the other. Under the contracts issued by the Scheme, the MSA can be measured separately, however, under the Essential Plus Option, there is a risk component that is available once the MSA has been exhausted and once certain conditions are met. This indicates that the level of certain risk benefits available is dependent on the MSA, and the value of risk benefits cannot be measured without considering the MSA. This results in the two components being highly interrelated. The second indicator that the two components are highly interrelated is that members are unable to benefit from one component unless the other component of the insurance contract is also present. Under the Essential Plus Option, the MSA and the risk portion of the Option cannot be separated and the member, who is registered on the Essential Plus Option, has both the MSA and the risk component. To cancel a component of the contract, the member has to cancel the entire contract (both components).

RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2025

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Separating components within insurance contracts (continued)

The condition whereby the investment component can be separated from the insurance component if not highly interrelated is not met and the MSA cannot be separated from the insurance component. IFRS 17 is applied to the entire contract including the MSA.

The PMSA is a non-distinct investment component with the balances included in Insurance Contract Liabilities in the Statement of Financial Position. While the cash flows are not recorded in the Statement of Comprehensive Income, they are considered in assessing onerous contracts.

Amounts relating to the MSA are transferred from the liability for remaining coverage to the insurance contract liability at each year-end, as the underlying medical contract with the member comes to an end at financial year-end.

Measurement models

- The default model is the General Measurement Model (GMM). The GMM is typically used for measuring long-term insurance risk and annuity contracts.
- The GMM is supplemented by the Variable Fee Approach (VFA) for contracts where members have purchased investment linked insurance contracts integrated with insurance coverage (i.e, insurance contracts with direct participating features).
- The Premium Allocation Approach (PAA) is a simplified approach of the GMM for short-duration contracts such as group risk, personal lives and private medical insurance.

Insurers can elect to apply the Premium Allocation Approach (PAA) to measure a group of insurance contracts issued or reinsurance contracts held if, at the inception of the group:

- The coverage period of each contract in the group of insurance contracts is one year or less, or
- The insurer reasonably expects that the PAA would produce a measurement of the Liability for Remaining Claims (LRC) for a group of insurance contracts that would not differ materially from the measurement achieved by applying the GMM.

As permitted in IFRS 17, the Scheme has elected to apply the PAA. The Scheme reasonably expects that the PAA would produce a measurement of the LRC for a group of insurance contracts that would not differ materially from the measurement achieved by applying the GMM.

The PAA simplifies the general measurement model. At initial recognition, the insurance contract is measured as:

- The contributions, if any, received at initial recognition, and
- Plus/minus non-acquisition assets or liabilities previously recognised for cash flows related to the group of insurance contracts.

IFRS 17 permits an accounting policy election on a group-by-group basis:

- Not to adjust the components of the insurance contracts and onerous contracts for the time value of money (i.e. no discounting).
- An entity may elect to immediately expense insurance acquisition cash flows when incurred.

RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Measurement models (continued)

Under the PAA, the standard allows an entity to make a policy choice whether to account for the effect of the time value of money in the measurement of the liability for remaining coverage and the liability for incurred claims when:

- On initial recognition of the contract, for the liability of remaining coverage, the time between the coverage and due date of the related premium is less than a year.
- The cash flows arising from the liability for incurred claims are expected to be paid or received in less than one year from the date the claim is incurred.

The Scheme has elected not to account for the effect of the time value of money in the measurement of the liability for incurred claims, and the liability for remaining coverage, as both conditions have been met. In some instances, claims may be disputed.

The Scheme has elected to immediately expense insurance acquisition cash flows.

Expected fulfilment cash flows (EFCF)

The measurement of a group of insurance contracts includes all future cash flows expected to arise within the contract boundary of each contract in the group.

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

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

In assessing the practical ability to reprice, risks transferred from the member to the Scheme are considered; other risks, such as lapse or surrender and expense risk, are not included. 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 its group of insurance contracts and determined that the group has a boundary of one year.

EFCF include payments to (or on behalf) of members, insurance acquisition cash flows and other directly attributable costs to fulfilling the group of insurance contracts.

The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Scheme estimates which cash flows are expected and the probability that they will occur as at the measurement date. When estimating, the Scheme uses information about past events, current conditions and forecasts of future conditions.

Insurance acquisition cash flows arise from activities of selling, underwriting and commencing a group of contracts that are directly attributable to the portfolio of contracts.

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1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Risk adjustment

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the Scheme fulfils insurance contracts. It measures the compensation that the entity would require to make it indifferent between:

- Fulfilling a liability that has a range of possible outcomes arising from non-financial risk, and
- Fulfilling a liability that will generate fixed cash flows with the same expected present value as the insurance contract.

A lower risk adjustment would be observed for those insurance contracts with shorter duration, high frequency and low severity type products and narrow probability of distributions. Higher risk adjustment would be observed for insurance contracts that are longer in duration, have a low frequency and high severity and have a wide probability of distributions.

IFRS 17 does not prescribe methods for determining the risk adjustment for non-financial risk. Therefore, management's judgement is necessary to determine an appropriate risk adjustment technique.

When applying a confidence level technique, the first step in the process is to calculate the best estimate liability, where there is an equal chance that the actual amount needed to pay future claims will be higher or lower than the calculated best estimate. The risk adjustment is then calculated such that there is a specified percentage probability that the reserves will be sufficient to cover future claims.

For the Scheme's insurance contracts the explicit risk adjustment for non-financial risk is estimated to measure the Liability for Incurred Claims. The risk adjustment will be determined by applying a bootstrapping confidence level technique, set at a confidence level of 75%.

Unit of account, aggregation and recognition of insurance and reinsurance contracts

Under IFRS 17, the unit of account is defined as a group of insurance contracts. The manner in which insurance contracts are grouped, affects the timing of profit recognition for insurance services but does not affect the measurement of the estimated cash flows to fulfil the insurance contracts. In terms of IFRS 17, the unit of account is determined by first establishing a portfolio of insurance contracts and then creating separate cohorts within the portfolio based on the date of origination. Each such cohort is further grouped into three groupings based on estimated profitability.

Portfolio

Insurance contracts that are subject to similar risks and managed together.

The Scheme offers insurance cover against the cost of a health event. Two benefit options are offered by the Scheme.

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1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Unit of account, aggregation and recognition of insurance and reinsurance contracts (continued)

Cohort

Only contracts issued within a given 12-month period (cohort) can be included in the same group. Annual cohorts are further grouped as follows.

Groups

- Onerous at initial recognition (Onerous)
- At initial recognition, no significant possibility of becoming onerous (Profitable)
- Other (Profitable at risk)

The Scheme has assessed its portfolio to be at a Scheme level. The Scheme has applied the exemption not to perform profitability groupings as allowed by IFRS 17, and included all contracts in the same group.

Recognition and derecognition

The group of insurance contracts issued, are initially recognised from the earliest of the following:

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

An insurance contract is derecognised when it is:

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

If the modification does not comply with all the requirements of IFRS 17, the Scheme shall treat the changes in cash flow as changes in estimates of fulfilment cash flows.

Initial and subsequent measurement

For insurance contracts issued, on initial recognition, the Scheme measures the liability for remaining coverage at the amount of contributions received less any acquisition cash flows paid.

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

- the liability for remaining coverage; and
- the liability for incurred claims, comprising the fulfilment cashflows related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the liability for remaining coverage 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.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Initial and subsequent measurement (continued)

For insurance contracts issued at each of the subsequent reporting dates, the liability for incurred claims is:

- probability weighted estimate of the present value of the future cash flows; and
- risk adjustment for non-financial risk.

Refer to Judgements and Estimates earlier in this note for the significant judgements and estimates used to determine the liability for incurred claims and the estimates to determine the fulfilment cash flow.

If the group of contracts becomes onerous, the Scheme increases the carrying amount of the liability for remaining coverage to the amounts of the fulfilment cashflows, determined under the general measurement model, with the amount of such an increase recognised in insurance service expenses. Subsequently, the Scheme amortises the amount of the loss component within the liability for remaining coverage by decreasing insurance service expenses. The loss component amortisation is based on the passage of time over the remaining coverage period of contracts within an onerous group.

Assessment as to whether the Scheme is a mutual entity

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

IFRS 3 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 the Scheme does not have shareholders, the current members will access the reserves through economic benefits such as funding reductions in contributions or deferral of contribution increases.

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

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 through insurance coverage, reduced contributions, or payment to members on liquidation (based on votes taken by members).

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1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

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

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

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

Insurance revenue

The Scheme recognises insurance revenue based on the passage of time over the coverage period of the group of insurance contracts in the statement of comprehensive income.

Insurance Service Expenses

Insurance service expenses include:

- incurred claims and benefits excluding investment components;
- other incurred directly attributable insurance service expenses;
- changes that relate to past service (i.e, changes in the fulfilment cashflows relating to the liability for incurred claims);
- changes that relate to future service (i.e, losses/reversals on onerous groups of contracts from changes in the loss components); and
- Impairment gains or losses from healthcare receivables.

Net of:

- Recoveries from third parties (including reimbursement from the Road Accident Fund).

Other incurred directly attributable insurance service expenses include:

Accredited managed care healthcare services (no risk transfer)

Accredited managed healthcare services (no risk transfer) fees comprise amounts paid or payable to a third party for managing the utilisation, costs and quality of healthcare services to the members of the Scheme, and are expensed as incurred. Accredited managed healthcare services are part of healthcare expenditure, as they directly impact the delivery of cost-effective and appropriate healthcare benefits to beneficiaries of the Scheme.

Insurance acquisition costs

The Scheme includes the 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.

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1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Insurance Service Expenses (continued)

Accredited administration services

Expenses for accredited administration services are paid to the Scheme administrator.

Cash flows that are not directly attributable to a group of insurance contracts are recognised in other operating expenses as incurred and include the Scheme's operating expenses and other administration services fees paid to the Scheme's administrator.

Insurance interest income and expenses

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

Interest received is disclosed as cash flows from operating activities in the Statement of Cash Flows because they enter into determination of profit or loss. The income from investments are considered operating activities as it generates cash flows to maintain the operating capability of the Scheme.

Classification of contribution receivables

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

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

The fulfilment cash flows may include expenditure incurred in accounting standards other than IFRS 17. Where expenditure/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.

1.4 RISK TRANSFER ARRANGEMENT/REINSURANCE CONTRACT

Definition

Risk transfer arrangements are contractual arrangements entered into by the Scheme and third parties who undertake to indemnify the Scheme against all or part of the loss that the Scheme may incur as a result of carrying on the business of a medical scheme. The third party 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 Scheme's primary obligations to its members and their dependents.

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for the year ended 31 December 2025

1.4 RISK TRANSFER ARRANGEMENT/REINSURANCE CONTRACT (continued)

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 their reinsurance contract held until it has recognised at least one of the underlying insurance contracts.

Initial and subsequent measurement

The coverage period of each reinsurance contract in the Scheme's group of reinsurance contracts, is one year or less. Therefore the Scheme has made the accounting policy choice to simplify the measurement of its group of reinsurance contracts using the PAA.

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

- the remaining coverage; and
- the incurred claims, comprising the fulfilment cashflows related to past service allocated to the group at the reporting date.

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

- increased for ceding contributions paid in the period; and
- 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.

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1.4 RISK TRANSFER ARRANGEMENT/REINSURANCE CONTRACT (continued)

Contract boundary

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

The Scheme's capitation agreements held have a duration of one year or less.

Net income/(expense) from reinsurance contracts held

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 reinsurance expenses, other incurred directly attributable insurance service expenses and the effect of changes in risk of reinsurer non-performance.

The Scheme recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

1.5 CLASSIFICATION, RECOGNITION, PRESENTATION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

The Scheme recognises a financial instrument when, and only when, it becomes a party to the contractual provisions of the instrument. The Scheme classifies its financial instruments into the following categories: financial assets or financial liabilities at fair value through profit or loss, derivatives, and other receivables. Other receivables are receivables other than those arising from insurance contracts and include sundry accounts receivable, and interest receivable. Other receivables are disclosed under "Financial assets at amortised cost".

The classification depends on the purpose for which the financial instruments are acquired. Management determines the classification of financial instruments at initial recognition. All purchases and sales of financial instruments are recognised on the trade date, which is the date on which the Scheme commits to purchase the financial asset or assume financial liability.

Offsetting financial instruments

This applies where a legally enforceable right to set off exists for recognised financial assets and financial liabilities, and there is an intention to realise the asset and settle the liability simultaneously or to settle on a net basis.

The Scheme will disclose the net asset or liability in the Statement of Financial Position and on a gross basis in the accompanying notes if the above conditions are met.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2025

1.5 CLASSIFICATION, RECOGNITION, PRESENTATION AND DERECOGNITION OF FINANCIAL INSTRUMENTS
(continued)

Derecognition of financial assets and liabilities

The Scheme derecognises a financial asset or part of a financial asset when:

- The contractual right to the cash flows from the asset expires.
- The Scheme retains the contractual right to receive cash flows of the asset, but assumes the obligation to pay one or more third parties the cash flow without material delay.
- The Scheme transfers the asset, while transferring substantially all the risks and rewards of ownership.
- The Scheme neither transfers the financial asset nor retains significant risk and reward of ownership, but has transferred control of the financial asset.

The Scheme derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

1.6 FINANCIAL ASSETS

IFRS 12 Unconsolidated investment structures

The Scheme has determined that 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.

1.7 FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value, net of transaction costs incurred. After initial recognition the financial liabilities are measured at amortised cost, using the effective interest rate method. In addition, the Scheme is not permitted to borrow, in terms of Section 35 (6)(c) of the Act. The Scheme therefore has no long-term financial liabilities.

1.8 PROVISIONS

The Scheme recognises a provision once the following conditions are met:

- It has a present legal or constructive obligation as a result of past events.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- A reliable estimate of the amount of the obligation can be made.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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1.9 CONTINGENT LIABILITY

The Scheme will disclose a contingent liability if one of the following conditions are met:

- A possible obligation arising from past events, the existence of which 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.
- A present obligation that arises from past events but not recognised because:
 - It is not probable that an outflow of resources will be required to settle an obligation.
 - The amount of the obligation cannot be measured with sufficient reliability.

1.10 UNALLOCATED FUNDS

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

Unallocated funds that have legally prescribed, that is funds older than three years, are written back and included under Sundry income on the face of the Statement of Comprehensive Income.

A liability for unallocated funds that have not legally prescribed is recognised and disclosed under insurance contract liabilities. The liability is measured in accordance with the requirements of IFRS 17, forming part of the fulfilment cash flows of the related group of insurance contracts.

1.11 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.

1.12 ALLOCATION OF INCOME AND EXPENDITURE TO BENEFIT OPTIONS

The following items are directly allocated to benefit options:

- Insurance revenue
- Insurance service expenses
- Insurance interest expenses
- Net income/(expense) from reinsurance contracts held

The following items are allocated based on claims incurred per benefit option:

- Claims recoveries from third parties.
- Risk adjustment on the liability for incurred claims.

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting policy

The Scheme's investment strategy ("business model objective") is determined by means of an allocation across different asset classes and grouping of Financial assets into specific portfolios. Independent asset managers manage these portfolios under fully discretionary, active mandates with performance evaluated at portfolio level, on a fair value basis. All asset managers are remunerated based on the fair value of the portfolios under management. The business model objective is achieved through the selling of assets per the documented strategy for realisation of gains, with the collection of contractual cash flows being incidental to the primary business model objective. The Financial assets are managed together and grouped into specific portfolios. Based on the business model objective the Financial assets are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the surplus or deficit section of the Statement of Comprehensive Income.

The fair value of the financial instruments traded in an active market is determined by using quoted market prices or dealer quotes. The fair value of financial instruments not traded in an active market, is determined by using valuation techniques that maximise the use of observable market data and rely as little as possible on entity specific estimates.

Gains or losses arising from subsequent changes in fair value are recognised in the Statement of Comprehensive Income within the period in which they arise.

The Scheme's Financial assets at fair value through profit or loss are summarised as follows:

Non-current asset	2025	2024
	R	R
At the beginning of the year	702,000,794	615,700,359
Additions	449,100,000	458,000,000
Disposals	(463,800,000)	(439,011,000)
Interest	20,055,881	19,090,833
Dividends	4,883,738	4,273,397
Realised gains	2,572,296	6,475,646
Fees	(1,624,702)	(1,437,732)
Gains on revaluation of investments	84,009,870	38,909,291
At the end of the year	<u>797,197,877</u>	<u>702,000,794</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	2025	2024
	R	R
The investments included above represent investments in:		
Bonds	261,045,159	258,748,554
Cash and deposits	254,596,948	234,821,600
Listed equities	272,016,225	200,111,737
Listed property	9,539,545	8,318,903
	<u>797,197,877</u>	<u>702,000,794</u>

A register of investments is available for inspection at the registered office of the Scheme.

3. FINANCIAL ASSETS AT AMORTISED COST

Accounting policy

Receivables are non-derivative Financial assets with fixed or determinable payments that are not quoted in an active market, other than those the Scheme intends to sell in the short term.

Receivables are initially recognised at fair value, plus transaction costs. The Scheme holds its other receivables with the objective to collect the contractual cash flows and measures them subsequently at amortised cost using the effective interest method.

Impairment of other receivables

The Scheme applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for other receivables. To measure the expected credit losses, other receivables are grouped based on shared credit risk characteristics and days past due. There are no impairments of other receivables.

	2025	2024
	R	R
Current asset		
Interest receivable	40,405	33,300
Sundry accounts receivable	97,383	73,747
	<u>137,788</u>	<u>107,047</u>

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4. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents are short-term, highly liquid instruments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

In the Statement of Cash Flows, cash and cash equivalents comprise:

- balances with banks

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing or other purposes and are carried at cost, which, due to their short-term nature, approximates fair value.

Current asset	2025	2024
	R	R
Current accounts	49,137,858	3,306,284
	<u>49,137,858</u>	<u>3,306,284</u>

The weighted average effective interest rate earned on the current account for the year was 6.99% (2024: 7.90%).

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

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for the year ended 31 December 2025

5. INSURANCE CONTRACT LIABILITY

2025

Insurance contracts issued (Current liability)

Net opening balance

Insurance service result

Insurance revenue

Insurance service expense

Incurred claims

Other directly attributable expenses

Changes that relate to past service - adjustment to LIC

Finance expense from insurance contracts issued

Total amounts recognised in comprehensive income

Investment component - Medical Savings Account

Total movement

Cash flows

Contributions received

Claims and other directly attributable expenses paid

Total cash flows

Net closing balance

	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC)		Total
		Present value of future cash flows	Risk adjustment	
Net opening balance	41,193,433	30,207,154	613,978	72,014,565
Insurance service result	(530,859,084)	509,484,465	302,306	(21,072,314)
Insurance revenue	(530,859,084)	-	-	(530,859,084)
Insurance service expense	-	509,484,465	302,306	509,786,771
Incurred claims	-	455,934,313	-	455,934,313
Other directly attributable expenses	-	53,550,152	-	53,550,152
Changes that relate to past service - adjustment to LIC	-	-	302,306	302,306
Finance expense from insurance contracts issued	-	519,293	-	519,293
Total amounts recognised in comprehensive income	(530,859,084)	510,003,758	302,306	(20,553,020)
Investment component - Medical Savings Account	(6,132,396)	6,132,396	-	-
Total movement	(536,991,480)	516,136,154	302,306	(20,553,020)
<i>Cash flows</i>				
Contributions received	542,004,650	-	-	542,004,650
Claims and other directly attributable expenses paid	-	(503,166,575)	-	(503,166,575)
Total cash flows	542,004,650	(503,166,575)	-	38,838,075
Net closing balance	46,206,603	43,176,732	916,284	90,299,619

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5. INSURANCE CONTRACT LIABILITY

2024

Insurance contracts issued (Current liability)

	Liability for incurred claims (LIC)			
	Liability for remaining coverage (LRC)	Present value of future cash flows	Risk adjustment	
Net opening balance	36,424,762	29,882,286	690,239	66,997,287
Insurance service result	(471,415,671)	449,882,166	(76,261)	(21,609,766)
Insurance revenue	(471,415,671)	-	-	(471,415,671)
Insurance service expense	-	449,882,166	(76,261)	449,805,905
Incurred claims	-	379,739,067	-	379,739,067
Other directly attributable expenses	-	70,143,099	-	70,143,099
Changes that relate to past service - adjustment to LIC	-	-	(76,261)	(76,261)
Finance expense from insurance contracts issued	-	566,827	-	566,827
Total amounts recognised in comprehensive income	(471,415,671)	450,448,993	(76,261)	(21,042,939)
Investment component - Medical Savings Account	(6,319,890)	6,319,890	-	-
Total movement	(477,735,561)	456,768,883	(76,261)	(21,042,939)
<i>Cash flows</i>				
Contributions received	482,504,232	-	-	482,504,232
Claims and other directly attributable expenses paid	-	(456,444,015)	-	(456,444,015)
Total cash flows	482,504,232	(456,444,015)	-	26,060,217
Net closing balance	41,193,433	30,207,154	613,978	72,014,565

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5. INSURANCE CONTRACT LIABILITY (continued)	2025	2024
	R	R
Present value of future cash flows		
Amounts due from members and suppliers	(900,230)	(786,426)
Claims incurred but not reported provision	23,565,442	14,975,067
Medical Savings Account	7,680,167	7,395,325
Reported claims not yet paid	4,170,605	2,266,828
Unallocated funds	1,638,998	
Directly attributable expenses payable	7,021,750	6,356,360
	<u>43,176,732</u>	<u>30,207,154</u>
 Breakdown of cashflows		
Contribution income		
Contributions received	542,004,650	482,504,232
Debtors movement	(5,013,170)	(4,768,671)
MSA contributions	(6,132,396)	(6,319,890)
	<u>530,859,084</u>	<u>471,415,671</u>
 Claims and directly attributable expenses		
Claims paid	(449,616,423)	(504,503,483)
Expenses	(53,550,152)	(48,059,468)
	<u>(503,166,575)</u>	<u>(456,444,015)</u>
 Included in Insurance Contract Liability:		
 Personal Medical Savings Accounts		
Balance of medical savings account liability at the beginning of the year	7,395,325	7,221,808
Add:		
Medical savings account contributions received	6,132,396	6,319,890
Interest and other income earned on trust monies invested	519,293	566,827
Withdrawal debt recovered	14,871	107,539
Less:		
Claims paid on behalf of members	(5,987,903)	(6,273,646)
Refunds on death or resignation	(393,815)	(547,093)
Balances due to members on medical savings accounts at the end of the year	<u>7,680,167</u>	<u>7,395,325</u>

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5. INSURANCE CONTRACT LIABILITY (continued)

Breakdown of the claims incurred but not reported provision	2025	2024
	R	R
Opening balance	14,975,067	13,023,378
Payments in respect of prior year	(15,040,815)	(13,525,863)
Under provision for prior year *	(65,748)	(502,485)
Movement for the year	23,631,190	15,477,552
	<u>23,565,442</u>	<u>14,975,067</u>
* Risk adjustment to cover possible under provision	613,978	690,239

6. INSURANCE CONTRACT LIABILITY TO MEMBERS FOR FUTURE BENEFITS

Opening balance	631,919,279	551,351,726
Amounts attributable to members for future benefits	123,633,038	80,567,553
Balance at the end of the year	<u>755,552,317</u>	<u>631,919,279</u>

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7. REINSURANCE CONTRACT ASSETS

2025

	Remaining Coverage Component	Incurred claims for contracts under the PAA		Total
		Present value of future cash flows	Risk adjustment	
Healthcare Risk – Reinsurance contracts held				
Net opening balance	-	-	-	-
Net income/(expenses) from reinsurance contracts held	2,797,573	(2,149,175)	-	648,398
Reinsurance expenses	2,797,573	-	-	2,797,573
Claims recovered	-	(2,149,175)	-	(2,149,175)
Total amounts recognised in comprehensive income	2,797,573	(2,149,175)	-	648,398
Total amounts recognised incomprehensive income	2,797,573	(2,149,175)	-	648,398
<i>Cash flows</i>				
Fees paid	(2,797,573)	-	-	(2,797,573)
Recoveries from reinsurance	-	2,149,175	-	2,149,175
Total cash flows	(2,797,573)	2,149,175	-	(648,398)
Net closing balance	-	-	-	-

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7. REINSURANCE CONTRACT ASSETS

2024

	Remaining Coverage Component	Incurred claims for contracts under the PAA		Total
		Present value of future cash flows	Risk adjustment	
Net opening balance	-	-	-	-
Net income/(expenses) from reinsurance contracts held	2,262,117	(1,755,843)	-	506,274
Reinsurance expenses	2,262,117	-	-	2,262,117
Claims recovered	-	(1,755,843)	-	(1,755,843)
Total amounts recognised in comprehensive income	2,262,117	(1,755,843)	-	506,274
Total amounts recognised in comprehensive income	2,262,117	(1,755,843)	-	506,274
<i>Cash flows</i>				
Fees paid	(2,262,117)	-	-	(2,262,117)
Recoveries from reinsurance	-	1,755,843	-	1,755,843
Total cash flows	(2,262,117)	1,755,843	-	(506,274)
Net closing balance	-	-	-	-

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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8. TRADE AND OTHER PAYABLES

Accounting policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

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

Note

	2025	2024
	R	R
Current liability		
Consulting fees	144,780	136,220
Audit fee provision	476,807	476,807
Unallocated funds *	-	867,254
Total arising from financial liabilities	<u>621,587</u>	<u>1,480,281</u>

* Due to the nature of the unallocated funds, this item is disclosed as an insurance contract liability. The 2024 value is not re-classified as the value is not material. The accounting policy note for unallocated funds is disclosed in note 1.10.

At 31 December 2025 the carrying amounts of other payables approximate their fair values due to the short-term maturities of these liabilities.

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9. INSURANCE REVENUE AND SERVICE EXPENSES

	2025	2024
	R	R
Gross contributions	536,991,480	477,735,561
Less: Medical Savings Account contributions	(6,132,396)	(6,319,890)
Insurance revenue	<u>530,859,084</u>	<u>471,415,671</u>
Insurance service expenses		
Incurred claims *	(433,355,612)	(382,990,594)
Accredited managed healthcare services (no risk transfer)	(24,609,134)	(22,083,631)
Third party claim recoveries	1,728,127	1,580,162
Other directly attributable expenses	(53,550,152)	(48,059,468)
Accredited administration services	<u>(53,550,152)</u>	<u>(48,059,468)</u>
Insurance service expenses	<u>(509,786,771)</u>	<u>(451,553,531)</u>
Net expense from risk transfer arrangements	(648,398)	(506,274)
Fees paid	<u>(2,797,573)</u>	<u>(2,262,117)</u>
Amounts recovered from risk transfer arrangements	<u>2,149,175</u>	<u>1,755,843</u>
Total insurance service result	<u><u>20,423,915</u></u>	<u><u>19,355,866</u></u>

* Claims incurred includes the net default credit risk expenses which was disclosed as a separate line item in the 2024 annual financial statements.

Accredited managed healthcare services (no risk transfer)

Disease management	7,873,956	7,066,231
Pharmaceutical benefit management	2,462,122	2,209,500
Hospital management	7,382,336	6,624,710
Provider networks	6,890,720	6,183,190
	<u>24,609,134</u>	<u>22,083,631</u>

Included in other directly attributable expenses above

Accredited administration services

Member record management	5,522,649	4,955,268
Contribution management	4,853,725	4,356,467
Claims management	6,108,965	5,482,061
Financial management	199,468	178,124
Information management and data control	9,900,875	8,885,374
Customer services	26,964,470	24,202,174
	<u>53,550,152</u>	<u>48,059,468</u>

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10. INVESTMENT INCOME

	2025	2024
	R	R
Financial assets at fair value through profit or loss	111,521,785	68,749,167
Interest earned	20,055,881	19,090,833
Dividends received	4,883,738	4,273,397
Realised gains on disposal of investments	2,572,296	6,475,646
Unrealised gains on investments	84,009,870	38,909,291
Financial assets at amortised cost		
Interest earned	331,397	398,062
Total investment income	<u>111,853,182</u>	<u>69,147,229</u>

11. SUNDRY INCOME

Prescribed credits written back	<u>40,418</u>	<u>114,067</u>
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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12. OTHER OPERATING EXPENDITURE

Accounting policy

Other operating expenses are expensed as incurred.

	2025	2024
	R	R
Administration services	4,118,314	3,693,238
Other services		
Internal audit services	820,036	735,237
Forensic investigations and recoveries	1,023,534	919,046
Governance and compliance	163,201	145,910
Additional services		
Quality Management and Monitoring Services	773,695	693,548
Advanced Data Analytics	644,746	577,957
Digital Service Offering	237,750	214,128
Enhanced Service Offering	130,964	117,486
Enterprise risk management services	130,964	117,486
Legal Services	38,282	34,109
Product Innovation	155,142	138,331
AGM costs	-	68,782
Audit fees	463,172	472,978
Bank charges	89,227	106,705
Practice Code Numbering System Fees	47,238	42,125
Consultancy fees	933,515	906,064
Council for Medical Schemes levies	840,545	744,148
Fidelity guarantee and professional indemnity insurance premium	11,561	11,010
Legal fees	36,910	-
	6,540,482	6,045,050

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13. RELATED PARTY TRANSACTIONS

Parties with significant influence over the Scheme:

Administrator:

Discovery Health Proprietary Limited has significant influence over the Scheme, as Discovery Health Proprietary Limited participates in the Scheme's financial and operating policy decisions, but does not control the Scheme. Discovery Health Proprietary Limited provides administration and managed care services as well as a risk transfer arrangement for the Diabetes Management Programme.

Key management personnel:

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

Transactions with related parties:

The following provides the total amounts relating to transactions, which have been entered into with related parties for the relevant financial year.

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

The Trustees are proposed and elected by the members of the Scheme or appointed by the participating Employer.

	2025 R	2024 R
Statement of comprehensive income		
Gross contributions received	494,938	382,404
Claims incurred	480,790	764,773

No remuneration was paid from the Scheme's funds to the Principal Officer, Trustees or Committee members during 2025.

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

Transaction	Nature of transactions and terms and conditions thereof
Contributions received	This constitutes the contributions paid by the related parties as members of the Scheme, in their individual capacity. All contributions received were paid on the same terms as those applicable to other members.
Claims incurred	This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims incurred, were paid out in terms of the Rules of the Scheme, as applicable to other members.
Medical Savings Account balances	The amounts owing to the related parties relate to Medical Savings Account balances to which the parties have a right. In line with the terms applied to third parties, the balances earn interest monthly at predetermined interest rates, on an accrual basis. The amounts are all current, and would be payable on demand, should an appropriate claim be issued, or should the member resign from the Scheme.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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13. RELATED PARTY TRANSACTIONS (continued)

Transactions with entities that have significant influence over the Scheme:

	2025	2024
	R	R
Discovery Health Pty Ltd - administrator and managed care organisation		
Statement of comprehensive income		
Administration fees paid	57,668,464	51,752,706
Managed care: management services	24,609,134	22,083,631
Risk transfer fees: Diabetes Management Programme	2,797,573	2,262,117
Statement of financial position		
Balance due to Discovery Health (Pty) Ltd at year end	7,021,750	6,356,360

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

Administration and managed care agreements

The administration and managed care agreements are in terms of the Rules of the Scheme and in accordance with instructions given by the Board of Trustees. Each agreement is automatically renewed each year unless notification of termination is received or following the cancellation of the Administrator's accreditation or the issue of a lawful directive to this effect by the Council for Medical Schemes in terms of the Medical Schemes Act 131 of 1998, as amended. The Scheme and the Administrator has the right to terminate the agreement by giving notice in writing of not less than 90 days or more than 180 days. The amount due to the Administrator bears no interest, and is settled within the next month.

14. POST REPORTING DATE EVENTS

There have been no events that have occurred subsequent to the end of the accounting period that affect the Annual Financial Statements and that the Trustees consider should be brought to the attention of the members of the Scheme.

15. COMMITMENTS AND OTHER CONTINGENT LIABILITIES

The Scheme does not have any commitments or contingent liabilities outstanding at 31 December 2025.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025**

16. SURPLUS/(DEFICIT) PER BENEFIT OPTION

<u>2025</u>	ESSENTIAL	ESSENTIAL PLUS	TOTAL
In-hospital costs covered	100%	100%	
	No Limit	No Limit	
Medical Savings Account	No	Yes	
Above Threshold Benefit	No	Limited day-to-day cover	
Chronic conditions	Covering PMB	Covering PMB	
Insurance revenue	500,768,770	30,090,314	530,859,084
Insurance service expenses	(483,777,396)	(26,009,376)	(509,786,772)
Net claims incurred	(408,812,231)	(24,543,382)	(433,355,613)
Managed care services	(24,157,354)	(451,780)	(24,609,134)
Claims recoveries from third parties	1,696,402	31,725	1,728,127
Other directly attributable expenses	(52,504,213)	(1,045,939)	(53,550,152)
Net income on risk transfer arrangements	(636,455)	(11,941)	(648,396)
Fees paid	(2,746,049)	(51,523)	(2,797,572)
Amounts received from risk transfer arrangements	2,109,594	39,582	2,149,176
Insurance service result	16,354,919	4,068,997	20,423,916
Investment income	109,289,997	2,563,184	111,853,181
Net investment income	109,289,997	2,563,184	111,853,181
Finance expenses on Medical Savings Account monies	-	(519,293)	(519,293)
Net insurance finance expenses	-	(519,293)	(519,293)
Net healthcare results	125,644,916	6,112,888	131,757,804
Sundry income	39,676	742	40,418
Asset management fees	(1,594,876)	(29,827)	(1,624,702)
Other operating expenses	(6,412,733)	(127,748)	(6,540,482)
Other expenditure	(7,967,933)	(156,833)	(8,124,766)
Net surplus for the year	117,676,983	5,956,055	123,633,038
Number of members at year-end	16,897	316	17,213
Average number of beneficiaries	27,954	531	28,485
Average age of beneficiaries	31.1	58.5	31.5
Pensioner ratio	1.7%	40.6%	2.4%

RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

16. SURPLUS/(DEFICIT) PER BENEFIT OPTION

<u>2024</u>	ESSENTIAL	ESSENTIAL PLUS	TOTAL
In-hospital costs covered	100%	100%	
Medical Savings Account	No	No	
Above Threshold Benefit	No	Yes	
Chronic conditions	Covering	Covering	
	PMB	PMB	
		Limited day-to-day cover	
Insurance revenue	440,573,351	30,842,320	471,415,671
Insurance service expenses	(421,500,267)	(30,053,262)	(451,553,529)
Net claims incurred	(354,382,068)	(28,487,040)	(382,869,108)
Managed care services	(21,617,257)	(466,374)	(22,083,631)
Claims recoveries from third parties	1,544,130	36,032	1,580,162
Other directly attributable expenses	(47,045,072)	(1,135,880)	(48,180,952)
Net income on risk transfer arrangements	(495,582)	(10,692)	(506,275)
Fees paid	(2,214,344)	(47,773)	(2,262,117)
Amounts received from risk transfer arrangements	1,718,761	37,081	1,755,842
Insurance service result	18,577,501	778,366	19,355,868
Investment income	67,132,084	2,015,144	69,147,228
Net investment income	67,132,084	2,015,144	69,147,228
Finance expenses on Medical Savings Account monies	-	(566,827)	(566,827)
Net insurance finance expenses	-	(566,827)	(566,827)
Net healthcare results	85,709,585	2,226,683	87,936,268
Sundry income	111,658	2,409	114,067
Asset management fees	(1,407,369)	(30,363)	(1,437,732)
Other operating expenses	(5,907,204)	(137,846)	(6,045,050)
Other expenditure	(7,202,915)	(165,800)	(7,368,715)
Net surplus for the year	78,506,670	2,060,883	80,567,553
Number of members at year-end	15,945	344	16,289
Average number of beneficiaries	26,549	590	27,139
Average age of beneficiaries	30.6	57.8	31.2
Pensioner ratio	1.7%	39.6%	2.4%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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17. INSURANCE RISK MANAGEMENT REPORT

Nature and extent of risks arising from insurance contracts

The Scheme issues contracts that transfer insurance risk. The primary insurance activity carried out by the Scheme indemnifies covered members and their dependants against the risk of loss arising as a result of the occurrence of a health event (i.e, an event relating to the health of the Scheme's beneficiary).

This section summarises these risks and the way they are managed.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Insurance events are, by nature, random, and the actual number and size of events during any one year may vary from those estimated using established techniques. As such, the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

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

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

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

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

Hospital and other major benefits

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

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17. INSURANCE RISK MANAGEMENT REPORT (continued)

Chronic Illness Benefit (CIB)

The chronic illness benefit covers approved medication and basket of care for certain listed Prescribed Minimum Benefit chronic conditions.

Day-to-day benefits

Day-to-day benefits cover the cost of out-of-hospital health care services, such as visits to general practitioners and dentists as well as prescribed non-chronic medication. On the Essential Plus Option the day-to-day benefits include those paid from the Medical Savings Account.

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

Hospital benefit risk

Frequency and severity of claims

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

Certain factors that impact hospital claims are shown below:

Key indicators	2025	2024	% Increase/ (decrease)
Admission rate	17.35%	16.94%	2.42%
Average length of stay (days)	3.98	4.03	-1.24%
Average cost per event	64,242	59,872	7.30%
Average cost per life per month	583.42	530.81	9.91%

Initiatives used by the Scheme to manage the risk associated with the hospital admission rate include:

1. The development of protocols for various procedures;
2. The "See Your Doctor First" initiative which requires members to see their doctor prior to an elective admission;
3. The amendment of the pre-authorisation length of stay benchmarks; and
4. Case management, to ensure appropriate levels of care.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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17. INSURANCE RISK MANAGEMENT REPORT (continued)

Chronic Illness Benefit (CIB) risk

Frequency and severity of claims

The main factors impacting the frequency and severity of chronic illness claims are the number of claimants and the cost per claimant. An increase in the number of claimants may result in an increase in the frequency and/or severity of claims. Higher number of claimants can be attributed to increased burdens of disease and resulting increased numbers of beneficiaries registering their chronic conditions. Increases in the number of items per claimant drives up the cost of chronic claims per claimant.

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

Condition	2025	2024	% Increase/ (decrease)
Cost per claimant	3,398	3,319	2.39%
Claimants per 1,000 lives	12.70	12.84	-1.09%
Amount paid per life per month	43.18	42.63	1.29%

Day-to-day benefit risk

Frequency and severity of claims

The day-to-day benefits paid from risk on the Essential option and the Above Threshold Benefit for the Essential Plus option result in most of the day-to-day risk to the Scheme. The frequency and severity of claims are driven by the number of claims, the levels of care and cost.

Concentration of insurance risk

The following table summarises the concentration of insurance risk, with reference to the average carrying amount per beneficiary of the insurance claims incurred for service years 2025 and 2024, by age group and in relation to the type of risk covered / benefits provided.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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17. INSURANCE RISK MANAGEMENT REPORT (continued)

Claims incurred for 2025 service year per beneficiary

Age grouping (in years)	In-hospital R	Chronic illness R	Day-to-day R	Total R
< 26	7,543	93	1,688	9,324
26 – 35	8,227	151	2,709	11,087
36 – 50	11,178	654	3,639	15,471
>50	29,454	2,088	832	32,375
Average per beneficiary	11,416	518	3,282	15,217

Claims incurred for 2024 service year per beneficiary

Age grouping (in years)	In-hospital R	Chronic illness R	Day-to-day R	Total R
< 26	5,882	84	1,607	7,573
26 – 35	8,903	169	2,416	11,488
36 – 50	9,737	644	3,414	13,795
>50	29,628	2,110	8,045	39,783
Average per beneficiary	10,539	512	3,103	14,153

The Scheme's Insurance Risk strategy seeks diversity to ensure a balanced portfolio, and is based on a large portfolio of similar risks over a number of years, assumed to reduce the variability of the outcomes on the different benefit options.

The strategy is set out in the annual business plan, which specifies the benefits to be provided and demographic profile of each benefit option.

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

Risk transfer arrangements/reinsurance contract

The Scheme has a reinsurance contract with Discovery Health (Pty) Ltd for the provision of Diabetes Management Services for both options. This arrangement is also known as a capitation arrangements, and fixes the cost to the Scheme of providing these benefits.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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17. INSURANCE RISK MANAGEMENT REPORT (continued)

Risk in terms of risk transfer arrangements

According to the terms of the capitation agreement, the supplier provides certain minimum benefits to qualifying beneficiaries of the Scheme, as and when required. The Scheme does however remain liable to its members if any supplier fails to meet the obligations it assumes.

Claims development

Claims development tables are not presented since the uncertainty regarding the amounts and timing of claim payments are typically resolved within one year, and the majority of cases within four months. At year end, an estimate is made for those claims outstanding that are not yet reported at that date.

Risk management objectives and policies for mitigating insurance risk

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

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

The following factors affect the frequency and severity of claims:

- Fee-for-service provider reimbursement combined with a third-party payer creates the incentive for over servicing of members. The Scheme uses alternative reimbursement arrangements to mitigate this risk.
- The demographic profile of the membership base i.e, older, sickly members require more frequent and more intense treatment than younger, healthier members. This risk is managed through the regular updating of internal risk management models. which assess the impact of any changes to the Scheme's demographic profile.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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17. INSURANCE RISK MANAGEMENT REPORT (continued)

The following factors affect the frequency and severity of claims (continued):

- Technological advances in healthcare generally increases the cost of treatment. This may be due to either the increased price of the new technology or increased utilisation of the treatment. This risk is mitigated through a rigorous health technology assessment process, which determines whether the technology is cost-effective and whether it should be funded.
- The price of covered services affects the severity of claims. This risk is mitigated by the Scheme's Rules, which specify the maximum rate at which each treatment is funded. The Scheme also manages this risk through annual tariff agreements with certain provider groups.

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 claims made under insurance contracts.

Changes in assumptions and sensitivities to changes in key variables

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

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

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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17. INSURANCE RISK MANAGEMENT REPORT (continued)

Liability for incurred claims (continued)

Impact on the liability and reported profits caused by changes in key variables:

	Change in variable	Change in liability	Change in liability
	%	2025	2024
		R	R
In-hospital claims incurred	1% increase in claims costs	3,184,368	2,853,116
Chronic illness claims incurred	1% increase in claims costs	139,336	132,846
Out-of-hospital risk claims incurred	1% increase in claims costs	896,833	803,666

	Change in variable	Change in liability	Change in liability
	%	2025	2024
		R	R
In-hospital claims incurred	1% decrease in claims costs	(3,184,368)	(2,853,116)
Chronic illness claims incurred	1% decrease in claims costs	(139,336)	(132,846)
Out-of-hospital risk claims incurred	1% decrease in claims costs	(896,833)	(803,666)

Sensitivity of the Scheme's surplus or deficit and reserves to changes in variables that have a material effect on them.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

18. FINANCIAL AND INSURANCE RISK MANAGEMENT REPORT

Overview

The Scheme is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular 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, liquidity risk and market risk.

The Board of Trustees has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Scheme manages these risks through various risk management processes. These processes have been developed to ensure that the long-term investment return on assets supporting the insurance liabilities are sufficient to fund members' available benefit, on the applicable benefit option.

The Audit Committee, established by the Board of Trustees, assist in the implementation and monitoring of these risk management processes.

Credit risk

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

The Scheme's principal financial assets and insurance contract assets are cash and cash equivalents, fair value through profit or loss investments, insurance contract assets and other receivables. The Scheme's credit risk is primarily attributable to its insurance contract assets and other receivables.

Insurance contract assets and other receivables

The main components of insurance contract receivables are in respect of:

- Receivables for contributions due from members; and
- Receivables for amounts recoverable from service providers and members in respect of claims debt.

The main components of other receivables are in respect of:

- Accrued interest; and
- Debt created as a result of forensic investigations.

The Scheme manages credit risk by:

- Actively pursuing all contributions not received after 3 days of becoming due, as required by S26(7) of the Medical Schemes Act, 131 of 1998, as amended;
- Monthly reconciliations between the administrator and the employer to determine possible suspension of defaulting members; and
- Ageing and pursuing unpaid debt on a monthly basis.
- Investing in credible institutions with high credit ratings.
- Sign acknowledgement of debt agreements for forensic debt.

The Scheme establishes a probability for the non recoverability of its insurance contract receivables when determining the estimated probability weighted cash flows of its insurance contracts.

**RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

18. FINANCIAL AND INSURANCE RISK MANAGEMENT REPORT (continued)

Cash and cash equivalents

The Scheme has no significant concentration of credit risk. Cash transactions are limited to high credit quality financial institutions. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution.

The Scheme limits its exposure to credit risk by investing only in a money market account and call or fixed deposits. Given these high credit ratings, the Trustees do not expect any counterparty to fail to meet its obligations. Annexure B of the Regulations to the Medical Schemes Act, 131 of 1998, as amended, prescribes the credit limits per institution, which reduces the individual risk per institution. The utilisation of these credit limits are regularly monitored.

There has been no changes to the credit risk of cash and cash equivalents and no provision was made through the impairment model for credit losses on cash and cash equivalents.

Investments

The Scheme has no significant concentration of credit risk. Cash transactions are limited to high credit quality financial institutions. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution.

The Scheme limits its exposure to credit risk by investing only in liquid securities AA (long term), as rated by Fitch Ratings. Given these high credit ratings, the Trustees do not expect any counterparty to fail to meet its obligations. Annexure B of the Regulations to the Medical Schemes Act 131 of 1998, as amended, prescribes the credit limits per institution, which reduces the individual risk per institution. The exposure to these credit limits is regularly monitored.

Exposure to credit risk

The carrying amount of financial assets and insurance contract assets represent the maximum credit exposure.

The Scheme did not consider there to be any significant concentration of credit risk that had not been provided for.

Probability for non recoverability

The ageing of insurance receivables at 31 December 2025:

	Gross	Probability for non recoverability	Total
Trustee and Committee members	-	-	-
Past due 0 - 30 days	799,342	-	799,342
Past due 31 - 60 days	100,887	-	100,887
Past due 61 - 180 days	410,468	410,468	-
181 days to more than one year	224,333	224,333	-
Total	1,535,030	634,801	900,230

**RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

18. FINANCIAL AND INSURANCE RISK MANAGEMENT REPORT (continued)

Exposure to credit risk (continued)

The ageing of insurance receivables at 31 December 2024:

	Gross	Probability for non recoverability	Total
Trustee and Committee members	-	-	-
Past due 0 - 30 days	641,935	-	641,935
Past due 31 - 60 days	144,491	-	144,491
Past due 61 - 180 days	203,344	203,344	-
181 days to more than one year	290,566	290,566	-
Total	1,280,336	493,910	786,426

Based on past experience, the Scheme believes that insurance contracts receivables that are past due and outstanding for less than 90 days, are fully recoverable.

Investments

The table below shows the credit limit and balance of cash held in the Scheme's current account at year end.

Counterparty	2025		2024	
	Credit limit	Balance	Credit limit	Balance
Rand Merchant Bank	296,217,507	49,137,858	246,857,477	3,306,284

No credit limit was exceeded during the reporting period, and the Trustees do not expect any losses from non-performance of these counterparties.

Credit quality of financial assets

The credit quality of financial assets can be assessed by historical information about counterparty default rates:

Cash and cash equivalents

Counterparties with external credit ratings (Moody's):

Rand Merchant Bank	Baa3	49,137,858	3,306,284
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

18. FINANCIAL AND INSURANCE RISK MANAGEMENT REPORT (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The availability of funding through liquid cash positions with various institutions ensures that the Scheme has the ability to fund day-to-day operations. The Scheme has complied with the requirements regarding the nature and categories of assets, as prescribed by Section 35 and Regulation 30 of the Medical Schemes Act 131 of 1998, as amended.

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

The table below provides a maturity analysis for financial and insurance contract liabilities with an indication of the matching funding levels:

As at 31 December 2025	Total	Less than 1 month	Between 1 and 3 months	More than 3 months
Liability for incurred claims	24,481,726	16,240,808	7,751,283	489,635
Medical Savings Accounts	7,680,167	1,271,684	3,688,319	2,720,164
Insurance payables	4,170,605	4,170,605		
Other payables	621,587	621,587	-	-
Total	36,954,085	22,304,684	11,439,602	3,209,799
Available funding	197,881,187	106,210,067	81,236,217	195,880,357
Excess	160,927,102	83,905,383	69,796,615	192,670,558

As at 31 December 2024	Total	Less than 1 month	Between 1 and 3 months	More than 3 months
Liability for incurred claims	15,589,045	10,714,544	4,562,720	311,781
Medical Savings Accounts	7,395,325	1,224,520	3,551,527	2,619,277
Insurance payables	2,266,828	2,266,828		
Other payables	1,480,281	1,480,281	-	-
Total	26,731,479	15,686,173	8,114,247	2,931,058
Available funding	154,336,597	101,702,841	56,973,651	169,569,392
Excess	127,605,118	86,016,668	48,859,404	166,638,334

Market risk

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

The assets and liabilities of the Scheme are subject to market risk in that their future cash flows will fluctuate in response to changes in market prices other than those caused by changes in interest or currency rates.

**RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

18. FINANCIAL AND INSURANCE RISK MANAGEMENT REPORT (continued)

Equity price risk

The Scheme is exposed to equity price risk as it has funds invested in South African equities through various asset managers. The Scheme's equity portfolios are long term investments, and the funds invested in these portfolios are not needed in the short or medium term. This mitigates the risk for short term fluctuations in the equity market. The Scheme appointed reputable asset managers with proven track records in terms of performance.

The Scheme's equity portfolios are disclosed as part of fair value through profit or loss investments, and the exposure at the end of the year was as follows:

	2025	2024
	R	R
Listed equities	<u>272,016,225</u>	<u>200,111,737</u>

Sensitivity analysis - equity price risk

The sensitivity analysis for equity price risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in the equity market at the reporting date.

A decrease of 5% in the JSE all share index would result in an income reduction for the period of R13,600,811 (2024: R10,005,587) in the portfolio. This full amount would be recognised in profit or loss, but will not affect the Scheme's reserve ratio.

Currency risk

The Scheme is exposed to currency risk because of investments held at fair value through profit or loss. The exposure is listed in the table below:

	2025	2024
	R	R
Foreign cash	5,554,064	4,702,931
Foreign bonds	64,563,916	75,367,279
Fair value through profit or loss	70,117,980	80,070,210

(The 2024 value was previously reported as R75,328,214 and is now updated as per the final 2024 annual statutory return.)

Price risk

The Scheme is exposed to equity security price risk because of investments held by the Scheme and classified as fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Scheme diversifies its portfolio. Diversification of the portfolio is done by the asset managers, in accordance with the mandate set by the Scheme.

Interest rate risk

The Scheme's interest bearing instruments increased during the year, but returns on these instruments have decreased due to the drop in interest rates.

RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

18. FINANCIAL AND INSURANCE RISK MANAGEMENT REPORT (continued)

Interest rate risk (continued)

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

	Up to 1 month R	More than 1 month R	Non-interest bearing R	Total R
As at 31 December 2025				
Fair value through profit or loss investments	-	-	797,197,877	797,197,877
Current accounts	49,137,858	-	-	49,137,858
Total	49,137,858	-	797,197,877	846,335,735

	Up to 1 month R	More than 1 month R	Non-interest bearing R	Total R
As at 31 December 2024				
Fair value through profit or loss investments	-	-	702,000,794	702,000,794
Current accounts	3,306,284	-	-	3,306,284
Total	3,306,284	-	702,000,794	705,307,078

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

	2025 %	2024 %
Cash and cash equivalents	6.99%	7.90%
Medical Savings Account funds	6.99%	7.90%

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) accumulated funds and surplus or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Surplus or Deficit		Accumulated funds	
	100bp Increase	100bp Decrease	100bp Increase	100bp Decrease
31 December 2025				
Cash and cash equivalents	491,379	(491,379)	491,379	(491,379)
Sensitivity (net)	491,379	(491,379)	491,379	(491,379)
31 December 2024				
Cash and cash equivalents	33,063	(33,063)	33,063	(33,063)
Sensitivity (net)	33,063	(33,063)	33,063	(33,063)

RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

18. FINANCIAL AND INSURANCE RISK MANAGEMENT REPORT (continued)

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.

Summary of market risk

The table below summarises the primary risks affecting the Scheme's financial assets at fair value through profit or loss exposure to market risk.

2025	Total	Currency risk	Price risk	Interest rate risk
Bills & bonds	196,481,243			✓
Listed property	9,539,545		✓	
Listed equities	272,016,225		✓	
Foreign cash	5,554,064	✓		
Foreign bonds	64,563,916	✓		
Cash	298,180,742			✓

2024	Total	Currency risk	Price risk	Interest rate risk
Bills & bonds	183,381,275			✓
Listed property	8,318,903		✓	
Listed equities	200,111,737		✓	
Foreign cash	4,702,931	✓		
Foreign bonds	75,367,279	✓		
Cash	233,424,953			✓

Capital management

The Scheme is subject to the capital requirement imposed by Regulation 29(2) to the Medical Schemes Act 131 of 1998, as amended, which requires a minimum solvency ratio of accumulated funds expressed as a percentage of gross contributions to be 25%.

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

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

	2025 R	2024 R
Total insurance contract liability to members for future benefits per statement of financial position	755,552,317	631,919,279
Less: cumulative unrealised net gain on remeasurement to fair value of investments	(251,644,685)	(167,634,815)
Accumulated funds per Regulation 29	503,907,631	464,284,464
Gross contribution income	536,991,480	477,735,561
Solvency margin		
Solvency ratio per Regulation 29	93.84%	97.18%

**RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

18. FINANCIAL AND INSURANCE RISK MANAGEMENT REPORT (continued)

Investment risk

Investment risk is the risk that the investment returns on accumulated assets will not be sufficient 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 objectives are to maximise the return on its investments on a long-term basis at minimal risk, subject to any constraints imposed by legislation or the Board of Trustees.

Breakdown of investments

The assets of the portfolio must be invested in accordance with Annexure B of the Regulations to the Medical Schemes Act 131 of 1998, as amended.

The investments for the purposes of the Annual Financial Statements comprise of fair value through profit or loss investments and cash and cash equivalents.

Cash and cash equivalents (note 3)

Cash and cash equivalents are made up of the following:

	As at 31 December 2025 R	As at 31 December 2024 R
Current accounts	49,137,858	3,306,284
Total	49,137,858	3,306,284

Fair value estimation

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

The medical savings accounts contain a demand feature. In terms of regulation 10 to the Medical Schemes Act 131 of 1998, as amended, any credit balance on a member's medical savings account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option, and enrolls in another benefit option or medical scheme without a medical savings account, or does not enroll in another medical scheme. Therefore, the carrying value of the Medical Savings Accounts are deemed to be equal to their fair values, which is the amount payable on demand. The amounts were not discounted, due to the demand features.

The fair value of publicly traded financial instruments is based on quoted market prices at the reporting date.

The face values, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes, is estimated by discounting the future contractual cash flows at the current market interest rate available to the Scheme, for similar financial instruments.

RETAIL MEDICAL SCHEME
(Registration no. 1176)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

18. FINANCIAL RISK MANAGEMENT REPORT (continued)

Fair value estimation (continued)

Set out below are the carrying amounts and fair values of all of the Scheme's financial instruments.

	Financial liabilities at fair value through profit or loss	Loans and receivables at amortised cost	Insurance receivables and payables	Total carrying amount
	R	R	R	R
For the year ended 31 December 2025				
Cash and cash equivalents	-	49,137,858	-	49,137,858
Trade and other receivables	-	137,788	-	137,788
Trade and other payables	-	(621,587)	-	(621,587)
Insurance contract liabilities	-	-	(90,299,619)	(90,299,619)
	-	48,654,059	(90,299,619)	(41,645,560)
For the year ended 31 December 2024				
Cash and cash equivalents	-	3,306,284	-	3,306,284
Trade and other receivables	-	107,047	-	107,047
Trade and other payables	-	(1,480,281)	-	(1,480,281)
Insurance contract liabilities	-	-	(72,014,565)	(72,014,565)
	-	1,933,050	(72,014,565)	(70,081,515)

Fair values of financial assets by hierarchy level

The table below categorises the investments, measured at fair value, into three hierarchy levels:

2025	Level 1	Level 2	Level 3	Total
	R	R	R	R
Fair value through profit or loss				
Bonds	-	261,045,159	-	261,045,159
Listed equities	272,016,225	-	-	272,016,225
Listed property	9,539,545	-	-	9,539,545
	281,555,770	261,045,159	-	542,600,929
2024				
Fair value through profit or loss				
Bonds	-	258,748,554	-	258,748,554
Listed equities	200,111,737	-	-	200,111,737
Listed property	8,318,903	-	-	8,318,903
	208,430,640	258,748,554	-	467,179,194

The fair value approximates the carrying amount, largely due to the short term maturity of these items. The Scheme does not have any transfers between levels of the fair value hierarchy.

RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

18. FINANCIAL RISK MANAGEMENT REPORT (continued)

Unconsolidated structured entities

The Scheme has concluded that open-ended investment funds into which it invests, but does not consolidate, meet the definition of structured entities.

The voting rights in the respective funds are not dominant rights in deciding who controls them because they relate to administrative rights only, each fund's activities are restricted by its prospectus/investment mandate, which are assess to have narrow well-defined objectives.

The table below note the exposure to unconsolidated structured entities.

2025	Investment	Portfolio Size	% of Portfolio
Fund	R	R	%
Allan Gray Domestic Equity Fund	71,267,166	5,127,134,245	1.39%
Allan Gray Domestic Stable Medical Scheme	193,860,739	3,461,798,911	5.60%
Ninty One Stable Money Fund	24,841,095	2,363,296,625	1.05%
Ninty One (Multi-Asset Credit Stable)	24,841,095	276,536,023	8.98%
ABAX Absolute Medical Fund	195,880,357	970,119,901	20.19%
Old Mutual Capped All Share Index Fund	81,236,217	8,606,550,504	0.94%
Nedgroup Core Income Fund	128,492,806	62,705,677,553	0.20%
Nedgroup Money Market Fund	20,250,522	21,364,876,190	0.09%

2024	Investment	Portfolio Size	% of Portfolio
Fund	R	R	%
Allan Gray Domestic Equity Fund	54,963,667	3,920,260,425	1.40%
Allan Gray Domestic Stable Medical Scheme	167,760,929	3,183,032,808	5.27%
Ninty One Stable Money Fund	26,561,607	1,966,068,783	1.35%
Ninty One (Multi-Asset Credit Stable)	26,561,607	278,991,955	9.52%
ABAX Absolute Medical Fund	169,569,392	845,379,250	20.06%
Old Mutual Capped All Share Index Fund	56,973,651	5,640,955,526	1.01%
Nedgroup Core Income Fund	112,841,226	45,136,490,212	0.25%
Nedgroup Money Market Fund	38,189,087	47,736,358,750	0.08%

Above investments are with high credit quality financial institutions.

19. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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19. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Critical accounting estimates and assumptions (continued)

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 sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, are detailed in the Insurance Risk Management note in the Financial Statements.

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 scenario 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 (in the Scheme's case, for the four months post year-end) that is not yet fully developed, to produce an estimated ultimate claims cost for each healthcare year. The chain ladder method is the most appropriate for this claims 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 liability for incurred claims:

- 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.

**RETAIL MEDICAL SCHEME
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

19. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Impairment of assets

The critical estimates and judgements relating to the impairment of assets are set out under note 1 in the accounting policies.

Valuation of financial instruments

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e, prices) or indirectly (i.e, derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

20. NON-COMPLIANCE MATTERS

20.1 Investment in medical scheme administrators and participating employers.

In terms of Section 35(8) of the Medical Schemes Act 131 of 1998, as amended, a scheme should not have any investments in an employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme.

At 31 December 2025 the Scheme had an indirect holding in Discovery Limited R1,589,867 (2024: R957,769), Momentum Metropolitan Holdings Limited R1,388,774 (2024: R1,107,051), Shoprite Holdings Limited R5,099,138 (2024: R2,632,569) and Sanlam Limited R4,151,291 (2024: R2,959,062).

Funds in the specific portfolios are structured at the sole discretion of the asset managers in a manner that maximises returns. Therefore the Scheme does not make inputs into the structuring of the portfolios.

The Scheme has received exemption from this section of the Act.

20.2 Claims not settled within 30 days

In terms of Section 59(2) and Regulation 6(2) of the Medical Schemes Act 131 of 1998, as amended, a medical scheme shall pay a member or supplier of services any benefit owing to that member or supplier within 30 days of receipt of the medical claim.

A limited number of exceptions were noted where claims were paid after the 30 day period. These were exceptions and limited to more complex claims. Management is committed to resolve these matters in a responsible manner and in the best interest of the member and the Scheme.

**RETAIL MEDICAL SCHEME
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REPORT OF THE BOARD OF TRUSTEES

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

Retail Medical Scheme is a not for profit restricted membership medical scheme, registered in terms of the Medical Schemes Act 131 of 1998, as amended.

1.2 Benefit options within the Retail Medical Scheme

The Scheme offered 2 benefit options to employees of the Shoprite Group and its subsidiaries. These are:

- The Essential Plus option
- The Essential option

1.3 Medical Savings Account

To provide a facility for Scheme members to set funds aside to meet day-to-day and other healthcare costs not covered by the 'risk' benefits in the benefit option, the trustees have made a medical savings account available on the Essential Plus option.

The balance remaining in the Medical Savings Account at the end of each calendar year is carried over to the following year for the benefit of the member. If a member is to withdraw with a Medical Savings Account balance owing to them, this will be transferred to the new medical scheme, or refunded to the member, if he is enrolled with another medical scheme that does not have a Medical Savings portion, or does not join another scheme.

The Medical Savings Account is reflected as a current liability in the Annual Financial Statements and is repayable in terms of Regulation 10 of the Act.

2. MANAGEMENT

2.1 Board of Trustees

Ms HB Khan	Employer Appointed (Chairperson)
Mr A Allie	Member Elected (Deceased: 1 July 2025)
Ms HM Groenewald	Member Elected (Appointed: 1 July 2025)
Ms ML Hendricks	Member Elected
Mr FJ Opperman	Employer Appointed (Resigned: 31 January 2026)
Mr PJ Rossouw	Member Elected
Mr ZA Sibiyi	Employer Appointed
Ms KC Soobramoney	Employer Appointed
Mr G Sorensen	Member Elected

2.2 Principal Officer

Ms AJ Jaftha (Resigned: 21 January 2026)

Mr FJ Opperman (Appointed as Principal Officer: 1 February 2026)

**RETAIL MEDICAL SCHEME
(Registration no. 1176)**

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025 (continued)

2.3 Registered Scheme Office address and Postal address

c/o William Dabbs Street and Old Paarl Road
Brackenfell
7560

PO Box 215
Brackenfell
7561

2.4 Medical Scheme Administrator during the year

Discovery Health (Pty) Ltd
1 Discovery Place
c/o Rivonia and Katherine Street
Sandton
2196

P O Box 2379
Rivonia
2128

2.5 Investment managers during the year

The Scheme utilised the services of five investment managers during the year.

Allan Gray Asset Management
Granger Bay Court
Beach Road
V & A Waterfront
8001

PO Box 51318
V & A Waterfront
Cape Town
8002

Ninety One Asset Management
36 Hans Strijdom Ave
Foreshore
Cape Town
8001

PO Box 1655
Foreshore
Cape Town
8000

ABAX Investments
The Oval
1 Oakdale Road
Newlands
7700

Private Bag X1005
Claremont
7735

Taquanta Asset Managers
Seventh Floor
Newlands Terraces
8 Boundary Road
Newlands Terraces
7700

PO Box 23540
Claremont
Cape Town
7735

Old Mutual Investment Group
Second Floor, Mutualpark
Jan Smuts Drive
Pinelands
7450

P.O Box 878
Cape Town
8000

**RETAIL MEDICAL SCHEME
(Registration no. 1176)**

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025 (continued)

2.6 Investment advisors during the year

The Scheme used the services of investment advisors WTW during 2025, and all excess funds were invested as follows:

- Allan Gray Life Domestic Stable Medical Scheme Portfolio.
- Allan Gray Life Domestic Equity Portfolio.
- ABAX Absolute Medical Portfolio.
- Ninety One Opportunity Fund
- Ninety One Stable Money Fund Portfolio.
- Old Mutual Capped All Share Index Fund.
- Taquanta - NedGroup Investments Money Market Fund.
- Taquanta - NedGroup Investments Core Income Fund.

2.7 Actuaries

NMG Consultants & Actuaries (Pty) Ltd	
78 On Edward	PO Box 3590
Edward Street	Tyger Valley
Bellville	7536
7530	

Mr R Leerkamp: Principal Actuary

2.8 Auditor

BDO South Africa Incorporated	
Wanderers Office Park	Private Bag X 60500
52 Corlett Drive	Houghton
Illovo, Johannesburg	2041
2196	

3. INVESTMENT AND FIXED ASSET POLICY OF THE MEDICAL SCHEME

There has been no change in the policy during the current accounting period.

**RETAIL MEDICAL SCHEME
(Registration no. 1176)**

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025 (continued)

4. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

4.1 Operational statistics

2025	Essential Option	Essential Plus Option	Total Scheme
Number of members at the end of the accounting period	16,897	316	17,213
Average number of members for the accounting period	16,465	328	16,793
Average number of beneficiaries for the accounting period	27,954	531	28,485
Average age of beneficiaries for the accounting period	31.06	58.53	31.54
Pensioner ratio (beneficiaries > 65 years)	1.67%	40.63%	2.36%
Average net contributions per member per month	R 2,534.51	R 7,644.90	R 2,634.33
Average net contributions per beneficiary per month	R 1,492.84	R 4,722.27	R 1,553.04
Relevant healthcare expenditure per member per month *	R 2,194.58	R 6,353.43	R 2,275.82
Relevant healthcare expenditure per beneficiary per month *	R 1,292.62	R 3,924.53	R 1,341.68
Directly attributable insurance service expenses as a percentage of net contributions	96.61%	86.44%	96.03%
Directly attributable insurance service expenses per beneficiary per month	R 1,442.18	R 4,081.82	R 1,491.39
Average administration costs per member per month	R 298.19	R 298.19	R 298.19
Average administration cost per beneficiary per month	R 175.64	R 184.19	R 175.80
Accumulated funds per member at 31 December	N/A	N/A	R 43,894
Dependants per member at 31 December	0.70	0.62	0.70
Relevant healthcare expenditure as a percentage of net contributions *	86.59%	83.11%	86.39%
Average administration expenses as a percentage of net contributions	9.30%	4.05%	11.32%

* Relevant healthcare expenditure includes all claims incurred, managed care fees and the net expense on the risk transfer arrangement.

**RETAIL MEDICAL SCHEME
(Registration no. 1176)**

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025 (continued)

4.1 Operational statistics (continued)

2024	Essential Option	Essential Plus Option	Total Scheme
Number of members at the end of the accounting period	15,945	344	16,289
Average number of members for the accounting period	15,513	362	15,875
Average number of beneficiaries for the accounting period	26,549	590	27,139
Average age of beneficiaries for the accounting period	30.64	57.77	31.19
Pensioner ratio (beneficiaries > 65 years)	1.65%	39.57%	2.40%
Average net contributions per member per month	R 2,366.69	R 7,099.98	R 2,474.62
Average net contributions per beneficiary per month	R 1,382.89	R 4,356.26	R 1,447.53
Relevant healthcare expenditure per member per month *	R 2,011.51	R 6,656.86	R 2,117.44
Relevant healthcare expenditure per beneficiary per month *	R 1,175.36	R 4,084.38	R 1,238.60
Directly attributable insurance service expenses as a percentage of net contributions	95.67%	97.44%	95.79%
Directly attributable insurance service expenses per beneficiary per month	R 1,323.03	R 4,244.81	R 1,386.55
Average administration costs per member per month	R 284.45	R 293.21	R 284.65
Average administration cost per beneficiary per month	R 146.12	R 172.24	R 166.13
Accumulated funds per member at 31 December	N/A	N/A	R 38,794
Dependants per member at 31 December	0.71	0.63	0.71
Relevant healthcare expenditure as a percentage of net contributions *	84.99%	93.76%	85.57%
Average administration expenses as a percentage of net contributions	10.57%	3.95%	11.48%

* Relevant healthcare expenditure includes all claims incurred, managed care fees and the net expense on the risk transfer arrangement.

4.2 Results of operations

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

**RETAIL MEDICAL SCHEME
(Registration no. 1176)**

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025 (continued)

4.3 Solvency

	2025	2024
	R	R
The solvency ratio is calculated on the following basis:		
Insurance contract liabilities to members for future benefits	755,552,317	631,919,279
Less: Unrealised gain on fair value through profit or loss investment **	(251,644,685)	(167,634,815)
Accumulated funds per Regulation 29	503,907,631	464,284,464
Gross annual contribution income	536,991,480	477,735,561
Accumulated funds ratio per Regulation 29	93.84%	97.18%
** Cumulative net gains on re-measurement to fair value are calculated as follows:		
Net cumulative gains opening balance at the beginning of the year	167,634,815	128,725,524
Unrealised gains on re-measurement of financial instruments to fair value included in accumulated funds	84,009,870	38,909,291
Cumulative net gain on re-measurement to fair value of investments included in accumulated funds	251,644,685	167,634,815

4.4 Reserve accounts

With the implementation of IFRS 17, there are no reserve accounts as accumulated funds are disclosed as part of insurance contract liabilities to members for future benefits in the Statement of Financial Position. Previously the movements in the reserves were disclosed in the Statement of Changes in Funds and Reserves. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

4.5 Liability for incurred claims

The basis of calculation of the liability for incurred claims is set out in note 17 of the Annual Financial Statements. There have been no unusual movements which the Trustees believe should be brought to the attention of the members of the Scheme.

**RETAIL MEDICAL SCHEME
(Registration no. 1176)**

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025 (continued)

4.6 Non-compliance issues

Investment in medical scheme administrators and participating employers.

In terms of Section 35(8) of the Medical Schemes Act 131 of 1998, as amended, a scheme should not have any investments in an employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme.

At 31 December 2025 the Scheme had an indirect holding in Discovery Limited R1,589,867 (2024: R957,769), Momentum Metropolitan Holdings Limited R1,388,774 (2024: R1,107,051), Shoprite Holdings Limited R5,099,138 (2024: R2,632,569) and Sanlam Limited R4,151,291 (2024: R2,959,062). Funds in the specific portfolios are structured at the sole discretion of the asset managers in a manner that maximises returns. Therefore the Scheme does not make inputs into the structuring of the portfolios.

The Scheme has received exemption from this section of the Act.

Claims not settled within 30 days

In terms of Section 59(2) and Regulation 6(2) of the Medical Schemes Act 131 of 1998, as amended, a medical scheme shall pay a member or supplier of services any benefit owing to that member or supplier within 30 days of receipt of the medical claim.

A limited number of exceptions were noted where claims were paid after the 30 day period. These were exceptions and limited to more complex claims. Management is committed to resolve these matters in a responsible manner and in the best interest of the member and the Scheme.

5. ACTUARIAL SERVICES

The Scheme's actuary has been consulted in the determination of contribution and benefit levels.

6. SUBSEQUENT EVENTS

There have been no events that have occurred subsequent to the end of the accounting period that affect the Annual Financial Statements and that the Trustees consider should be brought to the attention of the members of the Scheme.

**RETAIL MEDICAL SCHEME
(Registration no. 1176)**

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025 (continued)

7. AUDIT COMMITTEE

An Audit Committee was established in accordance with provisions of the Medical Schemes Act 131 of 1998, as amended. 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 or its third party administrator. The Committee met on 2 occasions during the course of the year as follows:

3 April 2025, and
5 November 2025

The Scheme's auditors attend Audit Committee meetings and has unrestricted access to the Chairperson of the Committee. The Committee receives and considers reports from the internal auditors of the Administrator.

In accordance with the provisions of the Medical Schemes Act 131 of 1998, as amended, the primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems and financial reporting practices. The external auditors formally report to the Committee on critical findings arising from audit activities.

8. TRUSTEE MEETING ATTENDANCE AND REMUNERATION

The Trustees are not remunerated by the Scheme.

The following schedule sets out meeting attendances by members of the Board of Trustees and Audit Committee.

Trustee and Committee members	Board Meetings	Audit Committee Meetings
<i>Number of meetings for the year</i>	4	2
HM Groenewald	2	
Ms ML Hendricks #	4	-
Ms HB Khan	4	-
Mr FJ Opperman *	4	2
Mr J Rossouw	4	-
Mr ZA Sibiyá	4	-
Ms KC Soobramoney *	3	2
Mr G Sorensen	4	-
Mr PC Immelman *^	1	2
Mr E Marais *^	-	2
Ms A Adams*^	-	2
Ms AJ Jaftha (Principal Officer)	4	2

* Trustee Members of the Audit Committee

*^ Independent Members of the Audit Committee

Appointments/resignations during the year