THEBEMED MEDICAL AID SCHEME
(Registration Number 1592)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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REGISTRATION NUMBER 1592
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FOR THE YEAR ENDED 31 DECEMBER 2024

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

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

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

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

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

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

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

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

The scheme's external auditor is responsible for auditing the annual financial statements in terms of International Standards on Auditing and their report is presented on pages 4 to 8.

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

T. MOKOENA	**DR. G. GOOLAB**	**DR. V. MPONGOSHE**
CHAIRPERSON	**TRUSTEE**	**PRINCIPAL OFFICER**

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

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

BOARD OF TRUSTEES

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Administrator of the scheme maintains internal controls and the system is designed to provide reasonable assurance as to the integrity and reliability of the 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.

Internal control audits are performed on a regular basis.

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

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

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

T. MOKOENA **CHAIRPERSON**	**DR. G. GOOLAB** **TRUSTEE**	**DR. V. MPONGOSHE** **PRINCIPAL OFFICER**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Thebemed Medical Aid Scheme

Opinion

We have audited the financial statements of Thebemed Medical Aid Scheme, set out on pages *9* to 62*,* which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in members' funds 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 Thebemed Medical Aid as at 31 December 2024, and its financial performance and cash flows for the year then ended, in accordance with IFRS Accounting Standards and the requirements of the Medical Schemes Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Thebemed Medical Aid 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td><u>Outstanding claims Provision IBNR</u></td><td></td></tr>
<tr><td>
The carrying amount of the Outstanding Claims Provision (“IBNR”) as of 31 December 2024 was R23 939 738.
The determination of the outstanding claims provision (IBNR) requires the Scheme’s Actuaries to make assumptions in the valuation thereof, which is determined with reference to an estimation of the amount to be paid by the Scheme after the end of the reporting period in respect of the claims incurred during the reporting period.
The outstanding claims provision (IBNR) is calculated by the Actuaries after considering the results of both the Basic Chain Ladder BCL model and Bornhuetter-Ferguson method B. The Basic chain ladder technique is is the official valuation method used by the Scheme and the Bornhuetter-Ferguson will serve as a reasonability check.
These valuation methos take into consideration the:
a) Previous experience in claims patterns.
b) Claims settlement patterns and
c) Trends in claims frequency.
The above-mentioned factors require significant judgement and assumptions to be made by the Scheme’s Actuaries and therefore accordingly, for the purposes of our audit, we identified the valuation of the IBNR as a key audit matter.
</td><td>
For the audit of the IBNR estimation and disclosure we performed the following audit procedures:

We obtained an understanding from the Scheme’s actuaries regarding the process followed in calculating the outstanding claims provision.
The actuarial methods applied by the Scheme are generally applied within the medical scheme industry and these were assessed as reasonable.
We assessed the assumptions used by management expert/Actuary by:

Testing the current year’s IBNR by comparing the balance to actual claims settled subsequent to year-end up to February 2025
Testing the integrity of the information used in the calculation of the IBNR by performing substantive procedures, on a sample basis, on the completeness and accuracy of the claims data used in calculating the IBNR.

Evaluating the independence, objectivity, competence of management experts and placing reliance on their work; and
Assessing the presentation and disclosure in respect of the IBNR and considering whether the disclosures are in line with the IFRS Accounting standards requirements in accounting for the IBNR.

</td></tr>
</table>

	No significant exception was noted during the audit

Other information

The Scheme's trustees are responsible for the other information. The other information comprises the information included in the document titled Report of the Board of Trustees, Statement of responsibility by the Board of Trustees and the Statement of Corporate Governance by the Board of Trustees. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Scheme's Trustees for the Financial Statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Report on Other Legal and Regulatory Matters

Non-compliance with the Medical Schemes Act of South Africa

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

1. *Regulation 35(8)(a) of the Act*

   In terms of the Medical Schemes Act and specifically Regulation 35(8) (a), a medical scheme shall not invest in a participating employer. During the year the Scheme had pooled investments with exposure to the participating employer. The Scheme last obtained an exemption in terms of Section 8(h) from Section 35(8) of the Act from the Council of Medical Schemes on 3 October 2022 for a period of three (3) years. The exemption had been granted with the proviso that the Scheme does not make any direct investments in these entities.

2. *Contravention of Section 26(7) of the Act*

   In terms of section 26(7) of the Medical Schemes Act, contributions must be paid over to the Scheme within 3 days after becoming due. A few members did not adhere to the prescriptions of the Act.

3. *Contravention of Section 59(2) of the Act*

   In terms of section 59(2) of the Medical Schemes Act, accounts must be paid to the member or supplier of the services, any benefit owing to that members or supplier of services within 30 days after the day on which the claim in respect to the benefits was received by the scheme. Instances were noted where settlements took more than 30 days.

Audit Tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, *Audit Tenure*, we report that RSM South Africa Inc. has been the auditor of Thebemed Medical Scheme for 1 year.

The engagement partner, James Gondo, has been responsible for Thebemed Medical Scheme's audit for 1 year.

Signed by:

RSM South Africa Inc.

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RSM South Africa Inc.

James Gondo
Chartered Accountant (SA)
Registered Auditor
Director

Date 25 April 2025

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Notes	2024 R	2023 R
ASSETS			
Non-current assets		189 162 813	96 698 879
Plant and equipment	5	42 180	13 479
Financial assets at fair value through profit or loss	6	189 120 633	96 685 400
Current assets		67 682 483	130 918 588
Financial assets at amortised cost	7	19 308 130	37 958 333
Cash and cash equivalents	8	47 698 396	92 292 454
Reinsurance contract assets	10	675 957	667 801
Total assets		256 845 296	227 617 467
LIABILITIES			
Non-current liabilities			
Insurance contract liabilities	11.2	178 152 785	136 526 454
Current liabilities		78 692 511	91 091 013
Trade and other payables	9	130 688	247 019
Insurance contract liabilities	11.1	78 561 823	90 843 994
Total liabilities		256 845 296	227 617 467

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 R	2023 R
Insurance revenue	12, 13	400 056 892	376 449 922
Insurance service expenses	13	(408 231 482)	(381 451 806)
Net expense from reinsurance contracts held	17	(2 493 980)	(528 147)
Reinsurance expenses from reinsurance contracts held	17	(23 171 859)	(20 815 041)
Reinsurance income from reinsurance contracts held	17	20 677 879	20 286 894
Insurance service result (net healthcare result)		(10 668 570)	(5 530 031)
Investment income from financial assets	18	18 641 042	14 663 258
Net fair value gains on fair value investments		4 628 476	386 931
Net investment income		23 269 518	15 050 189
Net result after investment income		**12 600 948**	**9 520 158**
Sundry income		2 100 974	1 898 374
Other operating expenses	19	(14 098 206)	(10 973 222)
Investment consulting		(603 716)	(445 310)
Total comprehensive income for the year		-	-
Amounts attributable to future members	11.2	41 626 331	20 057 151

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 R	2023 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from members		401 114 554	402 706 029
Cash paid to providers and members		(394 050 471)	(382 208 672)
Cash paid to providers and members - claims		(308 198 309)	(305 665 544)
Cash paid to providers - accredited administration fees		(21 886 439)	(20 793 386)
Cash paid to providers - managed care fees		(9 825 898)	(9 531 767)
Cash payments to brokers for insurance acquisition costs		(12 764 395)	(12 071 910)
Cash payments to reinsurers		(23 171 859)	(20 815 041)
Cash payments to wellness programmes		(280 222)	(1 434 049)
Cash paid to providers and employees - other expenditure		(13 464 132)	(11 364 733)
Cash paid to members - savings plan refunds		(4 459 217)	(532 242)
Net cash inflow from operations		7 064 083	20 497 357
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	**18**	9 178 896	8 040 512
Proceeds from investments - Non-current	**6**	19 539 714	5 000 000
Payments on purchase of investments - Non-current	**6**	(98 882 513)	(20 000 000)
Proceeds from investments - current	**7**	37 000 000	21 000 000
Payments on purchase of investments - current	**7**	(18 500 000)	(37 000 000)
Purchase of plant and equipment	**5**	(46 098)	-
Net cash used in investing activities		(51 710 001)	(22 959 488)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(44 645 918)	(2 462 131)
Cash and cash equivalents at the beginning of the year		92 061 863	94 523 994
Total cash and cash equivalents at the end of the year		47 415 945	92 061 863
Comprising of:			
Cash and cash equivalents	**8**	47 415 945	52 773 604
Savings trust assets - call accounts	**8**	-	39 288 259
		47 415 945	92 061 863

General information

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

1. Basis of preparation

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

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

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

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

The preparation of the financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the scheme's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 26. Refer to notes 2 and 3 for the significant judgements and estimates applicable to the scheme. Management does not have the power to amend the audited financial statements once issued.

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

- IAS 1 Presentation of Financial Statements
  - *Classification of Liabilities as Current or Non-current*: Under existing IAS 1 requirements, entities classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

    There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

    The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

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

1. Basis of preparation – continued

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

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

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

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

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

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

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

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

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

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

  - Clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features; and

  - Clarifying the date on which a financial asset or financial liability is derecognised when a liability is settled through electronic payment systems. These amendments also introduce an accounting policy option to allow an entity to derecognise a financial liability before it delivers cash on the settlement date if specified criteria are met.

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

1. Basis of preparation – continued

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

- IFRS 18 Presentation and Disclosure in Financial Statements

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

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

  - Improved comparability in the statement of profit or loss (income statement) through the introduction of three defined categories for income and expenses - operating, investing and financing - to improve the structure of the income statement, and a requirement for all entities to provide new defined subtotals, including operating profit.

  - Enhanced transparency of management-defined performance measures with a requirement for entities to disclose explanations of those entity-specific measures that are related to the income statement.

  - More useful grouping of information in the financial statements through enhanced guidance on how to organise information and whether to provide it in the primary financial statements or in the notes, as well as a requirement for entities to provide more transparency about operating expenses.

  - This Standard replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged.

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

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

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

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

2. Significant judgements

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

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

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

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

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

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

2. Significant judgements - continued

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

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

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

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

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

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

2.1.2 *Unit of account*

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

The above is demonstrated by the following:

- Hospital claims are managed on a scheme level;
- Chronic conditions are managed on a scheme level, i.e. no matter the option the member will have access to the chronic condition management benefit;
- Risk transfer arrangements are based on conditions and not on benefit options;
- Pricing and benefit option changes are determined at a scheme level to manage member migration between different benefit options to ensure each option is sustainable; and
- Risk (utilisation and concentration) is managed holistically.

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

2. Significant judgements - continued

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

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

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

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

2.1.4 *Risk adjustment - risk transfer arrangements*

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

3. Significant estimates

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

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

For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to note 26.

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

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

3. Significant estimates - continued

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

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

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

3.1.2 *Methods used to measure the insurance contracts*

The scheme estimates insurance liabilities in relation to claims incurred for healthcare contracts.

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

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

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

The following was taken into account when estimating the LIC:

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

4. Principal accounting policies

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

4.1 Insurance contracts

4.1.1 *Definition*

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

4. PRINCIPAL ACCOUNTING POLICIES – continued

4.1 Insurance contracts - continued

4.1.2 *Unit of account*

The scheme has assessed its portfolio to be at a scheme level as a whole.

Please refer to note 2 for the assessment.

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

The scheme operates the Fantasy Plan with a personal medical savings account (PMSA) element. Under IFRS 4, the investment component and insurance component are unbundled and disclosed separately, whilst IFRS 17 indicates certain considerations to be taken into account with regards to the disclosure of PMSA.

IFRS 17 requires that the investment component and insurance components are not highly correlated. In this respect, the one component cannot be measured with considering the other. Under the Fantasy Plan, once the risk component of benefits are exhausted, the PMSA component will become available. The two benefits are therefore highly interrelated.

Another indicator of the interrelationship between the two components is that the member cannot benefit from the one component unless the other component is also present. When a member joins an option with a PMSA component, they have to join both the risk component and PMSA component. If a member terminates their membership, they terminate both components.

As both the investment component and insurance component are highly interrelated, they cannot be separated and IFRS 17 has been applied to the entire contract, including the PMSA.

The PMSA is therefore a non-distinct investment component with the balances included in insurance contract liabilities in the statement of financial position. The scheme has elected to include the PMSA in the LIC.

4.1.3 *Contract boundary*

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

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

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

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

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

4. PRINCIPAL ACCOUNTING POLICIES – continued

4.1 Insurance contracts - continued

4.1.4 *Recognition and derecognition*

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

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

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

In addtion to the contracts with coverage of less than one year, the PAA can be used for measurements of groups of contracts where the entity reasonably expects that such a simplification would produce a measurement of the LRC that would not differ materially from the LRC that would be produced by applying the GMM or VFA.

An insurance contract is derecognised when it is:

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

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

4.1.5 *Initial and subsequent measurement*

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

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

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

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

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

The insurance contract liabilities consist of two components:

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

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

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

4. PRINCIPAL ACCOUNTING POLICIES – continued

4.1 Insurance contracts - continued

4.1.5 *Initial and subsequent measurement - continued*

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

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

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

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

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

4.1.6 *Insurance revenue*

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

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

4.1.7 *Expenses*

Insurance service expenses include:

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

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

The scheme includes the following 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 and comprises, amongst others, broker service fees.

4. PRINCIPAL ACCOUNTING POLICIES – continued

4.1 Insurance contracts - continued

4.1.8 *Insurance interest income and expenses*

The non-distinct investment component (PMSA) does not accrue interest.

4.2 Reinsurance contracts

4.2.1 *Definition*

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

4.2.2 *Unit of account*

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

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

4.2.3 *Recognition and derecognition*

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

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

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

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

4.2.4 *Initial and subsequent measurement*

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

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

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

4. PRINCIPAL ACCOUNTING POLICIES – continued

4.2 Reinsurance contracts - continued

4.2.4 *Initial and subsequent measurement - continued*

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

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

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

4.2.5 *Contract boundary*

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

The scheme's capitation agreements held have a duration of one year, but are cancellable with the notice period agreed to between the parties.

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

Reinsurance income consists of:

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

Reinsurance expenses consists of:

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

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

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

4. PRINCIPAL ACCOUNTING POLICIES – continued

4.3 Plant and equipment

Plant and equipment consists of a motor vehicle and electronic equipment. It is reflected at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Item	Depreciation method	Useful life
Motor vehicles	Straight-line	5 years
Electronic equipment	Straight-line	3 years

4.4 Financial assets

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

Recognition and initial measurement

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

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

Financial assets with maturity dates of more than 3 months up to 12 months at inception are classified as current investments, whereas financial assets with maturity dates of more than 12 months at inception are classified as non-current investments.

Classification and subsequent measurement

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:
- it is held within a business model whose objective it is to hold assets to collect contractual cash flows; and
- its contractual terms give rise to cash flows that are solely payments of principal and interest on principle amounts outstanding on specified dates.

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

4. PRINCIPAL ACCOUNTING POLICIES – continued

4.4 Financial assets - continued

Subsequent measurement and gains and losses

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

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

b. *Financial assets at amortised cost*

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

Derecognition

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

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

Impairment

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

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

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

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

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

Equity instruments

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

4. PRINCIPAL ACCOUNTING POLICIES – continued

4.4 Financial assets - continued

Equity instruments - continued

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

Offsetting financial instruments

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

4.5 Cash and cash equivalents

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

4.6 Trade and other receivables

Trade receivables are amounts due from financial institutions for accrued interest on investments and sundry debtors, such as expenses paid in advance. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

4.7 Provisions

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

4.8 Trade and other payables

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

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

4. PRINCIPAL ACCOUNTING POLICIES – continued

4.9 Investment income from financial assets

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

4.10 Impairment losses

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

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

Calculation of recoverable amount

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

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

Reversals of impairment

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

4.11 Reimbursement from the Road Accident Fund (RAF)

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

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

4. PRINCIPAL ACCOUNTING POLICIES – continued

4.12 Personal medical savings account (PMSA) monies managed by the scheme on behalf of its members

The personal medical savings account, which is managed by the scheme on behalf of its members, represents savings contributions (which are a deposit component of the insurance contracts), net of any savings claims paid on behalf of members in terms of the scheme's registered rules.

Refer to note 4.1.2 for the treatment of PMSA under IFRS 17.

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

Advances on savings contributions are funded from the scheme's funds, and the risk of impairment is carried by the scheme.

4.13 Income tax

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

4.14 Insurance contract liabilities to future members

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

5. PLANT AND EQUIPMENT

2024	Motor vehicles R	Electronic equipment R	Total R
Cost			
At 1 January 2024	517 000	20 219	537 219
Additions	-	46 098	46 098
At 31 December 2024	517 000	66 317	583 317
Accumulated depreciation			
At 1 January 2024	(517 000)	(6 740)	(523 740)
Depreciation	-	(17 397)	(17 397)
At 31 December 2024	(517 000)	(24 137)	(541 137)
Carrying amount			
Cost	517 000	66 317	583 317
Accumulated depreciation	(517 000)	(24 137)	(541 137)
At 31 December 2024	-	42 180	42 180

2023	Motor vehicles R	Electronic equipment R	Total R
Cost			
At 1 January 2023	517 000	20 219	537 219
Additions	-	-	-
At 31 December 2023	517 000	20 219	537 219
Accumulated depreciation			
At 1 January 2023	(488 105)	-	(488 105)
Depreciation	(28 895)	(6 740)	(35 635)
At 31 December 2023	(517 000)	(6 740)	(523 740)
Carrying amount			
Cost	517 000	20 219	537 219
Accumulated depreciation	(517 000)	(6 740)	(523 740)
At 31 December 2023	-	13 479	13 479

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2024 R	2023 R
Argon BCI Flexible Income Fund	43 302 177	33 744 528
Ashburton Core Plus Income Fund	69 916 571	-
Coronation Balanced Fund	21 872 676	-
M & G Life Inflation Plus 5% Medical Aid Fund	22 774 779	15 482 128
Sanlam SIM Top Choice Equity Fund	-	19 245 373
Stanlib Income Fund	31 254 430	28 213 371
	189 120 633	96 685 400

Financial assets at fair value through profit and loss (FVTPL)		
As at 1 January	96 685 400	75 769 986
Fair value adjustments on investments at FVTPL	4 628 476	386 931
Interest capitalised to investments at FVTPL (refer note 18)	8 461 531	5 623 306
Dividends capitalised to investments at FVTPL (refer note 18)	192 485	-
Purchase of investments	98 882 513	20 000 000
Realised gains on disposal of investments	25 296	(10 895)
Disposal of investments	(19 539 714)	(5 000 000)
Investment manager fees	(215 354)	(83 928)
As at 31 December	189 120 633	96 685 400

Investments at FVTPL include the following:		
Listed equity investments	25 372 196	30 020 398
Bonds and debentures	108 531 356	54 712 358
Deposits with banks	55 217 081	11 952 644
	189 120 633	96 685 400

Investments at FVTPL consist of the investments in the Argon BCI Flexible Income Fund, Ashburton Core Plus Income Fund, Coronation Balanced Fund, M & G Life Inflation Plus 5% Medical Aid Fund and Stanlib Income Fund, of which the underlying assets comprise bonds and debentures, and equity instruments. These do not have a specified maturity date.

The Ashburton Core Plus Income Fund comprise of savings funds which were previously included in cash and cash equivalents and short term investments.

Fair value hierarchy of investments

Investments are stated at quoted market prices. All investments are on level 1 of the hierarchy.

7. FINANCIAL ASSETS AT AMORTISED COST

Short term deposits	18 500 000	17 000 000
Short term deposits - Personal Medical Savings Accounts	-	20 000 000
Accrued interest	808 130	958 333
	19 308 130	37 958 333

The weighted average effective return on current investments was 8.64% (2023: 8.86%). These investments are measured at amortised cost using the effective interest rate.

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

8. CASH AND CASH EQUIVALENTS

	2024 R	2023 R
Call accounts - Scheme	34 742 943	21 027 855
Current accounts	12 669 314	31 740 332
Call accounts - Personal Medical Savings Accounts	-	35 288 259
Short term deposits - Personal Medical Savings Accounts	-	4 000 000
Petty cash	3 688	5 417
Accrued interest	282 451	230 591
	47 698 396	92 292 454
Cash and cash equivalents excluding accrued interest	47 415 945	92 061 863

As at 31 December 2024 the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term nature of these assets. The weighted average effective interest rate on scheme call accounts was 7.96% (2023: 8.42%). The carrying value has been determined at amortised cost using the effective interest rate method.

9. TRADE AND OTHER PAYABLES

	2024	2023
Financial liabilities		
Accrued expenses and other payables	130 688	247 019

Contribution amounts owing to members, contributions received in advance, remittances initiated but not yet paid, accredited administration and managed care fees payable, accrued broker commission and wellbeing programme expenses payable have been disclosed under insurance contract liabilities in terms of IFRS 17.

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

10. REINSURANCE CONTRACT ASSETS

		2024	
	Remaining Coverage Component R	Incurred claims for contracts under the PAA R	Total R
Opening reinsurance contract assets	-	667 801	667 801
Opening reinsurance contract liabilities	-	-	-
Net expense of reinsurance contracts held			
Reinsurance expense	(23 171 859)	-	(23 171 859)
Claims recovered	-	20 677 879	20 677 879
Net expense of reinsurance contracts held	(23 171 859)	20 677 879	(2 493 980)
Cash flows			
Premiums paid	23 171 859	-	23 171 859
Recoveries from reinsurance	-	(20 677 879)	(20 677 879)
Changes in fulfilment cash flows relating to past service	-	(667 801)	(667 801)
Fulfilment cash flows relating to current service	-	675 957	675 957
Total cash flows	23 171 859	(20 669 723)	2 502 136
Closing reinsurance contract assets	-	675 957	675 957
Closing reinsurance contract liabilities	-	-	-
Net balance as at 31 December	-	675 957	675 957

10. REINSURANCE CONTRACT ASSETS - continued

	2023		
	Remaining Coverage Component R	**Incurred claims for contracts under the PAA R**	**Total R**
Opening reinsurance contract assets	-	605 084	605 084
Opening reinsurance contract liabilities	-	-	-
Net expense of reinsurance contracts held			
Reinsurance expense	(20 815 041)	-	(20 815 041)
Claims recovered	-	20 286 894	20 286 894
Net expense of reinsurance contracts held	(20 815 041)	20 286 894	(528 147)
Cash flows			
Premiums paid	20 815 041	-	20 815 041
Recoveries from reinsurance	-	(20 286 894)	(20 286 894)
Changes in fulfilment cash flows relating to past service	-	(605 084)	(605 084)
Fulfilment cash flows relating to current service	-	667 801	667 801
Total cash flows	20 815 041	(20 224 177)	590 864
Closing reinsurance contract assets	-	667 801	667 801
Closing reinsurance contract liabilities	-	-	-
Net balance as at 31 December	-	667 801	667 801

	2024 R	**2023 R**
The risk adjustment factors on the reinsurance contracts are as follows:		
IBNR provision (included in claims recovered)	675 957	667 801
Risk adjustment %	3.09%	3.09%
Risk adjustment value	20 887	20 635

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

11. INSURANCE CONTRACT LIABILITY

	2024 R	2023 R
Insurance contract liabilities is made up of the following two components:		

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

	2024 R	2023 R
Insurance contract liabilities - Current liability attributable to current members	78 561 823	90 843 994
Insurance contract liabilities - Non-current liability attributable to future members	178 152 785	136 526 454
	256 714 608	227 370 448

11.1 LIABILITY ATTRIBUTABLE TO CURRENT MEMBERS

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

	2024			
	Liability for Remaining Coverage R	Liability for Incurred Claims R	Risk adjustment factor R	Total R
Insurance contract liabilities as at 1 January	88 235	90 082 121	673 638	90 843 994
Insurance revenue				
New contracts and contracts measured under the PAA	(400 056 892)	-	-	(400 056 892)
Total insurance revenue	(400 056 892)	-	-	(400 056 892)
Insurance service expenses				
Incurred claims and other directly attributable expenses	-	329 360 865	739 888	330 100 753
Changes that relate to past service - adjustment to the LIC	-	1 852 625	(673 638)	1 178 987
Insurance acquisition cash flows expense	-	12 794 907	-	12 794 907
Total insurance service expenses	-	344 008 397	66 250	344 074 647
Insurance service result	(400 056 892)	344 008 397	66 250	(55 982 245)
Finance expenses from insurance contracts issued	-	-	-	-
Total amounts recognised in comprehensive income	(400 056 892)	344 008 397	66 250	(55 982 245)
Investment components (savings contributions) - refer note 13	(21 940 888)	21 940 888	-	-
Other changes: Premium debtors to LIC	21 626 135	(21 626 135)	-	-
Cash flows				
Premiums received	401 114 554	-	-	401 114 554
Insurance acquisition cash flows paid		(12 764 395)	-	(12 764 395)
Incurred claims paid and other directly attributable expenses paid (excluding insurance acquisition cash flows) - refer note 11.3		(344 650 085)	-	(344 650 085)
Total cash flows	401 114 554	(357 414 480)	-	43 700 074
Insurance contract liabilities as at 31 December	831 144	76 990 791	739 888	78 561 823

Comprising of:

Trade and other receivables	
Net contribution receivables	(22 127 843)
Accounts receivable: Providers/Members	(283 656)
Trade and other payables	
Insurance liabilities	
Contributions received in advance	831 144
Contribution amounts owing to members	953 521
Accrued broker commission	1 058 285
Reported claims not yet paid	
Remittances initiated but not yet paid	5 485 617
Outstanding claims provision	
Not covered by reinsurance contracts	23 939 738
Covered by reinsurance contracts	675 957
Personal Medical Savings Account Monies managed by the scheme on behalf of its members	67 289 172
Risk adjustment factor for non-financial risk	739 888
	78 561 823

11.1 LIABILITY ATTRIBUTABLE TO CURRENT MEMBERS - continued

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

	2023			
	Liability for Remaining Coverage	**Liability for Incurred Claims**	**Risk adjustment factor**	**Total**
	R	**R**	**R**	**R**
Insurance contract liabilities as at 1 January	528 080	74 236 666	680 832	75 445 578
Insurance revenue				
New contracts and contracts measured under the PAA	(376 449 922)	-	-	(376 449 922)
Total insurance revenue	(376 449 922)	-	-	(376 449 922)
Insurance service expenses				
Incurred claims and other directly attributable expenses	-	327 203 619	673 638	327 877 257
Changes that relate to past service - adjustment to the LIC	-	(198 178)	(680 832)	(879 010)
Insurance acquisition cash flows expense	-	12 172 960	-	12 172 960
Total insurance service expenses	-	339 178 401	(7 194)	339 171 207
Insurance service result	(376 449 922)	339 178 401	(7 194)	(37 278 715)
Finance expenses from insurance contracts issued	-	-	-	-
Total amounts recognised in comprehensive income	(376 449 922)	339 178 401	(7 194)	(37 278 715)
Investment components (savings contributions) - refer note 13	(25 245 413)	25 245 413	-	-
Other changes: Premium debtors to LIC	(1 450 539)	1 450 539	-	-
Cash flows				
Premiums received	402 706 029	-	-	402 706 029
Insurance acquisition cash flows paid	-	(12 071 910)	-	(12 071 910)
Incurred claims paid and other directly attributable expenses paid (excluding insurance acquisition cash flows) - refer note 11.3	-	(337 956 988)	-	(337 956 988)
Total cash flows	402 706 029	(350 028 898)	-	52 677 131
Insurance contract liabilities as at 31 December	88 235	90 082 121	673 638	90 843 994

Comprising of:

Trade and other receivables	
Net contribution receivables	(1 960 997)
Accounts receivable: Providers/Members	(272 347)
Sundry debtors	(1 310)
Trade and other payables	
Insurance liabilities	
Contributions received in advance	88 235
Contribution amounts owing to members	2 908 035
Wellbeing programme expenses payable	36 469
Accrued broker commission	1 027 772
Reported claims not yet paid	
Remittances initiated but not yet paid	5 267 405
Outstanding claims provision	
Not covered by reinsurance contracts	21 807 450
Covered by reinsurance contracts	667 801
Personal Medical Savings Account Monies managed by the scheme on behalf of its members	60 601 843
Risk adjustment factor for non-financial risk	673 638
	90 843 994

11.2 INSURANCE CONTRACT LIABILITIES - LIABILITY ATTRIBUTABLE TO FUTURE MEMBERS

Reconciliation of the insurance liability attributable to future members:

	2024	**2023**
	R	**R**
Opening balance	136 526 454	116 469 303
Movement in insurance liability attributable to future members	41 626 331	20 057 151
Closing balance	178 152 785	136 526 454

11.3 CASH FLOWS - INCURRED CLAIMS AND OTHER DIRECTLY ATTRIBUTABLE EXPENSES (EXCLUDING INSURANCE ACQUISITION CASH FLOWS)

	Notes	2024 R	2023 R
Cash paid to providers and members - claims		(308 198 309)	(305 665 544)
Cash paid to providers - accredited administration fees		(21 886 439)	(20 793 386)
Cash paid to providers - managed care fees		(9 825 898)	(9 531 767)
Cash payments to wellness programmes		(280 222)	(1 434 049)
Cash paid to members - savings plan refunds		(4 459 217)	(532 242)
Total cash flows - incurred claims and other directly attributable expenses (excluding insurance acquisition cash flows)		(344 650 085)	(337 956 988)

12. INSURANCE REVENUE

	Notes	2024 R	2023 R
Gross contributions per registered rules		422 020 708	401 839 961
Less: Savings contributions received	21	(21 940 888)	(25 245 413)
Net impairment losses: Trade and other receivables	20	(22 928)	(144 626)
Insurance revenue per statement of comprehensive income	13	400 056 892	376 449 922

The savings contributions are received by the scheme in terms of Regulation 10(1) and the scheme's registered Rules. Refer to note 21 to the financial statements for more detail on how these monies were utilised.

13. INSURANCE REVENUE AND SERVICE EXPENSES

	Notes	2024 R	2023 R
Insurance revenue			
Insurance revenue from contracts measured under the PAA	12	400 056 892	376 449 922
Total insurance revenue		400 056 892	376 449 922
Insurance service expenses			
Incurred claims and other directly attributable expenses	14	(351 957 619)	(349 419 873)
Changes that relate to past service - adjustments to the LIC	15	(1 852 625)	198 178
Amounts attributable to future members		(41 626 331)	(20 057 151)
Insurance acquisition cash flows expensed	16	(12 794 907)	(12 172 960)
Total insurance service expenses		(408 231 482)	(381 451 806)
Net income/(expenses) from reinsurance contracts held			
Reinsurance expenses - contracts measured under the PAA	17	(23 171 859)	(20 815 041)
Total expenses from reinsurance contracts held		(23 171 859)	(20 815 041)
Claims recovered	17	20 677 879	20 286 894
Total income from reinsurance contracts held		20 677 879	20 286 894
Total insurance service result		(10 668 570)	(5 530 031)

14. INCURRED CLAIMS AND OTHER DIRECTLY ATTRIBUTABLE EXPENSES

	Notes	2024 R	2023 R
Incurred claims (scheme risk)		(274 641 705)	(275 379 030)
Current year claims per registered rules		(285 436 046)	(287 204 186)
Claims paid/charged to savings accounts	21	10 794 341	11 539 540
Third party claim recoveries		-	285 616
Incurred claims (reinsurance contracts)		(20 677 879)	(20 286 894)
Managed care: management services		(9 825 898)	(9 531 767)
Case management		(4 614 121)	(4 515 288)
Pharmacy benefit management		(3 170 438)	(3 019 128)
Active Disease Risk Management		(1 411 546)	(1 381 147)
Disease Risk Management Support		(629 793)	(616 204)
Accredited administration services		(21 886 439)	(20 793 386)
Member record management		(1 396 026)	(1 326 074)
Contribution management		(1 586 506)	(1 507 221)
Claims management		(4 833 698)	(4 592 442)
Information management and data control		(5 583 331)	(5 304 445)
Financial management		(2 893 169)	(2 746 600)
Broker remuneration management		(233 194)	(223 672)
Customer services		(5 360 515)	(5 092 932)
Wellbeing program expenses		(243 753)	(960 739)
Outstanding claims provision at year end - not covered by reinsurance contracts)		(23 939 738)	(21 807 450)
Outstanding claims provision at year end - covered by reinsurance contracts)		(675 957)	(667 801)
Reversal of risk adjustment factor (opening balance)		673 638	680 832
Recognition of risk adjustment factor (closing balance)		(739 888)	(673 638)
Adjustments to the risk adjustment factor		(66 250)	7 194
Incurred claims and other incurred insurance service expenses	13	(351 957 619)	(349 419 873)

15. CHANGES THAT RELATE TO PAST SERVICE - ADJUSTMENTS TO THE LIC

	Notes	2024 R	2023 R
Outstanding claims provision			
Balance at beginning of year		21 807 450	20 633 263
Payments in respect of prior year		(23 660 075)	(20 435 085)
(Under)/Overprovision in prior year	13	(1 852 625)	198 178

16. INSURANCE ACQUISITION CASH FLOWS EXPENSED

	Notes	2024 R	2023 R
Brokers' commission	13	(12 794 907)	(12 172 960)

17. NET EXPENSE FROM REINSURANCE CONTRACTS HELD

	Notes	2024 R	2023 R
The scheme entered into the following reinsurance contracts during the respective years.			
NETCARE 911 REINSURANCE CONTRACT			
Reinsurance expenses from reinsurance contracts held		(4 543 017)	(4 437 914)
Reinsurance income from reinsurance contracts held		3 289 971	3 660 115
Net expense		(1 253 046)	(777 799)
PREFERRED PROVIDER NEGOTIATORS REINSURANCE CONTRACT			
Reinsurance expenses from reinsurance contracts held		(8 267 347)	(6 946 633)
Reinsurance income from reinsurance contracts held		7 773 464	7 659 473
Net (expense)/income		(493 883)	712 840
DENTAL INFORMATION SYSTEMS RISK TRANSFER ARRANGEMENT			
Reinsurance expenses from reinsurance contracts held		(10 361 495)	(9 430 494)
Reinsurance income from reinsurance contracts held		9 614 444	8 967 306
Net expense		(747 051)	(463 188)
SUMMARY			
Reinsurance expenses from reinsurance contracts held	13	(23 171 859)	(20 815 041)
Reinsurance income from reinsurance contracts held	13	20 677 879	20 286 894
Net expense		(2 493 980)	(528 147)

Netcare 911 provides members on the Energy, Universal and Fantasy Options with Emergency Medical Assistance. Claims incurred and recoveries received were calculated based on utilisation figures obtained from Netcare 911.

Preferred Provider Negotiators provides members on the Energy, Universal and Fantasy Options with optometry services. Claims incurred and recoveries received were calculated based on utilisation figures obtained from Preferred Provider Negotiators.

Dental Information Systems provides members on the Energy, Universal and Fantasy Options with dental care services. Claims incurred and recoveries received were calculated based on utilisation figures obtained from Dental Information Systems.

18. INVESTMENT INCOME FROM FINANCIAL ASSETS

	Notes	2024 R	2023 R
Interest on cash and cash equivalents		9 178 896	8 040 512
Accrued interest on cash and cash equivalents		808 130	999 440
Interest capitalised to financial assets at FVTPL	6	8 461 531	5 623 306
Dividends capitalised to financial assets at FVTPL	6	192 485	-
		18 641 042	14 663 258

19. OTHER OPERATING EXPENSES

	Notes	2024 R	2023 R
Actuarial fees		(401 332)	(401 332)
Association fees		(213 197)	(194 496)
Audit committee fees and expenses		(374 133)	(295 732)
Audit fee		(353 355)	(339 106)
Bank charges		(66 667)	(68 170)
Consulting fees		(751 686)	(485 126)
Depreciation		(17 397)	(35 635)
Fidelity guarantee and professional indemnity insurance		(16 200)	(16 000)
Insurance fees		(61 683)	(68 439)
Marketing expenses		(6 695 606)	(5 310 365)
Other expenses		(262 706)	(166 295)
Postage and courier costs		(120 234)	(223 446)
Principal officer's fees and expenses		(1 008 367)	(782 634)
Printing and stationery		(147 875)	(257 444)
Registrar's levies		(625 194)	(540 660)
Subscriptions		(70 062)	(96 904)
Telephone expenses		(184 707)	(239 819)
Total trustees' remuneration and consideration expenses	24	(2 494 982)	(1 228 573)
Other administration services		(232 823)	(223 046)
Secretarial		(232 823)	(223 046)
		(14 098 206)	(10 973 222)

20. NET IMPAIRMENT LOSSES: TRADE AND OTHER HEALTHCARE RECEIVABLES

	Notes	2024 R	2023 R
Contributions that are not collectable		(22 928)	(144 626)
Movement in provision		(22 928)	(144 626)
Amounts written off during the year		-	-
	12	(22 928)	(144 626)

21. PERSONAL MEDICAL SAVINGS ACCOUNT MONIES MANAGED BY THE SCHEME ON BEHALF OF ITS MEMBERS

	Notes	2024 R	2023 R
Balance on personal medical savings account liability at beginning of year		60 601 843	47 428 212
Add:			
Savings contributions received	12	21 940 888	25 245 413
Less:			
Savings claims paid on behalf of members	14	(10 794 341)	(11 539 540)
Refunds on death or resignation in terms of Regulation 10		(4 459 218)	(532 242)
Balance at the year end		67 289 172	60 601 843

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

No interest accrues on personal medical savings accounts. This is consistent with prior years.

21. PERSONAL MEDICAL SAVINGS ACCOUNT MONIES MANAGED BY THE SCHEME ON BEHALF OF ITS MEMBERS - continued

As at year end the carrying amount of the members' personal medical savings accounts were deemed to be equal to its fair value which is of a short term nature.

The personal medical savings accounts were invested on behalf of members in the following assets at 31 December:

	2024 R	2023 R
Call accounts	-	35 288 259
Short term deposits	-	24 000 000
Ashburton Core Plus Income Fund	69 916 571	-
	69 916 571	59 288 259

The carrying amount of the investment approximates its fair value due to the short term maturities of these assets. The effective interest rate on bank deposits was 8.62% in 2023.

The difference between the savings plan liability and savings assets is due to timing differences in savings contributions and savings claims paid, as well as market movements on the underlying savings asset (Ashburton Core Plus Income Fund).

22. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

	Change in variable	Impact on insurance contract liability to future members 2024 R	Impact on insurance contract liability to future members 2023 R
General practioner claims	1% increase in claims	553 401	542 930
Specialist claims	1% increase in claims	803 359	806 292
Medicine claims	1% increase in claims	349 152	326 095
Hospital claims	1% increase in claims	1 049 566	1 103 894
Allied and support health claims	1% increase in claims	98 882	92 830

23. RELATED PARTY TRANSACTIONS

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the scheme. Key management personnel include the Board of Trustees, Principal Officer and members of the audit committee. The amounts include close family members of the Board of Trustees and the Principal Officer. (Refer to Note 24 for Trustee expenses)

Relationships

Administrator	Momentum Thebe Ya Bophelo (Pty) Ltd
Other related parties	Momentum Health (Pty) Ltd

23. RELATED PARTY TRANSACTIONS - continued

Key management personnel and their close family members

Principal Officer	Adv. G. Tlali - term of office ended 30 June 2024
	Dr. V. Mpongoshe - appointed 1 July 2024
Board of Trustees	Dr. G. Goolab - resigned as chairperson on 5 November 2024
	W. Modisapodi
	T.E. Mokoena - appointed as chairperson on 6 November 2024
	G.P. Mokoena
	B. Seitlhobogeng
	T.E. Mokhele
Audit, Investment and Risk Committee	M. Tonjeni (chairperson)
	S. Maharaj
	T. Mochatsi

	2024 R	2023 R
Transactions with parties that have significant influence over the scheme		
Administration fees paid		
Momentum Thebe Ya Bophelo (Pty) Ltd	22 119 262	21 016 432
Wellbeing program expenses		
Momentum Health (Pty) Ltd	243 753	960 739
Managed care fees		
Momentum Thebe Ya Bophelo (Pty) Ltd	9 825 898	9 531 767
Distribution fee		
Momentum Thebe Ya Bophelo (Pty) Ltd	3 055 633	2 987 845
Key management personnel		
Principal Officer fees and expenses	1 008 367	782 634
Trustee fees and expenses	2 494 982	1 228 573
Audit committee fees and expenses	374 133	295 732
Contributions received	210 744	14 432
Claims incurred	58 786	683
Outstanding balances at 31 December		
Key management personnel		
Contributions owing	10 850	-
Accumulated Savings	25 471	19 681

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

Administration fees paid
The administration agreement is in terms of the rules of the scheme and in accordance with instructions given by the scheme. The agreement is automatically renewed each year unless notification of termination is received.

Wellbeing program expenses
Wellness is provided to the members in accordance with the instructions given by the scheme. All transactions were at an arm’s length basis.

Managed care fees
The managed care agreement is in accordance with the instructions given by the scheme. The agreement is automatically renewed each year unless notification of termination is received. All transactions were at an arm's length basis.

Distribution fee
The distribution fee agreement is in accordance with the instructions given by the scheme. The agreement is automatically renewed each year unless notification of termination is received. All transactions were at an arm's length basis.

Contributions received
Contributions received are as per the rates and benefits table.

Claims incurred
Claims are medical expenses paid on behalf of trustees as per the rules of the scheme.

24. TRUSTEES' EXPENSES

2024

	Meeting fees	Travel, accommodation and meals	Training	Conferences	Total
Dr. G. Goolab	415 630	6 638	-	-	422 268
W. Modisapodi	415 630	6 866	-	-	422 496
T.E. Mokoena	345 459	43 413	-	16 990	405 862
G.P. Mokoena	328 928	47 867	-	16 990	393 785
B. Seitlhobogeng	345 459	53 128	-	16 990	415 577
T.E. Mokhele	339 499	53 883	24 622	16 990	434 994
	2 190 605	211 795	24 622	67 960	2 494 982

2023

	Meeting fees	Travel, accommodation and meals	Conferences	Total
Dr. G. Goolab	325 437	17 367	-	342 804
W. Modisapodi	325 437	11 113	12 100	348 650
W. Mosetlhe	217 455	42 955	11 350	271 760
R. Bangani	196 455	57 554	11 350	265 359
	1 064 784	128 989	34 800	1 228 573

25. MEDICAL INSURANCE RISK MANAGEMENT

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

Risk management objectives and policies for mitigating insurance risk

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

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

Certain risks are mitigated by entering into reinsurance contracts. In this regard the scheme specifically decided to transfer all risks relating to emergency and ambulance services, optometry, and dental services to an external service provider.

The scheme uses several methods to assess and monitor insurance risk exposure both for individual types of risk insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability around the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The scheme has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories of risks to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

25. MEDICAL INSURANCE RISK MANAGEMENT - continued

Risk management objectives and policies for mitigating insurance risk - continued

General practitioner benefits cover the cost of all visits by members to general practitioners and of the procedures performed by them.

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

Dentistry benefits cover the cost of all visits by members to dental practitioners and the procedures performed by them, up to a prescribed annual limit per member.

Optometry benefits cover the cost of all visits by members to optometrists, the cost of prescribed glasses and contact lenses and the cost of procedures performed by optometrists, up to a prescribed annual limit per member.

Medicine benefits cover the cost of all medicines prescribed to members.

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

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

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

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

Expense risk

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

Changes from the previous period

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

Methods used and assumptions made

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

THEBEMED MEDICAL AID SCHEME
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NOTES TO THE FINANCIAL STATEMENTS - continued
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25. MEDICAL INSURANCE RISK MANAGEMENT - continued

Impact of legislation and regulation

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

Managed care initiatives such as disease management programmes are implemented to reduce risk.

Sensitivity to Insurance Risk

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

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

As at 31 December 2024

Age grouping (in years)	General Practitioners	Specialists	Medicines	Hospital	Allied and support health	Total
<29	14 457 183	12 483 263	6 002 010	24 221 560	2 125 350	59 289 367
30 - 39	13 675 886	16 793 343	6 530 994	22 171 490	2 537 985	61 709 699
40 - 54	22 322 096	35 607 356	17 530 611	38 083 854	3 728 829	117 272 746
55 - 69	4 691 740	13 019 386	4 571 219	17 141 407	1 248 599	40 672 350
>70	193 165	2 432 591	280 406	3 338 288	247 434	6 491 883
Total	**55 340 070**	**80 335 940**	**34 915 240**	**104 956 599**	**9 888 197**	**285 436 046**

As at 31 December 2023

Age grouping (in years)	General Practitioners	Specialists	Medicines	Hospital	Allied and support health	Total
<29	14 080 269	15 795 281	5 860 784	29 036 484	2 411 858	67 184 677
30 - 39	14 356 605	17 095 937	6 507 664	23 870 175	2 190 108	64 020 489
40 - 54	20 943 672	32 519 375	15 751 949	37 552 085	3 423 632	110 190 712
55 - 69	4 742 627	14 037 864	4 321 480	18 374 601	1 187 159	42 663 730
>70	169 840	1 180 724	167 661	1 556 060	70 293	3 144 578
Total	**54 293 013**	**80 629 180**	**32 609 537**	**110 389 406**	**9 283 050**	**287 204 186**

25. MEDICAL INSURANCE RISK MANAGEMENT - continued

Reinsurance contracts (risk transfer arrangements)

The scheme entered into capitation agreements with Netcare 911, Preferred Provider Negotiators and Dental Information Systems. The capitation agreements are in substance, the same as a non-proportional commercial reinsurance contract.

Risk in terms of reinsurance contracts

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

Underwriting risk

Underwriting risk is the risk that the actual exposure of the scheme in respect of outstanding claims will exceed prudent estimates of such outstanding claims. Actuaries have been consulted in setting these estimates at year-end, including the estimate for those claims outstanding at year-end which had not yet been reported.

Claims development

Claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within one year. In the majority of cases, claims are resolved within four months from the time they are reported to the scheme. At year-end, a provision is made for the liability for incurred claims.

Sensitivity analysis to insurance risk variables

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

25. MEDICAL INSURANCE RISK MANAGEMENT - continued

Sensitivity analysis to insurance risk variables - continued

The following table presents information on how possible changes in the risk confidence level made by the scheme will impact the risk adjustment.

As at 31 December 2024	LIC	Impact on LIC	Impact on profit/loss
Insurance contract liabilities	78 561 823		
Unpaid claims and expenses - 5% increase			
Insurance contract liabilities		3 928 091	3 928 091
Expenses - 5% increase			
Insurance service expense			(20 411 574)

Risk adjustment with a 75% confidence level - as reported	739 888
Risk adjustment with a 80% confidence level	924 298

As at 31 December 2023	LIC	Impact on LIC	Impact on profit/loss
Insurance contract liabilities	90 843 994		
Unpaid claims and expenses - 5% increase			
Insurance contract liabilities		4 542 200	4 542 200
Expenses - 5% increase			
Insurance service expense			(19 072 590)

Risk adjustment with a 75% confidence level - as reported	673 638
Risk adjustment with a 80% confidence level	839 265

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

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

26. FINANCIAL RISK MANAGEMENT

26.1 General

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

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

26.2 Market Risk

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

Diversification and concentration

The asset class diversifications and concentrations are shown below. The sensitivity of the market risks show the illustrated impact of the profit/loss of the various asset classes, excluding accrued interest.

	December 2024		December 2023	
Asset class	**R**	**%**	**R**	**%**
Cash	121 133 026	47.50	141 014 507	62.47
Bonds	108 531 356	42.56	54 712 358	24.23
Equity	25 372 196	9.94	30 020 398	13.30
Total	**255 036 578**	**100.00**	**225 747 263**	**100.00**

Asset manager allocation

Allocation as at December 2024

Manager	**Mandate**	**Investment vehicle**	**Rand**	**%**
Old Mutual Wealth Treasury	Liquidity/Cash	Segregated	65 915 944	25.85
STANLIB Asset Management	Income Fund	Pooled	31 254 431	12.25
Coronation	Medical Audit Fund	Pooled	21 872 676	8.58
Prudential Portfolio Managers	Life Inflation Plus 5% Medical Aid Fund	Policy of Insurance	22 774 779	8.93
Argon	Flexible Income	Pooled	43 301 177	16.98
Ashburton	Flexible Income	Pooled	69 916 571	27.41
			255 035 578	**100.00**

Allocation as at December 2023

Manager	**Mandate**	**Investment vehicle**	**Rand**	**%**
Old Mutual Wealth Treasury	Liquidity/Cash	Segregated	129 061 863	57.17
STANLIB Asset Management	Income Fund	Pooled	28 213 371	12.50
Sanlam Investment Management	Top Choice Equity Fund	Policy of Insurance	19 245 373	8.52
Prudential Portfolio Managers	Life Inflation Plus 5% Medical Aid Fund	Policy of Insurance	15 482 128	6.86
Argon	Flexible Income	Pooled	33 744 528	14.95
			225 747 263	**100.00**

26. FINANCIAL RISK MANAGEMENT - continued

26.2 Market Risk - continued

Counter party analysis

Asset Class	Top 5 Holdings as at December 2024	Ratings (Moody's at December 2024)	% of portfolio
Cash	FirstRand Bank Limited	Aaa.za	14.90
	Nedbank Limited	Aaa.za	12.78
	ABSA Bank Limited	Aaa.za	10.02
	Investec Bank Limited	Aaa.za	5.22
	The Standard Bank of South Africa	Aaa.za	3.49
Bonds	RSA Bond		16.77
	The Standard Bank of South Africa		5.15
	FirstRand Bank Limited		3.64
	ABSA Bank Limited		2.93
	Nedbank Limited		2.75
Property	Redefine Properties Limited		0.44
	Amber House Fund 2 (RF) Limited		0.29
	Fortress REIT Limited		0.19
	Amber House Fund 4 (RF) Limited		0.10
	Growthpoint Properties Limited		0.10
Equity	Prosus NV		0.60
	FirstRand Limited		0.45
	Standard Bank Group Limited		0.39
	Naspers Limited		0.31
	British American Tobacco		0.27

Asset Class	Top 5 Holdings as at December 2023	Ratings (Moody's at December 2023)	% of portfolio
Cash	FirstRand Bank Limited	Aa1.za	28.47
	Nedbank Limited	Aa1.za	15.85
	ABSA Bank Limited	Aa1.za	14.82
	The Standard Bank of South Africa	Aa1.za	2.03
	Investec Bank Limited	Aa1.za	0.70
Bonds	RSA Bond		8.51
	FirstRand Bank Limited		2.00
	The Standard Bank of South Africa		1.42
	ABSA Bank Limited		1.34
	Standard Bank Group Limited		1.12

26. FINANCIAL RISK MANAGEMENT - continued

26.2 Market Risk - continued

Diversification and concentration - continued

Counter party analysis - continued

Asset Class	Top 5 Holdings as at December 2023	Ratings (Moody's at December 2023)	% of portfolio
Property	Growthpoint Properties Limited		0.35
	Amber House Fund 2 (RF) Limited		0.33
	Redefine Properties Limited		0.30
	Resilient Property Income Fund		0.17
	Fortress REIT Limited		0.12
Equity	Naspers Limited		1.08
	ABSA Group Limited		0.74
	FirstRand Limited		0.69
	British American Tobacco		0.63
	Anglogold Ashanti Limited		0.59

Sensitivity analysis: Cash

Basis:
The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of interest (see table below). i.e. +1% suggests the closing market value could have been R 122 249 356 if the interest had been higher by 1% during 2024 as compared to the actual interest rate. A one percent increase in the interest at the reporting date would have increased cash by R 1 116 331 (2023 an increase of R 1 305 354). An equal change in the opposite direction would have decreased cash by R 1 116 331 (2023 a decrease of R 1 305 354).

% Change	Return of Index	Adjusted closing value R	Difference R
2%	10.51%	123 365 687	2 232 661
1%	9.51%	122 249 356	1 116 331
0%	8.51%	121 133 026	-
-1%	7.51%	120 016 695	(1 116 331)
-2%	6.51%	118 900 365	(2 232 661)

Sensitivity analysis: Bonds

Basis:
The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of investment performance (see table below). i.e. +1% suggests the closing market value could have been R 109 457 550 if the investment performance had been higher by 1% during 2024 as compared to the market investment performance. A one percent increase in the investment return at the reporting date would have increased bonds by R 926 194 (2023 an increase of R 498 749). An equal change in the opposite direction would have decreased bonds by R 926 194 (2023 a decrease of R 498 749).

% Change	Return of Index	Adjusted closing value R	Difference R
2%	19.18%	110 383 743	1 852 387
1%	18.18%	109 457 550	926 194
0%	17.18%	108 531 356	-
-1%	16.18%	107 605 162	(926 194)
-2%	15.18%	106 678 969	(1 852 387)

26. FINANCIAL RISK MANAGEMENT - continued

26.2 Market Risk - continued

Diversification and concentration - continued

Sensitivity analysis: Equity

Basis:

The sensitivity analysis determines different levels of the closing market value as compared to the actual closing market value based on different levels of investment performance (see table below). i.e. +2% suggests the closing market value could have been R 25 819 520 if the investment performance had been higher by 2% during 2024 as compared to the market investment performance.

All equity investments are listed on the JSE. A two percent increase in the investment return at the reporting date would have increased equity by R 447 324 (2023: an increase of R 549 555); an equal change in the opposite direction would have decreased equity by R 447 324 (2023: a decrease of R 549 555).

The change will have an impact on the fair value adjustment reserve and/or the surplus/deficit depending on the investment type.

% Change	Return of Index	Adjusted closing value	Difference
		R	R
4%	17.44%	26 266 844	894 647
2%	15.44%	25 819 520	447 324
0%	13.44%	25 372 196	-
-2%	11.44%	24 924 873	(447 324)
-4%	9.44%	24 477 549	(894 647)

Notes:

1. The 0% line reflects the actual closing value of the respective asset classes. The adjusted closing values are a reflection of the sensitivity of the return around the index. For the less volatile indices; i.e. Cash and bonds, a sensitivity of 1% and 2% is used and for the more volatile indices, i.e. equity, a sensitivity of 2% and 4% is used.

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

Unconsolidated structured entities

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

26. FINANCIAL RISK MANAGEMENT - continued

26.2 Market Risk - continued

Unconsolidated structured entities - continued

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

Fund	Number of investee funds	Net asset value of investee fund (range and weighted average) Rand	Fair value of scheme's assets of investment (Rand)	% of net assets attributable to holders of redeemable shares*
Argon BCI Flexible Income Fund	1	393 795 767	43 302 177	11.00%
Ashburton Core Plus Income Fund	1	8,720,000,000	69 916 571	0.80%
Coronation Balanced Fund	1	1,940,000,000	21 872 676	1.13%
M & G Life Inflation Plus 5% Medical Aid Fund	1	1,235,601,523	22 774 779	1.84%
Stanlib Income Fund	1	60,000,500,000	31 254 430	0.05%

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

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

Interest rate risk

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

	Up to 1 month R	1 - 3 months R	3 - 12 months and more R	Total R
As at 31 December 2024				
Cash and cash equivalents	47 415 945	-	-	47 415 945
Investments	-	-	137 704 062	137 704 062
Savings trust assets	-	-	69 916 571	69 916 571
Personal medical savings account monies managed by the scheme on behalf of its members	(8 108 564)	(417 249)	(58 763 359)	(67 289 172)
Total	**39 307 381**	**(417 249)**	**148 857 274**	**187 747 406**

	Up to 1 month R	1 - 3 months R	3 - 12 months and more R	Total R
As at 31 December 2023				
Cash and cash equivalents	52 773 604	-	-	52 773 604
Investments	-	-	113 685 400	113 685 400
Savings trust assets	35 288 259	4 000 000	20 000 000	59 288 259
Personal medical savings account monies managed by the scheme on behalf of its members	(10 587 060)	(646 067)	(49 368 716)	(60 601 843)
Total	**77 474 803**	**3 353 933**	**84 316 684**	**165 145 420**

26. FINANCIAL RISK MANAGEMENT - continued

26.3 Credit Risk

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

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

The capitation agreements with Netcare 911, Preferred Provider Negotiators and Dental Information Systems are used to manage insurance risk. This does not, however, discharge the scheme's liability as the primary insurer. If the reinsurers fail to pay a claim for any reason, the scheme remains liable for the payment of incurred claims, to the members.

Investments

Cash investments 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. Financial assets at FVTPL are invested based on clearly defined terms in order to limit credit exposure to those investments.

Cash and cash equivalents

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

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

The scheme manages credit risk by:

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

26. FINANCIAL RISK MANAGEMENT - continued

26.3 Credit Risk - continued

Exposure to credit risk

Trade and other receivables

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

	Carrying amount 2024 R	Carrying amount 2023 R
Cash and cash equivalents	47 698 396	92 292 454
Financial assets at amortised cost	19 308 130	37 958 333
Financial assets at fair value through profit or loss	189 120 633	96 685 400
	256 127 159	226 936 187

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

The maximum credit exposure to member and service provider claim receivables (included in other receivables) was:

Member claim receivables	583	500
Service provider claim receivables	283 073	271 847
	283 656	272 347

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

Description

	Gross 2024 R	Allowance for impairment 2024 R	Gross 2023 R	Allowance for impairment 2023 R
Contribution debtors				
Not past due	21 900 159	-	1 672 202	-
Past due 4 - 30 days	19 330	-	31 013	-
Past due 31 - 60 days	-	-	57 571	-
Past due 61 - 90 days	-	-	60 808	-
91 days to more than one year	-	-	88 839	-
Total	21 919 489	-	1 910 433	-
Withdrawn members				
Not past due	208 354	-	50 564	-
Past due 4 - 30 days	42 170	42 170	64 940	64 940
Past due 31 - 60 days	25 795	25 795	77 607	77 607
Past due 61 - 90 days	4 057	4 057	5 233	5 233
91 days to more than one year	247 912	247 912	149 226	149 226
Total	528 288	319 934	347 570	297 006
Total	22 447 777	319 934	2 258 003	297 006
Net included in LIC		22 127 843		1 960 997

26. FINANCIAL RISK MANAGEMENT - continued

26.3 Credit Risk - continued

Exposure to credit risk - continued

Allowance for impairment - continued

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

	Trade and other receivables	
	Contribution debtors	Total
	R	R
Balance 1 January 2023	152 380	152 380
Change to allowance made during the year	144 626	144 626
Balance 31 December 2023	297 006	297 006
Change to allowance made during the year	22 928	22 928
Balance 31 December 2024	319 934	319 934

Contribution debtors

The scheme collected 98.36% (2023: 79.41%) of outstanding debt in January 2025.

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The scheme does not hold any collateral as security.

26. FINANCIAL RISK MANAGEMENT - continued

26.3 Credit Risk - continued

Exposure to credit risk - continued

Investments

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.

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

The table below shows the limit and balance of cash and cash equivalents and investments (including savings balances) with the major counterparties held at year-end. Accrued interest is excluded from these balances:

		2024		2023	
		R	R	R	R
Counterparty	Limit	Limit	Balance	Limit	Balance
Cash deposits					
First National Bank	35%	64 806 765	38 004 688	58 265 369	46 331 532
Nedbank Limited	35%	64 806 765	32 586 751	58 265 369	15 232 573
Investec Bank Limited	35%	64 806 765	13 325 473	58 265 369	1 587 727
ABSA Bank Limited	35%	64 806 765	25 544 411	58 265 369	12 868 819
Standard Bank Limited	35%	64 806 765	8 891 309	58 265 369	4 746 888

The table below shows the limit and balance of savings trust assets held at the major counterparties at year-end:

	2023	
	R	R
Counterparty	Limit	Balance
ABSA Bank Limited	n/a	20 590 266
First National Bank	n/a	17 942 891
Nedbank Limited	n/a	20 755 102

From 2024 the savings balances are included in the main table, as savings funds have been invested in a longer term unit trust investment to optimise the return on the invested funds.

In terms of Circular 38 of 2011, the Annexure B restrictions are not applicable to savings trust assets.

26. FINANCIAL RISK MANAGEMENT - continued

26.4 Liquidity Risk

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

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

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

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

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

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

	R	
	0 - 12 months	**12 months +**
2024		
Insurance contract balances		
Insurance contract liabilities to current members	78 561 823	
Insurance contract liabilities to future members		178 152 785
2023		
Insurance contract balances		
Insurance contract (assets) to current members	90 843 994	
Insurance contract liabilities to future members		136 526 454

26. FINANCIAL RISK MANAGEMENT - continued

26.4 Liquidity Risk - continued

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

As at 31 December 2024

	Up to 1 month R	1 - 3 months R	3 - 12 months R		Total R
Non-current and Current assets	**69 986 216**	**1 065 714**	**208 162 714**		**279 214 645**
Trade and other receivables	22 570 271	1 065 714	542 081		24 178 067
Cash and cash equivalents	47 415 945	-	-		47 415 945
Investments	-	-	137 704 062		137 704 062
Savings assets	-	-	69 916 571		69 916 571
Total assets	**69 986 216**	**1 065 714**	**208 162 714**		**279 214 645**
Current liabilities	**9 297 241**	**24 356 987**	**64 249 270**		**97 903 498**
Trade and other payables	1 188 677	-	5 485 911		6 674 588
Personal medical savings account monies managed by the scheme on behalf of its members	8 108 564	417 249	58 763 359		67 289 172
Outstanding risk claims provision	-	23 939 738	-		23 939 738
Total liabilities	**9 297 241**	**24 356 987**	**64 249 270**		**97 903 498**
Net liquidity gap analysis	**60 688 976**	**(23 291 273)**	**143 913 444**		**181 311 146**

As at 31 December 2023

	Up to 1 month R	1 - 3 months R	3 - 12 months R		Total R
Non-current and Current assets	**90 176 697**	**5 233 477**	**134 428 469**		**229 838 643**
Trade and other receivables	2 114 834	1 233 477	743 069		4 091 380
Cash and cash equivalents	52 773 604	-	-		52 773 604
Investments	-	-	113 685 400		113 685 400
Savings assets	35 288 259	4 000 000	20 000 000		59 288 259
Total assets	**90 176 697**	**5 233 477**	**134 428 469**		**229 838 643**
Current liabilities	**12 154 842**	**22 874 336**	**56 955 051**		**91 984 228**
Trade and other payables	1 567 782	420 820	7 586 334		9 574 935
Personal medical savings account monies managed by the scheme on behalf of its members	10 587 060	646 067	49 368 716		60 601 843
Outstanding risk claims provision	-	21 807 450	-		21 807 450
Total liabilities	**12 154 842**	**22 874 336**	**56 955 051**		**91 984 228**
Net liquidity gap analysis	**78 021 855**	**(17 640 859)**	**77 473 419**		**137 854 414**

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

26. FINANCIAL RISK MANAGEMENT - continued

26.4 Liquidity Risk - continued

Cash and cash equivalents

Cash and cash equivalents are made up of the following:

	2024 R	2023 R
Call accounts - Scheme	34 742 943	21 027 855
Current accounts	12 669 314	31 740 332
Call accounts - Personal Medical Savings Accounts	-	35 288 259
Short term deposits - Personal Medical Savings Accounts	-	4 000 000
Petty cash	3 688	5 417
Accrued interest	282 451	230 591
Total	47 698 396	92 292 454

26.5 Capital adequacy risk

This represents the risk that there are insufficient insurance contract liabilities to future members to provide for adverse variations on future investments and claims experience. At the year end, the solvency ratio computed in terms of the Registrar's formula was 40.70% (2023: 32.67%). The Trustees believe that this cover is appropriate for the scheme's needs.

The scheme has complied throughout the year with the capital adequacy requirements as imposed by Regulation 29(2) of the Medical Schemes Act of 25% of annual contributions.

26.6 Fair values

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

26.7 Legal risk

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

26. FINANCIAL RISK MANAGEMENT - continued

26.8 Capital management

The scheme is subject to the capital requirements imposed by Regulation 29(2) of the Act, which requires a minimum solvency ratio of insurance contract liabilities to future members expressed as a percentage of gross contributions to be 25%.

The scheme's objectives when managing capital are to maintain the capital requirements of the Act, and to safeguard the scheme's ability to continue as a going concern in order to provide benefits for its stakeholders.

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

	2024 R		2023 R
The solvency ratio is calculated on the following basis:			
Insurance contract liabilities to future members	178 152 785		136 526 454
Less: cumulative unrealised net gains	(6 391 706)		(5 258 277)
Insurance contract liabilities to future members excluding unrealised gains	171 761 079		131 268 177
Gross contributions	422 020 708		401 839 961
Ratio of insurance contract liabilities (future members) to gross annual contribution income	40.70%		32.67%

The scheme is currently operating above the statutory requirement of 25%.

27. GUARANTEES

In terms of section 33(3) of the Medical Schemes Act, Standard Bank Limited has provided guarantees for an amount of R 2 500 000 (2023: R 2 500 000) in favor of Thebemed Medical Aid Scheme and lodged with the Registrar. This guarantee expired on 18 January 2025.

Momentum Health (Pty) Ltd had undertaken to provide a guarantee of R 10 000 000 should the solvency ratio fall below 25% during the period 1 January 2024 to 31 December 2024. The guarantee would only trigger on this condition. This guarantee expired on 31 December 2024, without being triggered.

28. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION

For management purposes the Scheme is organised into three benefit options – Energy Plan, Universal Plan and Fantasy Plan. The principal features of the benefit options are as follows:

- Universal Plan: This plan consists of private hospital cover as well as day-to-day benefits. These day-to-day benefits must be obtained from a selected network doctor.
- Energy Plan: This plan offers extensive benefits at private hospital level, as well as comprehensive day-to-day benefits. Members have the choice to visit any Designated Service Provider.
- The Fantasy Plan has 100% of negotiated tariffs based on internal protocols subject to PMB's. This option offers medical savings.

	2024 R Energy Plan	**2024 R Universal Plan**	**2024 R Fantasy Plan**	**2024 R Total**
Insurance revenue	82 045 697	120 573 099	197 438 096	400 056 892
Insurance service expenses (excluding amounts attributable to future members)	(68 971 426)	(109 961 807)	(187 671 918)	(366 605 151)
Net expense from reinsurance contracts held	430 102	(1 737 728)	(1 186 355)	(2 493 980)
Reinsurance expenses from reinsurance contracts held	(4 029 673)	(8 009 158)	(11 133 029)	(23 171 859)
Reinsurance income from reinsurance contracts held	4 459 775	6 271 430	9 946 674	20 677 879
Insurance service result (net healthcare result)	13 504 372	8 873 565	8 579 824	30 957 761
Interest income from financial assets	2 668 451	3 923 201	12 049 390	18 641 042
Net fair value gains on fair value investments	662 563	974 111	2 991 802	4 628 476
Net investment income	3 331 014	4 897 311	15 041 193	23 269 518
Net result after investment income	16 835 387	13 770 876	23 621 016	54 227 279
Sundry income	408 335	600 341	1 092 298	2 100 974
Other operating expenses	(2 751 972)	(4 043 548)	(7 302 686)	(14 098 206)
Investment consulting	(117 336)	(172 508)	(313 872)	(603 716)
Net surplus/(deficit) for the year	14 374 414	10 155 161	17 096 756	41 626 331
Members at 31 December 2024	**1 351**	**5 037**	**5 688**	**12 076**

THEBEMED MEDICAL AID SCHEME
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NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2024

28. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION - continued

	2023 R Energy Plan	2023 R Universal Plan	2023 R Fantasy Plan	2023 R Total
Insurance revenue	72 254 105	119 375 388	184 820 429	376 449 922
Insurance service expenses (excluding amounts attributable to future members)	(56 167 033)	(123 804 812)	(181 422 810)	(361 394 655)
Net expense from reinsurance contracts held	(54 596)	(1 006 449)	532 899	(528 147)
Reinsurance expenses from reinsurance contracts held	(3 243 799)	(7 544 640)	(10 026 601)	(20 815 041)
Reinsurance income from reinsurance contracts held	3 189 203	6 538 191	10 559 500	20 286 894
Insurance service result (net healthcare result)	16 032 476	(5 435 873)	3 930 518	14 527 120
Interest income from financial assets	1 934 200	3 195 065	9 533 993	14 663 258
Net fair value gains on fair value investments	51 039	84 311	251 581	386 931
Net investment income	1 985 239	3 279 376	9 785 574	15 050 189
Net result after investment income	18 017 715	(2 156 497)	13 716 092	29 577 309
Sundry income	341 410	563 968	992 996	1 898 374
Other operating expenses	(1 979 281)	(3 276 372)	(5 717 569)	(10 973 222)
Investment consulting	(80 086)	(132 293)	(232 932)	(445 310)
Net surplus/(deficit) for the year	16 299 758	(5 001 194)	8 758 587	20 057 151
Members at 31 December 2023	**1 048**	**5 399**	**6 289**	**12 736**

29. ANALYSIS OF CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

2024	Amortised cost R	Financial assets at FVTPL R	Financial liabilities measured at amortised cost R	Reinsurance contract assets R	Insurance contract liabilities R	Total carrying amount R
Investments	-	189 120 633	-	-	-	189 120 633
Short term deposits	19 308 130	-	-	-	-	19 308 130
Cash and cash equivalents	47 698 396	-	-		-	47 698 396
Reinsurance contracts assets	-	-	-	675 957	-	675 957
Trade and other payables	-	-	(130 688)	-	-	(130 688)
Insurance contract liabilities	-	-	-	-	(256 714 608)	(256 714 608)
	67 006 526	189 120 633	(130 688)	675 957	(256 714 608)	(42 180)

Financial assets

2023	Amortised cost R	Financial assets at FVTPL R	Financial liabilities measured at amortised cost R	Reinsurance contract assets R	Insurance contract liabilities R	Total carrying amount R
Investments	-	96 685 400	-	-	-	96 685 400
Short term deposits	37 958 333	-	-	-	-	37 958 333
Cash and cash equivalents	92 292 454	-	-	-	-	92 292 454
Reinsurance contracts assets	-	-	-	667 801	-	667 801
Trade and other payables	-	-	(247 019)	-	-	(247 019)
Insurance contract liabilities	-	-	-	-	(227 370 448)	(227 370 448)
	130 250 787	96 685 400	(247 019)	667 801	(227 370 448)	(13 479)

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

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

30. NON-COMPLIANCE MATTERS

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

Section 26 (7)
Certain contributions were not received within three days of becoming due. Non-compliance could affect the cash flow of the scheme and lead to member benefits being suspended. Due to the short duration of the contributions being outstanding, this is not significant. The scheme has a credit control policy in place.

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

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

31. CONTINGENCIES AND COMMITMENTS

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

32. EVENTS AFTER THE REPORTING PERIOD

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

33. SIGNIFICANT NON-CASH TRANSACTIONS

	2024 **R**	**2023** **R**
Reinsurance income from reinsurance contracts held	20 677 879	20 286 894
Less: Incurred claims	(20 677 879)	(20 286 894)

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

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