

# **MEDSHIELD MEDICAL SCHEME**

**Registration Number: 1140**

## **ANNUAL FINANCIAL STATEMENTS**

**for the year ended 31 December 2024**

# MEDSHIELD MEDICAL SCHEME

## ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 December 2024*

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

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# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

for the year ended 31 December 2024

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### 1. Statement of Corporate Governance by the Board of Trustees

Medshield Medical Scheme ("Medshield" or "the Scheme") is committed to the principles and practices of fairness, transparency, independence, responsibility, integrity and accountability in all dealings with its stakeholders. The Board of Trustees ("Board") conducts all its affairs according to Medshield values and within a recognised governance framework. The affairs of the Scheme are managed in accordance with the rules of the Scheme and also adhere to all aspects of governance as required by the Medical Schemes Act, Act 131 of 1998, as amended. The Board is also committed to the principles of the Code of Corporate Practices and Conduct as set out in the King Report on Governance.

#### 1.1. Board of Trustees

The Board consists of member representatives who are nominated and elected by the members of the Scheme, and independent members who are appointed by the Board for their skills and expertise. The Board meets at least once a quarter during the year and monitors the performance of the Scheme. The Board's performance and that of its committees is appraised annually against agreed terms of reference. The Scheme is self-administered, and all administration matters are under the direct control of the Board. The Board has oversight over a range of key issues and ensures that discussions of policy, strategy and performance are critical, informed and constructive.

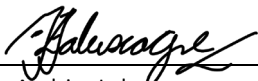
The Board oversees the execution of the strategy in an ethical and effective manner and monitors performance, to this end, in accordance with the Board Charter and their Terms of Reference directing the work of the various governance and management committees.

### 2. Risk Management and Internal Controls

Risks are identified, placed on a risk register and regularly reviewed by the Scheme's management ("Management"), with quarterly oversight by the Audit, Risk & Compliance Committee ("ARC"). The risks are rated, based on the likelihood of materialising and the likely impact on the Scheme. Specific strategies and/or mitigation processes are set in place to deal with these risks.

Management is accountable to the Board for the design, implementation, monitoring and integration of risk management and risk assessments into the day-to-day operations of the Scheme, focusing on the efficiency and effectiveness of operations, safeguarding the Scheme's assets, legal and regulatory compliance, business sustainability and reliable reporting. The system of internal controls is structured in such a manner that it provides reasonable assurance that the likelihood of a significant adverse impact on objectives arising from a future event or situation is maintained at an acceptable level to the Scheme.

The adequacy and effectiveness of internal controls are managed and monitored through structured processes to enable day-to-day operations to run efficiently and in a compliant manner. The Board has appointed the ARC, which reports to the Board independently, and is responsible for oversight of the Scheme's risk management process.



Mr Andries Labuscagne  
Chairperson : Board of Trustees



Mr Seth Makhani  
Deputy Chairperson : Board of  
Trustees



Mr Kevin Aron  
Principal Officer

# MEDSHIELD MEDICAL SCHEME

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## STATEMENT OF RESPONSIBILITIES BY THE BOARD OF TRUSTEES

*for the year ended 31 December 2024*

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The Board of Trustees ("Board") is required in terms of the Medical Schemes Act, Act 131 of 1998, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is its responsibility to ensure that the annual financial statements fairly present that state of affairs of the Medshield Medical Scheme ("Scheme") as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied, and supported by reasonable and prudent judgements and estimates.

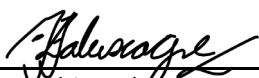
The Board acknowledges that it is ultimately responsible for the system of internal financial controls established by the Scheme and places considerable importance on maintaining a strong control environment. To enable the Board to meet its responsibilities, it sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Scheme and all employees are required to maintain the highest ethical standards in ensuring the Scheme's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Scheme is on identifying, assessing, managing and monitoring all known forms of risk across the Scheme. While operating risk cannot be fully eliminated, the Scheme endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements. However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board has reviewed the Scheme's cash flow forecast for the year ending 31 December 2024 and, in light of this review and the current financial position, is satisfied that the Scheme has access to adequate resources to continue in operational existence for the foreseeable future.

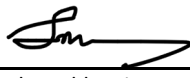
The external auditors are responsible for independently auditing and reporting on the Scheme's annual financial statements. The annual financial statements have been examined by the Scheme's external auditors and their report is presented on pages 20 to 24.

The annual financial statements set out on pages 25 to 89, which have been prepared on the going concern basis, were approved by the Board on the 10th June 2025 and were signed on its behalf by:



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Mr Andries Labuscagne  
Chairperson : Board of Trustees



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Mr Seth Makhani  
Deputy Chairperson : Board of  
Trustees



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Mr Kevin Aron  
Principal Officer

10 June 2025

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## BOARD OF TRUSTEES REPORT

*for the year ended 31 December 2024*

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### 1. Description of the Scheme

#### 1.1. Terms of Registration

Registration number : 1140

The Scheme is a not-for-profit open medical scheme registered in terms of the Medical Schemes Act, Act 131 of 1998 ("MSA"), as amended.

#### 1.2. Benefit Options

The Scheme offered 11 benefit options to employers and members of the public, namely:

- a. MediValue
- b. MediValue Compact (efficiency discount option)
- c. MediBonus
- d. MediPlus
- e. MediPlus Compact (efficiency discount option)
- f. MediPhila
- g. MediSaver (includes the provision of a Personal Savings Account)
- h. MediCore
- i. Premium Plus (includes the provision of a Personal Medical Savings Account)
- j. MediCurve
- k. MediSwift (discontinued as at 31 December 2024)

#### 1.3. Personal Members' Savings Accounts

Personal medical savings accounts ("PMSA") constitute trust monies and are managed on the members' behalf in terms of the Scheme rules. Savings contributions are refundable upon a member enrolling in another benefit option without a PMSA or another option in another medical scheme without a PMSA. In the event that a member does not enrol in another medical scheme, the accumulated unutilised PMSA balance is transferred to the member in terms of the MSA.

According to the Scheme rules, PMSA monies shall be kept in a Scheme account as stipulated in the MSA and can be utilised to fund the general business activities of the Scheme. Interest earned will be credited to the Scheme and not be credited to the members' PMSA account.

The liability to the members in respect of the PMSA is reflected in the Insurance Contract Liability in the financial statements, repayable in terms of regulation 10 of the MSA.

#### 1.4. Risk Management Framework

##### 1.4.1. Risk Management Plan

Strategic risks are identified and placed on a risk register. The risks are rated, based on the likelihood and impact on the Scheme, and specific strategies or processes are put in place to deal with these risks. The Scheme's management ("Management") updates the risk management universe on an ongoing basis to ensure that it is in line with the current risks of the Scheme.

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for the year ended 31 December 2024

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### 1.4.2. Reinsurance Contracts (Risk Transfer Arrangement)

The Scheme had the following reinsurance contract arrangement during the year under review:

#### Netcare 911 Emergency Medical Services

Netcare Jet Air (Pty) Ltd, branded as Netcare 911, provides services which include emergency telephonic assistance via health-on-line, emergency response by road or air ambulance to the scene of the accident, as well as transfer of the beneficiary by road or air to the most appropriate medical facility.

### 1.4.3. Managed Care

The Scheme had the following accredited managed care arrangements during the year under review:

Domain	Service Provider
Hospital Benefit Management	Medscheme Holdings (Pty) Ltd
Pharmacy Benefit Management	Mediscor PBM (Pty) Ltd
Dental Benefit Management	Dental Information Systems (Pty) Ltd
HIV and AIDS Disease Management	HaloCare (Pty) Ltd
Oncology Benefit & Network Management	Independent Clinical Oncology Network (Pty) Ltd

The Scheme had the following significant arrangements with other service providers during the year under review:

Domain	Service Provider
Optical Benefit Management	Isoleso Optics (Pty) Ltd
GP Network Management	The Independent Practitioners Association Foundation
HIV and AIDS Medicine Benefit Management	Pharmacy Direct (Pty) Ltd (Designated Pharmacy Provider)
Radiology & Pathology Claims Auditing	Verirad (Pty) Ltd

### 1.4.4. Prescribed Minimum Benefits

The Scheme has a defined process in place whereby it analyses, verifies and adjudicates prescribed minimum benefits ("PMBs") claims prior to payment being effected in order to, as far as possible, prevent fraudulent and incorrectly coded claims from being paid.

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## BOARD OF TRUSTEES REPORT

for the year ended 31 December 2024

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### 1.5. Management

#### 1.5.1 Board of Trustees

Attendance by elected members of the Board of Trustees ("Board") during the financial year 2024:

Member Elected Trustees	Date of Appointment	Area of Expertise	12 Mar*	27 Mar	03 Apr*	30 May	04 Jun	20 Aug*	29 Aug	30 Sep*	28 - 29 Nov
Andries Labuscagne (Chairperson)	11 Aug 2023	Finance, Legal & Management	Y	Y	Y	Y	Y	Y	Y	Y	Y
Trevor Wiblin	11 Aug 2023	Finance & Management	Y	Y	Y	Y	Y	Y	Y	Y	Y
Seth Makhani	11 Aug 2023	Audit & Finance	Y	Y	Y	Y	Y	Y	Y	Y	Y
Leon de Lange	11 Aug 2023	Legal	Y	Y	Y	Y	Y	Y	Y	Y	Y

Attendance by Co-opted Trustees during the financial year 2024:

Co-opted Trustees (appointed not elected)	Date of Appointment	Area of Expertise	12 Mar*	27 Mar	03 Apr*	30 May	04 Jun	20 Aug*	29 Aug	30 Sep*	28 - 29 Nov
Dr Ritesh Nandkoomar	12 Feb 2024	Human Capital & Medical	Y	Y	Y	Y	Y	Y	Y	Y	Y
Yuza Nkuna	12 Feb 2024	Marketing & Human Capital	Y	Y	Y	Y	Y	Y	Y	Y	Y
Antea Fourie van Zyl	30 Nov 2023	Audit & Finance	Y	Y	Y	Y	Y	Y	Y	Y	Y

\* *Special Board Meeting*

Y - Yes

N/A - Not applicable as the Trustee was not yet appointed or their term had expired

N - No

#### Scheme Secretariat

The Scheme has a Secretariat responsible for providing support and advice in relation to good governance to the Scheme and its committees.

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## BOARD OF TRUSTEES REPORT

for the year ended 31 December 2024

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### 1.5.2. Principal Officer

The Principal Officer of the Scheme is Kevin Aron.

### 1.5.3. Registered Office

192 Bram Fischer Drive  
Ferndale  
Randburg  
2194

PO Box 4346  
Randburg  
2125

**Country of registration and domicile:** South Africa

### 1.5.4. Investment Consultants

#### Motswedi Economic Transformation Specialists

Block D  
Country Club Estate Office  
Park 21 Woodland Drive  
Woodmead  
Sandton  
2080

### 1.5.5. Actuaries

#### Insight Actuarial Solutions (Pty) Ltd

Ground Floor, Block J  
Central Park  
400 16th Road  
Midrand  
1682

Private Bag X17  
Halfway House  
1685

### 1.5.6. Investment Fund Managers

#### Sanlam Investment Manager (Pty) Ltd

55 Willie Van Schoor Avenue  
Bellville  
7530  
FSP number: 579

Private Bag X8  
Tyger Valley  
7536

#### Allan Gray Life Limited

1 Silo Square  
Victoria & Alfred Waterfront, Cape Town  
8001  
FSP number: 6663

P O Box 51318  
Cape Town  
8002

#### Argon Asset Management (Pty) Ltd

1st Floor, Colinton House, The Oval  
1 Oakdale Road, Newlands, Cape Town  
7700  
FSP number: 835

P O Box 23254  
Claremont  
7735

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## BOARD OF TRUSTEES REPORT

for the year ended 31 December 2024

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### 1.5.6. Investment Fund Managers (continued):

#### M & G Investment Managers (Pty) Ltd

5th Floor, Protea Place  
40 Dreyer Street, Claremont, Cape Town  
7700  
FSP number: 45199

P O Box 44813  
Claremont  
7735

#### Stanlib Collective Investments (RF) (Pty) Ltd

17 Melrose Boulevard  
Melrose Arch  
2196  
FSP number: 719

P O Box 202  
Melrose Arch  
2076

#### Mergence Investment Managers (Pty) Ltd

2nd Floor, Cruise Terminal  
Duncan Road, Victoria & Alfred Waterfront  
Cape Town  
8001  
FSP number: 16134

P O Box 8275  
Roggebaai  
8012

### 1.5.7. Internal Auditors

#### BDO Advisory Services (Pty) Ltd

1st Floor, Wanderers Office Park  
52 Corlett Drive, Illovo  
2196

Private Bag X5  
Northlands  
2116

### 1.5.8. External Auditors

#### Deloitte & Touche Registered Auditors

5 Mega Crescent  
Waterfall City  
Midrand  
2090

## 2. Investment Strategy of the Scheme

The Scheme's long-term investments are spread across six portfolio managers. These portfolio managers complement each other in terms of the structure and nature of the instruments held. The Scheme is invested in bonds, equities, and cash instruments as well as linked insurance policies and pooled funds in diversified portfolios with a target return of CPI + 4% over a three-year rolling period, consistent with the Scheme's investment strategy. The strategy is reviewed annually, taking into consideration market conditions and compliance with the MSA. The Scheme uses Stanlib Collective Investments to maximise the short-term funds with the view of maintaining liquidity and to meet the day-to-day cash requirements of the Scheme.

## 3. Committees

### 3.1. Audit, Risk & Compliance Committee

The Audit Risk & Compliance Committee ("Committee") is mandated by the Scheme by means of Board approved terms of reference as to its membership, authority and duties. The Committee consists of six (6) members, four (4) of whom are independent and not officers of the Scheme.

# MEDSHIELD MEDICAL SCHEME

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## BOARD OF TRUSTEES REPORT

for the year ended 31 December 2024

### 3.1. Audit, Risk & Compliance Committee (Cont.)

During the course of the year, the Committee undertook the following functions under the terms of reference mandated by the Board which stipulates, inter alia, the following:

Assist the Board in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems, and auditing processes applied by the Scheme in the day-to-day management of its business;

Facilitate and promote communication and liase regarding the matters referred to above or a related matter, between the Board, Principal Officer and Management of the Scheme;

Recommend the introduction of measures which the Committee believes may enhance the credibility and objectivity of financial statements and reports concerning the Scheme;

Advise on any matters referred to the Committee by the Board;

Oversight over the internal auditors (appointment, fees, plans and performances) and external auditors (fees, plans and performances); and

Oversight over the risk management, governance and compliance processes.

#### Audit, Risk & Compliance Committee composition and meeting attendance:

Members	Date of Appointment	19 Mar	16 Apr	29 Apr*	24 May*	13 Aug	14 Nov	03 Dec #
L. Mothae (Chairperson)	7 Aug 2022 - 28 Nov 2024	Y	Y	Y	Y	Y	Y	N/A
E.A. Schaffrath***	17 Jul 2024	N/A	N/A	N/A	N/A	Y	Y	Y
M. Matlwa	6 Aug 2023	Y	Y	Y	Y	Y	Y	Y
A. Fourie Van Zyl	30 Nov 2023	Y	Y	Y	Y	Y	Y	Y
R. Gajjar	20 Oct 2020 - 15 May 2024	Y	Y	N	N/A	N/A	N/A	N/A
S. Makhani	11 Aug 2023	Y	Y	Y	Y	Y	Y	Y
P. Desai	1 Jul 2023	Y	Y	Y	Y	Y	Y	Y

The Principal Officer, Executive: Operations, Chief Financial Officer, Audit & Risk Manager and Legal & Compliance Manager of the Scheme, as well as the Internal and External Auditors, are invited to attend all Audit, Risk & Compliance Committee meetings of the Scheme and have unrestricted access to the Chairperson of the Committee.

### 3.2. Clinical Governance Committee

The Clinical Governance Committee is accountable to the Board for ensuring that there are effective governance systems to safeguard and improve the quality and safety of clinical care provided to the members.

#### Clinical Governance Committee composition and meeting attendance:

Members	Date of Appointment	22 Feb	23 May	19 Jun**	01 Aug**	15 Aug	12 Nov
Dr A. Good (Chairperson)	30 Sep 2020 - 21 Nov 2024	Y	Y	Y	Y	Y	Y
M. Arnold	1 Jan 2023	Y	Y	Y	Y	Y	Y
L. de Lange	11 Aug 2023	Y	Y	Y	Y	Y	Y
Dr. R Nandkoomar	12 Feb 2024	Y	Y	Y	Y	Y	Y

\* Special meeting

\*\* The meetings of 19 Jun 2024 and 1st Aug 2024 were joint Marketing and Clinical Governance meetings

\*\*\* Appointed Chairperson of the Committee on the 3rd Dec 2024.

# Continuation of the 14th Nov 2024 meeting

Y - Yes

N/A - Member was not yet appointed or their term had expired

N - No

## MEDSHIELD MEDICAL SCHEME

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### BOARD OF TRUSTEES REPORT

for the year ended 31 December 2024

#### 3.3. Human Capital & Remuneration Committee

The Human Capital & Remuneration Committee is accountable to the Board; and is authorised to take such steps as are, in its opinion, appropriate and reasonable to give effect to the Scheme's remuneration policies (including Trustee remuneration), and strategies determined by the Board, subject to such conditions as may be imposed by the Board from time to time.

##### Human Capital & Remuneration Committee composition and meeting attendance:

Members	Date of Appointment	07 Feb	20 Mar*	15 Apr	18 Apr*	25 Jul	05 Nov
P. Maphoshe (Chairperson)	14 Mar 2022	Y	Y	Y	Y	Y	Y
N. Nanabhay	1 Jan 2023	Y	Y	Y	Y	Y	Y
Y. Nkuna	12 Feb 2024	N/A	Y	Y	Y	Y	Y
T. Wiblin	12 Aug 2023	Y	Y	Y	Y	Y	Y

#### 3.4. Marketing, Product Review & Pricing Committee

The Marketing, Product Review & Pricing Committee is tasked with assisting the Board in discharging its duties specifically on issues related to product design, pricing, marketing and new business.

##### Marketing, Product Review & Pricing Committee composition and meeting attendance:

Members	Date of Appointment	20 Feb	25 May	19 Jun**	01 Aug**	06 Aug	07 Nov
J. Mosethli (Chairperson)	29 Apr 2022	Y	Y	Y	Y	Y	Y
Y. Nkuna	12 Feb 2024	Y	Y	Y	Y	Y	Y
W. Neethling	5 Feb 2024	N	Y	Y	Y	Y	Y
T. Wiblin	16 Aug 2023	Y	Y	Y	Y	Y	Y

#### 3.5. Finance, Investment & Operations Committee

The Finance, Investments & Operations Committee is a Committee of the Board, accountable to the Board, tasked with assisting the Board in fulfilling its oversight responsibility in matters relating to the Scheme's finances, investments and operations, including operational arrangements with third party service providers.

##### Finance, Investment & Operations Committee composition and meeting attendance:

Members	Date of Appointment	27 Feb	23 Mar*	28 May	22 Aug	20 Nov
S. Makhani (Chairperson)	12 Aug 2023	Y	Y	Y	Y	Y
Z. Samsam	01 Feb 2024	Y	Y	Y	Y	Y
A. Fourie Van Zyl	30 Nov 2023	Y	Y	Y	Y	Y
L. Kamanga	29 Apr 2022	N	N	Y	N	N

\* Special meeting

\*\* The meetings of 19 June 2024 and the 1st August 2024 was a joint Marketing and Clinical Governance meeting

Y - Yes

N/A - Not applicable as the member was not yet appointed or their term had expired

N - No

# MEDSHIELD MEDICAL SCHEME

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## BOARD OF TRUSTEES REPORT

for the year ended 31 December 2024

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### 3.6. Social, Legal, Ethics, Disputes & Governance Committee

The Social, Legal, Ethics, Disputes & Governance Committee has, amongst its purposes, to serve as an adjudication body over cases that would have been referred to it by Management. The Committee is tasked with receiving and adjudicating complaints, grievances, and disputes brought to its attention by members of the Scheme, the Council for Medical Schemes or any other person aggrieved in its dealings with the Scheme or its service providers.

The Committee has overall oversight of the legal operations of the Scheme as well as the social and ethical culture program of the Scheme.

#### Social, Legal, Ethics, Disputes & Governance Committee composition and meeting attendance:

Members	Date of Appointment	14 Feb	17 May	23 Jul	30 Oct
M. Arnold (Chairperson)	1 Jan 2023	Y	Y	Y	Y
J. Weapond	1 Feb 2024	Y	Y	Y	Y
L. de Lange	11 Aug 2023	Y	Y	Y	Y
R. Nandkoomar	12 Feb 2024	Y	Y	Y	Y

Y - Yes

N/A - Not applicable as the member was not yet appointed or their term had expired

N - No

# MEDSHIELD MEDICAL SCHEME

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## BOARD OF TRUSTEES REPORT

for the year ended 31 December 2024

### 4. Quantitative review of activities

2024	MediPlus Prime	MediPlus Compact*	MediValue Prime	MediValue Compact*	MediBonus	MediPhila	MediCore	MediSaver	Premium Plus	MediCurve	MediSwift**	Total
Number of members at the end of the year (n)	12 870	949	27 456	8 084	1 631	12 039	2 537	3 359	1 200	1 227	105	<b>71 457</b>
Average number of members for the year (n)	13 426	964	27 639	7 443	1 704	11 351	2 624	3 501	1 245	990	93	<b>70 980</b>
Pensioner ratio of members (>65)	32.9%	45.0%	11.3%	10.0%	50.7%	6.6%	61.1%	51.5%	70.8%	12.8%	21.9%	<b>20.3%</b>
Pensioner ratio of beneficiaries (>65)	21.9%	32.2%	7.4%	6.4%	40.6%	3.9%	44.7%	37.1%	56.5%	13.7%	15.8%	<b>13.6%</b>
Number of beneficiaries	25 385	1 969	53 254	17 220	2 725	24 191	4 693	5 838	1 863	1 445	215	<b>138 798</b>
Average age of members	60.35	61.41	47.11	44.4	66.50	42.12	68.91	66.63	72.67	43.18	50.81	<b>51.04</b>
Average age of beneficiaries	45.59	48.34	33.92	31.14	56.07	29.07	57.47	54.34	62.98	42.54	39.07	<b>37.65</b>
Average net contributions per member per month	6 550	6 258	3 901	3 757	10 173	2 625	5 667	5 569	8 747	1 912	3 230	<b>4 570</b>
Average net contributions per beneficiary per month	3 294	3 017	2 004	1 730	6 069	1 311	3 035	3 195	5 595	1 636	1 568	<b>2 341</b>
Average relevant healthcare expenditure ratio	100.8%	126.7%	86.1%	93.7%	91.6%	83.2%	93.7%	104.9%	123.0%	73.6%	66.0%	<b>94.1%</b>
Average net relevant healthcare expenditure incurred per member per month	6 599	7 931	3 357	3 519	9 322	2 184	5 311	5 840	10 759	1 407	2 132	<b>4 301</b>
Average net relevant healthcare expenditure incurred per beneficiary per month	3 319	3 824	1 725	1 621	5 561	1 091	2 844	3 351	6 882	1 204	1 035	<b>2 203</b>
Average directly attributable insurance service expense ratio	7.2%	7.9%	11.9%	13.8%	3.9%	18.2%	7.9%	7.5%	4.3%	14.6%	15.2%	<b>10.2%</b>
Average directly attributable expenses per member per month	466	466	466	466	466	466	466	466	466	466	466	<b>466</b>
Average directly attributable expenses per beneficiary per month	239	239	239	239	239	239	239	239	239	239	239	<b>239</b>
Average non-healthcare expenses per member per month	160	160	160	160	160	160	160	160	160	160	160	<b>160</b>
Average non-healthcare expenses per beneficiary per month	82	82	82	82	82	82	82	82	82	82	82	<b>82</b>
Beneficiaries per member at year end	0.97	1.07	0.94	1.13	0.67	1.01	0.85	0.74	0.55	0.18	1.05	<b>0.94</b>
Net claims as percentage of net contributions	102%	128%	87%	95%	93%	84%	95%	106%	124%	74%	67%	<b>95%</b>
Non-healthcare expenses as percentage of net contributions	7.0%	7.0%	11.0%	12.0%	4.0%	17.0%	8.0%	8.0%	5.0%	23.0%	13.0%	<b>10.0%</b>
Average accumulated funds per member as at year end	33 986	33 986	33 986	33 986	33 986	33 986	33 986	33 986	33 986	33 986	33 986	<b>33 986</b>
Return on investments as a percentage of investments	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	<b>10.0%</b>

\* MediPlus Compact & MediValue Compact are efficiency discount options

\*\*MediSwift has been discontinued from 1 January 2025.

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## BOARD OF TRUSTEES REPORT

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### 4. Quantitative review of activities

2023	MediPlus Prime	MediPlus Compact*	MediValue Prime	MediValue Compact*	MediBonus	MediPhila	MediCore	MediSaver	Premium Plus	MediCurve	MediSwift	Total
Number of members at the end of the year (n)	14 353	851	27 411	6 275	1 861	10 320	2 821	3 737	1 318	674	43	69 664
Average number of members for the year (n)	13 759	838	27 230	6 815	1 781	10 946	2 727	3 585	1 270	835	49	69 199
Pensioner ratio of members (>65)	29.7%	42.4%	11.1%	10.6%	47.8%	6.3%	59.1%	49.9%	70.3%	0.2%	30.2%	20.7%
Pensioner ratio of beneficiaries (>65)	19.6%	31.6%	7.2%	6.6%	37.2%	3.8%	42.4%	35.8%	55.0%	9.9%	19.1%	13.7%
Number of beneficiaries	28 834	1 758	53 745	13 899	3 143	20 629	5 344	6 594	2 077	786	94	136 903
Average age of members	59.36	60.58	47.00	44.22	65.83	41.82	68.08	66.09	72.32	40.19	56.77	51.49
Average age of beneficiaries	44.41	48.16	33.77	30.64	54.95	29.18	56.01	53.47	62.24	39.53	42.07	37.96
Average net contributions per member per month	6 032	5 738	3 642	3 522	9 399	2 439	5 217	5 158	8 067	1 903	3 317	4 371
Average net contributions per beneficiary per month	2 972	2 764	1 844	1 592	5 512	1 217	2 734	2 908	5 096	1 621	1 582	2 211
Average relevant healthcare expenditure ratio	96.6%	134.9%	86.6%	103.4%	98.6%	83.1%	95.3%	97.1%	107.4%	100.4%	66.3%	93.8%
Average net relevant healthcare expenditure incurred per member per month	5 825	7 740	3 153	3 642	9 271	2 027	4 972	5 011	8 666	1 910	2 198	4 100
Average net relevant healthcare expenditure incurred per beneficiary per month	2 871	3 729	1 596	1 646	5 436	1 012	2 605	2 824	5 475	1 627	1 048	2 074
Average directly attributable insurance service expense ratio	7.6%	8.2%	12.3%	14.2%	4.1%	18.6%	8.3%	7.8%	4.4%	14.0%	14.3%	10.2%
Average directly attributable expenses per member per month	447	447	447	447	447	447	447	447	447	447	447	447
Average directly attributable expenses per beneficiary per month	226	226	226	226	226	226	226	226	226	226	226	226
Average non-healthcare expenses per member per month	139	139	139	139	139	139	139	139	139	139	139	139
Average non-healthcare expenses per beneficiary per month	70	70	70	70	70	70	70	70	70	70	70	70
Beneficiaries per member at year end	1.01	1.07	0.96	1.21	0.69	1.00	0.89	0.76	0.58	0.17	1.19	0.87
Net claims as percentage of net contributions	99%	138%	89%	106%	101%	85%	98%	100%	110%	103%	68%	100%
Non-healthcare expenses as percentage of net contributions	8.0%	9.0%	13.0%	14.0%	5.0%	19.0%	9.0%	9.0%	6.0%	24.0%	14.0%	12.0%
Average accumulated funds per member as at year end	33 254	33 254	33 254	33 254	33 254	33 254	33 254	33 254	33 254	33 254	33 254	33 254
Return on investments as a percentage of investments	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%

\* MediPlus Compact & MediValue Compact are efficiency discount options

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## BOARD OF TRUSTEES REPORT

for the year ended 31 December 2024

### 5. Environmental, Social and Governance

The Scheme embarked on the development and implementation of an Environmental, Social and Governance Framework, which forms a part of the Scheme's 3 year strategy. The strategic deliverable requires that the Scheme "Be a good corporate citizen", through "Playing a leading and active role in supporting the sustainability of the Scheme", as well as adherence to the strongest governance standards as required under the MSA or any other Act or Regulation, as it pertains to the Scheme. The Scheme continues to make good progress on the development and implementation of this Framework.

### 6. Result of Operations

The results of the Scheme are set out in the Annual Financial Statements. The Scheme is in a sound financial position and during the year there were no changes to operations in terms of the raising and collection of contributions and the assessment and payment of claims.

### 7. Solvency Ratio

	2024 R'000	2023 R'000
Amounts attributable to future members	2 539 354	2 482 565
Less:	(96 321)	(69 929)
Net unrealised non-distributable reserve	(94 031)	(67 640)
Specific assets encumbered to 3rd Party	(2 289)	(2 289)
Net cumulative unrealised gains/(losses) on debt instruments	(87 635)	(44 301)
Accumulated funds per Regulation 29	<b>2 355 398</b>	<b>2 368 335</b>
Gross Contributions	<b>3 964 591</b>	<b>3 767 055</b>
Accumulated funds ratio (including savings contributions)	59.4%	62.9%
Accumulated funds ratio (excluding savings contributions)	60.7%	64.2%

### 8. Outstanding Claims

Movements in the outstanding claims provision are set out in Note 7 to the Annual Financial Statements as part of the Liability for Incurred Claims ("LIC"). There have been no unusual movements that should be brought to the attention of the members of the Scheme.

### 9. Actuarial Services

The Scheme's actuaries have been consulted and their inputs relied upon in the determination of the contribution and benefit levels and in the calculation of the LIC, the previous outstanding claims provision of the Scheme ("IBNR"), Loss Component or Onerous Contract Losses and the Liability for present and future members.

### 10. Non Compliance with the Medical Schemes Act and Regulations

#### 10.1 Contributions Not Received Within The Time Stipulated By The MSA

*Nature of the non-compliance*

*Section 26(7) of the MSA states that: All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becomes due.*

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## BOARD OF TRUSTEES REPORT

for the year ended 31 December 2024

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### 10. Non Compliance with Medical Schemes Act and Regulations (Continued)

#### *Impact*

The risk of paying claims where no contributions were received or possible bad debts as a result of not collecting the contributions on time.

#### *Cause of the non-compliance*

There were some instances noted where the contributions were not received within three days of becoming due.

#### *Corrective course of action*

Strict credit control procedures are in place to prevent loss to the Scheme. Members and employers are continuously reminded to submit payment. Non-payment of contributions will result in the suspension of the account and claims related to specific member(s) are not paid until the account is brought up to date.

### 10.2. Loss Making Options

#### *Nature of the non-compliance*

Section 33(2) of the MSA states: The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option:

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

Five of the Scheme's options incurred a loss before amounts attributable to future members

#### *Impact*

Benefit options will not be self-sustainable.

#### *Cause of the non-compliance*

The Scheme budgeted for the following benefit options to make a net healthcare loss as a way to subsidise some of the members' contributions by utilising accumulated reserves. These options included MediPlus Prime, MediPlus compact, MediValue compact, MediSaver and Premium Plus.

#### *Corrective course of action*

The Scheme, in conjunction with the Scheme's actuaries, regularly reviews the performance of these options, and after taking all factors into consideration, contributions and benefits are adjusted accordingly on an annual basis in the normal course of business. During the annual product review and pricing process, the Scheme develops a five year sustainability plan. The Scheme addresses loss-making options during this review and it is the intention of the Scheme to achieve option self-sustainability in the medium term. In the short-term, the Scheme plans to assist members by planning for deficits on certain benefit options by reducing contribution increases to more affordable levels.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## BOARD OF TRUSTEES REPORT

for the year ended 31 December 2024

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### 10. Non Compliance with Medical Schemes Act and Regulations (Continued)

#### 10.3. *Direct Or Indirect Investments In Other Medical Scheme Administration Companies & Participating Employers*

##### *Nature of the non-compliance*

*Section 35(8) of the MSA states – A medical scheme shall not invest any of its assets in the business of any other medical scheme or administrator or employer who participates in the medical scheme.*

##### *Impact*

Direct equity investments in holding companies of medical scheme administrators.

##### *Cause of the non-compliance*

This is as a result of the mandate given to the asset managers by the Scheme, who have the discretion to invest in any approved instrument, in terms of Regulation 30.

##### *Corrective course of action*

The Scheme has obtained exemption from the Council for Medical Schemes for this non-compliance. This exemption expires on 30th November 2025.

#### 10.4. *Claims payments made in excess of 30 days since receipt thereof*

##### *Nature of the non-compliance*

*Section 59(2) of the MSA states : A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.*

##### *Impact*

Members might be charged interest on the late payment of accounts by the healthcare professionals.

##### *Cause of the non-compliance*

These instances mainly arise due to queries on the accounts submitted and further investigation is required before claims are processed. There are two main process issues that may arise every year; firstly, PMB claim reversals and corrections will always breach 30 days because of the nature of the claim and secondly, there may be technical system issues which result in further software development. This may lead to claims being put on hold until the software development is implemented, leading to certain claims breaching the 30 day payment requirement.

##### *Corrective course of action*

The Scheme continuously encourages members and providers to submit the required supporting documentation as early as possible. The Scheme is continuously implementing new controls to manage the payments of claims in excess of 30 days.

#### 10.5. *Encumbered Assets*

##### *Nature of the non-compliance*

*Section 35(6) of the MSA states: A medical scheme shall not encumber its assets.*

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## BOARD OF TRUSTEES REPORT

for the year ended 31 December 2024

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### 10. Non Compliance with Medical Schemes Act and Regulations (Continued)

#### *Impact*

A portion of the Scheme's cash and cash equivalents are encumbered as guarantees to landlords, as a requirement to secure the relevant properties. The Scheme was obligated to furnish the landlords with deposits as part of the lease agreements in respect of the Head Office and regional office(s) premises.

#### *Cause of the non-compliance*

In terms of the lease agreements, the landlords requires the Scheme to furnish a letter of guarantee in respect of the Scheme's rental obligation to the landlord in terms of the lease. The Scheme has furnished the landlords with the required guarantees for R2 288 567, in totality.

#### *Corrective course of action*

The Scheme has obtained exemption from the Council for Medical Schemes for this non-compliance. The exemption is valid for the duration of the guarantees and related lease agreements.

### 10.6. Prescribed Minimum Benefits

#### *Nature of the non-compliance*

Section 29(1)(o) of the MSA and Regulation 8 provide the scope and level of minimum benefits that the Scheme must provide to members and dependants.

#### *Impact*

In certain instances, the Scheme may not pay the level of minimum benefits in full.

#### *Cause of the non-compliance*

During the year under review, there were isolated instances where the Scheme did not pay claims in accordance with the scope and level of prescribed minimum benefits.

#### *Corrective course of action*

These identified claims are reprocessed and paid in terms of the Rules.

### 10.7. Claims received after 120 days (four months) were paid

#### *Nature of the non-compliance*

MSA Regulation 6 states the following: "A medical scheme must not in its rules or in any other manner in respect of any benefit to which a member or a former member of such a medical scheme or a dependant of such member is entitled, limit, exclude, retain or withhold, as the case may be, any payment to such member or supplier of service as a result of the late submission of an account or statement, before the end of the fourth month -

a) from the last date of the service rendered as stated on the account, statement or claim; or

b) during which such account, statement or claim was returned for correction.

#### *Impact*

Instances were identified where claims were received after 120 days (four months) from treatment date and paid, which may result in financial loss for the Scheme.

#### *Cause of the non-compliance*

During the year under review, there were isolated instances where the Scheme received claims after 120 days, which it paid.

#### *Corrective course of action*

The Scheme will implement internal controls to minimise claims received after 120 days (four months) are not paid.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## BOARD OF TRUSTEES REPORT

for the year ended 31 December 2024

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### 10. Non Compliance with Medical Schemes Act and Regulations (Continued)

#### 10.8. Prescribed Minimum Benefits paid from members' medical savings accounts

##### *Nature of the non-compliance*

MSA Regulation 10 states the following: "The funds of members' medical savings accounts shall not be used to pay for the costs of a prescribed minimum benefit."

##### *Impact*

Claims paid from members' medical savings accounts will erroneously reduce the investment component of the affected member's medical savings account.

##### *Cause of the non-compliance*

In certain instances, it was identified where members' medical savings accounts were used to pay for prescribed minimum benefits.

##### *Corrective course of action*

These claims are identified and reprocessed and paid in terms of the Rules.

### 11. Events after the reporting period

It is the Scheme's strategy to explore opportunities for growth, which are both organic and inorganic in nature. In this regard the Scheme is pursuing this strategy in the ordinary course of business. At the date of signature, no agreements had been concluded.

### 12. Going Concern

The Board has no reason to believe that the Scheme will not be a going concern in the foreseeable future.

The Annual Financial Statements set out on pages 25 to 89, which have been prepared on the going concern basis, were approved by the Board on 10th June 2025, and were signed on its behalf by:



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Mr Andries Labuscagne  
Chairperson : Board of Trustees



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Mr Seth Makhani  
Deputy Chairperson : Board of  
Trustees



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Mr Kevin Aron  
Principal Officer

10 June 2025

## Independent Auditor's Report

Tel: +27 (0)11 806 5000  
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To the Members of Medshield Medical Scheme

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Medshield Medical Scheme (the Scheme), set out on pages 25 to 89 which comprise the statement of financial position as at 31 December 2024, the statement of profit and loss and other comprehensive income and the statement of cash flows, for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Medshield Medical Scheme as at 31 December 2024 and its financial performance and cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act of South Africa.

### Basis for Opinion

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

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

### Emphasis of Matter – Amalgamation

We draw attention to Note 28 to the financial statements, which indicates a potential amalgamation. Our opinion is not modified in respect of this matter.

### Our Application of Materiality

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



Managing Partner: ML Tshabalala

A full list of partners and directors is available on request

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

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

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

<b>Materiality:</b>	R31.21 million (2023: 29.54 million).
<b>How we determined it:</b>	0.8% of Insurance revenue for the year as applied in the prior year. The insurance revenue balance is Gross Insurance Revenue less contribution premium from PMSA members.
<b>Rationale for the materiality benchmark applied:</b>	A key judgement in determining materiality is the determination of the appropriate benchmark to use which should be based on our perception of what is the focus area for the users of the financial statements to be the Board of Trustees and members of Medshield Medical Scheme. We chose insurance revenue as the primary benchmark, and it is the benchmark against which the performance of the Scheme is measured by users.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

<b>Key audit matter</b>	<b>How the matter was addressed in the audit</b>
<p>Valuation of the liability for incurred claims ("LIC") included in the Insurance Contract Liability</p> <p>The Insurance Contract Liability as per Note 11 is made up of the following 3 components:</p> <ul style="list-style-type: none"> <li>• The Present Value of Future Cash Flows of R 268 287 000</li> <li>• The Risk adjustment (RA) of R 7 811 256 and</li> <li>• The Liability for remaining coverage of R 136 544 000 (recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but that were only reported to the Scheme after year-end).</li> </ul> <p>The provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme and the Risk adjustments are components that make up the liability for incurred claims ("LIC").</p> <p>The LIC includes the component recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but are only reported to the Scheme after year-end. The LIC also includes a risk adjustment for non-financial risk.</p>	<p>We obtained an understanding from the Scheme's actuaries regarding the process followed in calculating the provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme and the Risk Adjustment for Non-financial Risk.</p> <p>We evaluated the calculations approved by the Board of Trustees and performed procedures which included:</p> <ul style="list-style-type: none"> <li>• Considering the design and implementation of the Scheme's key controls within the provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme process and RA calculation though gaining an understanding of the end-to end claims and LIC provision business process.</li> <li>• We obtained the report of the Scheme's actuary relating to the provision at year-end and tested the appropriateness of the estimate as follows: <ul style="list-style-type: none"> <li>○ Evaluated the competence, capabilities, and objectivity of the Scheme's actuary.</li> </ul> </li> </ul>

The determination of the provision for the estimated costs of healthcare benefits that have occurred before the year-end but have not been reported to the Scheme by that date, requires the Scheme's Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date. This is an estimate of the future payments to be made on claim events that have taken place during the reporting period but have yet to be reported and paid.

The calculation is based on a number of factors which include:

- Previous experience in claims patterns;
- Claims settlement patterns;
- Changes in the nature and number of members according to gender and age;
- Trends in claims frequency;
- Changes in the claims processing cycle;
- Variations in the nature and average cost per claim; and
- Other factors such as expectations of future events that are believed to be reasonable to be taken into account in the valuation of the provision for the estimated costs of healthcare benefits that have occurred before the year-end but have not been reported to the scheme by that date.

Under IFRS 17: Insurance Contracts ("IFRS 17"), a risk adjustment reflects the compensation that the entity requires for bearing the uncertainty for the amount and the timing of the cashflows that arise from non-financial risk during the coverage period. The RA is principle-based and exhibits the following main properties:

- Reflects risks and uncertainty as viewed by the Scheme;
- Considers all aspects of non-financial risk and uncertainty; and
- Excludes financial risks, such as investment returns (cash flows not directly tied to contract).

The abovementioned factors require judgement and assumptions to be made by the Scheme's Trustees and therefore accordingly, for the purposes of our audit, we identified the valuation of the provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme and the RA for Non-financial Risk as representing a key audit matter.

- Obtained an understanding of the method and models used in calculating the provision estimate. With the assistance of our actuarial specialists, we assessed the appropriateness of the methodology and assumptions used in determining the provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme and RA components in terms of acceptable methodologies, industry standards, and that they meet the measurement objectives of IFRS 17.
- On a sample basis we tested the integrity of the information used in the calculation of the estimated future cash flows included in the provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme and the RA applied, by performing substantive procedures to test the accuracy and completeness of the underlying for the incurred claims data used in the determination of the estimation of future cash flows and the RA.
- Our audit specialist performed an independent calculation of the estimate of the provision by utilising historical claims data and trends and using this estimate as a basis of assessing the reasonableness of the Board of Trustees' estimate of the provision.
- Assessed the presentation and disclosure in respect of the LIC provision and considered the adequacy of these disclosures against the requirements of IFRS 17 and relevant industry guidance.
- We obtained a list of pre-authorisations approved prior to year-end from the administrator. For a sample of pre-authorisations with a service date before year-end, we requested the related claim documentation and assessed if the related claim had been included correctly in the claims run-off report up to 31 December 2024. No material inconsistencies were noted.

Based on the procedures performed above, we are satisfied that the methodology and assumptions applied in calculating the provision for the estimated cost of healthcare benefits that had occurred before the year-end, but that had not been reported to the Scheme and RA components of the LIC are appropriate.

## **Other Information**

The Scheme's trustees are responsible for the other information. The other information comprises the information included in the document titled "Medshield Medical Scheme Financial Statements for the year ended 31 December 2024", which includes The Statement of Responsibility by the Board of Trustees, Statement of Corporate Governance by the Board of Trustees and the Report of the Board of Trustees as required by the Medical Schemes Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

### **Report on Other Legal and Regulatory Requirements**

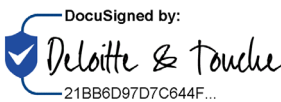
Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa that have come to our attention during the course of our audit.

### **Audit tenure**

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that the Deloitte firm has been the auditor of Medshield Medical Scheme for 4 years.

The engagement partner Harshal Kana has been responsible for Medshield Medical Scheme's audit for 1 year.

DocuSigned by:  
21BB6D97D7C644F...

Deloitte & Touche  
Per: Harshal Kana  
Partner  
Registered Auditor

10 June 2025

5 Magwa Crescent  
Waterfall City  
2090

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## STATEMENT OF FINANCIAL POSITION

as at 31 December 2024

	Note	2024 R'000	2023 R'000 Restated*
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>1 241 232</b>	<b>1 140 400</b>
Property, plant and equipment	2	3 864	4 193
Right-of-use assets	3	15 920	17 695
Financial assets*	4	1 221 448	1 118 512
<b>Current assets</b>		<b>1 789 170</b>	<b>1 814 662</b>
Financial assets*	4	1 597 269	1 636 196
Other receivables	5	1 325	778
Cash and cash equivalents	6	190 576	177 688
<b>Total assets</b>		<b>3 030 402</b>	<b>2 955 062</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>		<b>2 511 701</b>	<b>2 483 939</b>
Lease liabilities	3	12 401	15 602
Liabilities for future members	7	2 499 300	2 468 337
<b>Current liabilities</b>		<b>518 701</b>	<b>471 123</b>
Lease liabilities	3	6 123	4 708
Insurance contract liabilities	7.1	412 642	396 411
Reinsurance contract liabilities	8	1 747	1 711
Trade and other payables	9	58 135	54 065
Liabilities for future members	7	40 054	14 228
<b>Total liabilities</b>		<b>3 030 402</b>	<b>2 955 062</b>

\* Refer to note 30 for restatements.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2024

	Note	2024 R'000	2023 R'000 Restated*
Insurance revenue	10	3 901 648	3 692 968
Insurance service expense*	10	(4 053 848)	(3 872 127)
Net expenses from reinsurance contracts*		6 961	5 623
<b>Insurance service result*</b>		<b>(145 239)</b>	<b>(173 536)</b>
Investment Income	11	208 519	213 104
Other operating income	15	7 177	39 463
Fair value adjustments:			
- realised profit*	4	33 759	(1 432)
- unrealised profit/(loss)*	4	43 334	34 770
Administration and other operating expenses	14	(135 927)	(117 304)
Other finance costs	3	(1 818)	(3 413)
<b>Profit/(loss) for the year before amounts attributable to future members*</b>		<b>9 805</b>	<b>(8 348)</b>
<b>Amounts attributable to future members*</b>	10	<b>(56 789)</b>	<b>(2 444)</b>
<b>Profit/(loss) for the year*</b>		<b>(46 984)</b>	<b>(10 792)</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be classified to profit and loss:</i>			
Profit on fair value equity instruments at fair value through other comprehensive income*		46 984	10 792
<b>Other comprehensive income for the year*</b>		<b>46 984</b>	<b>10 792</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>

\* Refer to note 30 for restatements.

Surplus for the year is Rnil

Expenses not directly attributable to an option were allocated proportionately to the membership per option.

Following Circular 12 of 2024 and Circular 6 of 2025 issued by the Council for Medical Schemes, the Scheme has changed its presentation of insurance service expense. "Amounts attributable to future members" are now presented as a separate line item in the

a) Amounts attributable to future members total R56.8m (2023: R2.4m).

b) Total insurance service expenses, which under IFRS 17 would include amounts attributable to future members, amounted to R4.1bn (2023: R3.7bn).

c) The insurance service result, after adjusting for amounts attributable to future members, shows a loss of R202m (R2023: R176m).

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2024

	Note	2024 R'000	2023 R'000 Restated*
<b>Cash flows from operating activities</b>			
Cash receipts from members and providers - other*	15	145	5 339
Cash receipts from members – contributions*	7.1	3 975 361	3 778 007
Cash receipts from members and providers – other debtors*	5	(547)	(35)
Cash paid to reinsurer*	8	(18 728)	(19 243)
Cash paid to providers and employees - claims and directly attributable expenses*	7.1	(4 092 150)	(3 931 424)
Cash paid to providers and employees – other administration fees and operating expenses*	18	(91 943)	(106 787)
Cash paid to members – savings plan refunds	7.1	(1 828)	(16 024)
<b>Cash flows used in operations*</b>		<b>(229 690)</b>	<b>(290 167)</b>
Interest received	18	4 320	4 363
Finance costs paid	18	(1 818)	(3 413)
<b>Net cash flows used in operations</b>		<b>(227 188)</b>	<b>(289 217)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant & equipment	2	(2 048)	-
Proceeds on sale of property, plant & equipment		107	-
Investment deposits from the Scheme bank account	4	(3 177 000)	(3 063 607)
Investment withdrawals into the Scheme bank account	4	3 424 163	3 442 907
<b>Net cash flows from investing activities</b>		<b>245 222</b>	<b>379 300</b>
<b>Cash flows from financing activities</b>			
Cash repayments on lease liabilities*	3	(5 147)	(2 961)
<b>Net cash flows utilised in financing activities</b>		<b>(5 147)</b>	<b>(2 961)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>12 887</b>	<b>87 122</b>
<b>Cash and equivalents at the beginning of the year</b>		<b>177 688</b>	<b>90 566</b>
<b>Cash and equivalents at the end of year</b>	6	<b>190 576</b>	<b>177 688</b>

\* Refer to note 30 for restatements.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 1. Material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies comply with IFRS accounting policies.

#### 1.1. Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with IFRS Accounting Standards, the interpretations effective at the time of preparing these financial statements and the Medical Schemes Act, Act 131 of 1998, as amended ("MSA").

These financial statements comply with the requirements of SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements have been prepared on the going concern basis using the historic cost convention, except for the following assets and liabilities:

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

They are presented in Rands and rounded in thousands (R'000).

These accounting policies are consistent with the previous period.

#### 1.2. New Accounting Standards and Amendments to Accounting Standards

**Mandatory effective for the period commencing on or after 1 January 2024.**

Standards effective from 1 January 2024	Effective Date	Amendment
Amendments to IAS 1 - Presentation of Financial Statements (Classification of liabilities as non-current)	1 January 2024	IAS 1 provides guidance on how entities should determine whether a liability is classified as current and non-current. Prior to the amendments, IAS 1 allowed a liability to be disclosed as non-current only where an unconditional right to defer settlement for at least 12 months after the reporting period existed at financial year end. The amendments to IAS 1 provides clarification regarding the classification of liabilities as non-current. The amendments do not affect the amount or timing of recognition of liabilities. The amendment removes the requirement for the right to defer settlement to be unconditional. An entity's right to defer settlement of a liability arising from a loan arrangement for at least twelve months after the reporting period may be subject to the entity complying with conditions specified in that loan arrangement (hereafter referred to as 'covenants').

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 1. Material accounting policies (continued)

Mandatory effective for the period commencing on or after 1 January 2024.

Standards effective from 1 January 2024	Effective Date	Amendment
Amendments to IAS 1 - Presentation of Financial Statements (Classification of liabilities as non-current) (continued)	1 January 2024	<p>An entity would consider a covenant in assessing its right to defer settlement if an entity is required to comply with that covenant on or before the end of the reporting period. Such a covenant affects whether the right exists at the end of the reporting period even if compliance with the covenant is assessed only after the reporting period (for example, a covenant based on the entity's financial position at the end of the reporting period but assessed for compliance only after the reporting period).</p> <p>An entity would not consider a covenant in assessing its right to defer settlement if an entity is required to comply with the covenant only after the reporting period (for example, a covenant based on the entity's financial position six months after the end of the reporting period.) In these circumstances the entity is required to provide additional disclosure relating to the repayment of the liabilities.</p> <p>The Sandard is not material to the Scheme</p>
Amendments to IFRS 16 - Leases (Lease liability in a Sale and Leaseback)	1 January 2024	<p>IFRS 16 provides guidance on the accounting treatment for sale and leaseback transactions. Prior to the amendment, the standard did not explicitly specify the subsequent treatment of the lease from the seller-lessee perspective.</p> <p>IFRS 16 has been amended to specify how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 to the lease liability and right-of-use asset that arises in a sale and leaseback transaction. The amendment requires the seller-lessee to subsequently account for the lease using the existing subsequent measurement requirements in IFRS 16 to account for the lease.</p> <p>As a result, where there are changes to the terms of the sale and leaseback transaction that result in a modification, and therefore a re-measurement, the seller-lessee would not recognise a gain or loss related to the right-of-use asset retained. Similarly, a partial or full termination in the lease would result in the recognition of a gain or loss recognised in profit or loss.</p> <p>The Sandard is not material to the Scheme</p>

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 1. Material accounting policies (continued)

Mandatory effective for the period commencing on or after 1 January 2024.

Standards effective from 1 January 2024	Effective Date	Amendment
Amendments to IAS 7 - Statement of Cashflow and IFRS 7 - Financial Instruments: Disclosure (Supplier Finance Agreements)	1 January 2024	<p>Supplier finance arrangements are characterised by one or more finance providers offering to pay amounts an entity owes to its suppliers and in return the entity agreeing to pay such finance providers according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. Depending on the terms of the arrangement, liabilities arising from supplier finance agreements may be classified as either trade payables, or borrowings. The classification of the cash flows arising from supplier finance agreements should be consistent with the classification of the underlying liabilities.</p> <p>The amendments require an entity to provide additional disclosures about its supplier finance arrangements.</p> <p>The Standard is not material to the Scheme</p>

### 1.3. Significant judgements and estimates

#### 1.3.1 Assessment if the entity 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 is done based on the principles set out in IFRS.

IFRS 3 defines a mutual entity as "an entity, other than an investor-owned entity, which provides dividends, lower costs or other economic benefits directly to its owners, members or participants". 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 3 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 the policyholder and not a shareholder.

It has been established under the summarised scheme rules that the scheme is not investor owned, and that the members of the Scheme, who are the policyholders, enjoy the risks and benefits of ownership of the Scheme. This is demonstrated by the following powers vested in the members:

- Approval of the Annual Financial Statements.
- Appointment of the External Auditor.
- Appointment of the majority of the members of the Board of Trustees.
- Deciding on the liquidation of the Scheme and how the Scheme's assets should be distributed in the event of such liquidation.

The Scheme considers that the powers vested in members as outlined above, in addition to their contractual rights arising from their insurance policies with the Scheme, accords them the ownership entitlement to the Scheme. Although the MSA does not specify that the Scheme is owned by members, the key decisions taken by members at general or special meetings suggest that they are entitled to the residual interest of the Scheme. The Scheme is therefore treated as a mutual entity for the purposes of IFRS 17 application.

It is expected that the remaining assets of the Scheme will be used to pay current and future members.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

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### 1. Material accounting policies (continued)

The Scheme should recognise a liability in terms of IFRS 17 in its statement of financial position to provide coverage to future members. This is on the basis that the Scheme is in a surplus position. If the Scheme is in a deficit position, then there is no residual to draw on to raise a liability.

This liability is in essence incurred because the Scheme is obliged to:

- provide coverage to the member;
- pay incurred claims of that member; or
- provide coverage to future members.

On measurement of the liability, the fulfilment cashflows of this liability are measured at the current value.

There may be accounting mismatches between the measurement of this liability and the measurement of the other net assets of the Scheme. This liability should be measured incorporating information about the fair value of the other assets and liabilities of the entity. Many of these other assets and liabilities are not required to be measured at fair value in applying IFRS Standards, for example, amortised cost of financial assets and the measurement of property, plant & equipment. The carrying amounts of assets that are not measured at fair value are more likely to be measured at a value lower rather than higher than fair value because of requirements to recognise impairments. This liability may be greater than recognised assets in the financial statements, even though the Scheme is solvent for regulatory purposes, but for IFRS 17, the Scheme will have no equity (or negative equity) and no net comprehensive income for the accounting period.

#### 1.3.2. Unit of account

The Scheme as a whole was identified as a portfolio. All contracts issued by the Scheme are subject to similar risks and managed together. As the MSA specifically constrains the entity's practical ability to set a different price or level of benefits for members with different characteristics, the Scheme as a whole was also identified as the group. The Scheme assesses if the group as a whole is onerous or profitable. If the group is onerous, no further liability is recognised as a liability to future members (as the Scheme is regarded as a mutual entity for accounting purposes). However, if the existing liability to future members is less than the onerous liability, there is an argument to recognise an additional liability to the extent that the onerous liability exceeds the liability to future members.

#### 1.3.3. Risk adjustment ("RA") - Liability for incurred claims ("LIC")

The RA reflects the risk the Scheme is bearing for the uncertainty of timing, severity, and number of reported cashflows. The RA compensates the Scheme for bearing non-financial risks such as:

- Claims risk, the risk of uncertainty with respect to the severity, frequency and timing of claims;
- Membership risk, the risk of unpredictable or adverse membership movements such as membership withdrawals or option downgrades. Membership risk also includes worsening burden of disease and ageing demographic profile, which often results in increased utilisation of healthcare services and higher costs for the Scheme. Membership risk influences the claims that are incurred by the Scheme.
- Expense risk, the variability of the expenses incurred by the Scheme and the risks of growth in expenses above what was expected

Insurance contracts are grouped at a scheme level for the Scheme, therefore the RA for non-financial risk is calculated at an option level and aggregated to a scheme level. The confidence level used in this methodology is set at 75% to reflect the risk tolerance of the incurred but not reported provision ("IBNR").

#### 1.3.4. Measurement method used to measure the insurance contract - LIC

To estimate the insurance contract liability, we use a combination of the estimates given by the Bornhuetter-Ferguson ("BF") and Basic Chain Ladder ("BCL") methodologies.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

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### 1. Material accounting policies (continued)

The BCL method is used to estimate future cumulative claims and incremental claims. These claims are then summed to obtain the reserves by each service date. The reserve results are stored to create a predictive distribution. The BCL method is based on claims development patterns derived from a period of 24 months prior to the calculation date. It is therefore assumed claims are fully run-off after 24 months. The use of the BCL method makes the implicit assumption that historical development patterns will continue to apply in the future.

The BF method can be considered to be a hybrid method which incorporates the outstanding proportion of claims predicted by the BCL method with the total claims for a month to be paid as estimated using the Health Monitor model to arrive at an estimate for total outstanding claims to be paid.

### 1.4. Property, plant and equipment

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Scheme, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that the future economic benefits associated with the expenditure will flow to the Scheme and the cost can be measured reliably. Day-to-day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life on a straight-line basis.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 years
Motor Vehicles	Straight line	4 years
Office Equipment	Straight line	4 years
Computer Software	Straight line	3 years
Leasehold Improvements	Straight line	3 years
Right-of-use Asset	Straight line	Over the period of the lease

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. Maintenance and repairs, which neither materially add to the value of the assets, nor appreciably prolong their useful lives are charged against profit or loss.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when there are no future economic benefits from its continued use or disposal. Any gain or loss arising from the derecognition of any item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2024*

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### 1. Material accounting policies (continued)

#### 1.5. Valued Added Tax

The Scheme is not a registered VAT vendor.

#### 1.6. Financial Instruments

Financial assets held by the Scheme are classified in accordance with the provisions of IFRS 9, Financial Instruments. Broadly, the classification possibilities, which are adopted by the Scheme, as applicable, are as follows:

Financial assets which are equity instruments:

- Designated at fair value through other comprehensive income.

Financial assets which are debt instruments:

- Fair value through profit and loss.

Financial liabilities:

- Amortised cost.

Note 21, Financial Instruments and risk management, presents the financial instruments held by the Scheme based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Scheme are presented below:

#### **Other receivables**

##### **Classification**

Other receivables, excluding prepayments are classified as financial assets subsequently measured at amortised cost (note 5).

##### **Recognition and measurement**

Other receivables are recognised when the Scheme becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivables initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

##### **Impairment**

The Scheme recognises a loss allowance for the expected credit losses on other receivables. The amount of expected credit losses is updated at each reporting date.

The Scheme measures the loss allowance for other receivables at an amount equal to lifetime expected credit losses ("Lifetime ECL"), which represents the expected credit losses that will result from all possible default events over the expected life of the other receivables.

#### **Investments in equity instruments**

##### **Classification**

Investments in equity instruments are presented in note 4. They are classified at fair value through other comprehensive income.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2024*

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### 1. Material accounting policies (continued)

#### Recognition and measurement

Investments in equity instruments are recognised when the Scheme becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated at fair value through other comprehensive income.

Investments in equity instruments are measured at fair value, with changes in fair value, recognised in other comprehensive income (and accumulated equity held in the fair value through OCI reserve in the Statement of Changes in Members' Funds and Reserves).

Dividends received are recognised in profit or loss. There is no recycling of amounts from OCI to profit or loss. However, the Scheme can transfer cumulative gains or loss on a sale of an equity instrument, within equity.

Details of the valuation policies and processes are presented in note 22.

#### Investments in debt instruments at fair value through profit or loss

##### Classification

Investments in debt instruments are classified at fair value through profit or loss.

The Scheme holds investments in government and corporate bonds (note 4), which are measured at fair value through profit or loss.

##### Recognition and measurement

Investments in debt instruments at fair value through profit or loss are recognised when the Scheme becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, and subsequently, at fair value. Details of the valuation policies and processes are presented in note 21.

Transaction costs are recognised in profit or loss.

#### Trade and other payables

##### Classification

Trade and other payables (note 9), are classified as financial liabilities and are subsequently measured at amortised cost.

##### Recognition and measurement

Trade and other payables are recognised when the Scheme becomes a party to the contractual provisions, and are measured at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Trade and other payables expose the Scheme to liquidity risk and possibly to interest rate risk. Refer to note 20 for details of risk exposure and management thereof.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term liquid investments that are readily convertible to cash and are subject to an insignificant risk of change in value. Short-term liquid investments have maturities of 3 months or less. Cash and cash equivalents are subsequently measured at amortised cost using the effective interest method.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

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### 1. Material accounting policies (continued)

#### 1.7. Leases

The Scheme assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is or contains a lease, if the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration.

Determining whether a contract is or contains a lease, requires significant judgements. The relevant disclosures are provided in the "significant judgements and estimates" section of these accounting policies.

#### Scheme as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Scheme is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Scheme recognises the lease payments as an administration or operating expense (note 14) on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Details of leasing arrangements where the Scheme is the lessee, are presented in note 3 Leases (Scheme as lessee).

#### Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Scheme uses what would have been its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Scheme under residual value guarantees;
- the exercise price of purchase options, if the Scheme is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Scheme is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect lease payments made. Interest on the lease liability is included in finance costs paid (note 3).

The Scheme remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Scheme will exercise a purchase, termination or extension option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised payments using a revised discount rate.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

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### 1. Material accounting policies (continued)

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss, if the carrying amount of the right-of-use asset has been reduced to zero.

#### Right-of-use assets

Right-of-use assets are presented as a separate line item in the Statement of Financial Position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made on or before the commencement date, less any lease incentives received and initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. However, if a lease transfer of ownership of the underlying asset or the cost of the right-of-use asset reflects that the Scheme expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement of the lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year.

The depreciation charge for each year is recognised in profit or loss.

### 1.8. Impairment of non-financial assets

The Scheme assesses at each end of the reporting period whether there is an indication that an asset may be impaired. If any such indication exists, the Scheme estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell, and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation, is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have been decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss, may not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation, is recognised immediately in profit or loss.

### 1.9. Insurance Contracts

#### Identification of Insurance Contracts

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

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

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### 1. Material accounting policies (continued)

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

#### Non distinct investment component accounted for in terms of IFRS 17

The Personal Medical Savings Account (PMSA) meets the definition of an investment component in IFRS 17, as it requires the medical scheme to repay a member in circumstances, regardless of whether or not an insured event occurred. The investment component is not distinct, and it is accounted for in terms of IFRS 17.

The PMSA contracts are non-distinct because the savings component cannot be sold separate from the main insurance contract. The cashflows relating to the PMSA are not recorded in the statement of profit or loss and other comprehensive income but are considered in assessing onerous contracts.

The PMSA is disclosed as part of the liability for remaining coverage as it relates to investment components that have not been transferred to the liability for incurred claims. The PMSA does not accrue interest.

#### Reinsurance contracts

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

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

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

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

#### Recognition and derecognition

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 policyholder is due or actually received, if there is no due date; and
- when the Scheme determines that a group of contracts becomes onerous.

An insurance contract is derecognised when it is extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled) or meets the requirements of IFRS 17.72. If it does not meet the requirements of IFRS 17.72. then the Scheme will account for the changes as a change in estimate.

#### Measurement

##### Present value fulfilment cashflows ("PVFCF")

The PVFCF are the current estimates of the future cashflows within the contract boundary of a group of contracts that the Scheme expects to collect from premiums, the payout of claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

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### 1. Material accounting policies (continued)

The estimate of future cashflows shall:

- a) incorporate all reasonable and supportable information available without undue cost or effort about the amount, timing, and uncertainty of those future cashflows. To do this, the probability weighted mean of the full range of possible outcomes shall be estimated;
- b) reflect the perspective of the Scheme, provided that the estimates of any relevant market variables are consistent with observable market prices for those variables;
- c) be current - the estimates shall reflect conditions existing at the measurement date, including assumptions at that date about the future;
- d) be explicit - the Scheme shall estimate the risk adjustment for non-financial risk separately from the other estimates;
- e) An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the Premium Allocation Approach ("PAA"), unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the Liability for Incurred Claims ("LIC").

#### Contract boundary

The Scheme uses the concept of contract boundary to determine what cashflows should be considered in the measurement of insurance contracts.

The assessment is reviewed during every reporting period. Cashflows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Scheme has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

- a) the Scheme has the practical ability to re-price the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks, or;
- b) both the following criteria are satisfied;
  - the Scheme has the practical ability to re-price the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
  - the pricing of premiums related to coverage to the date when risks are reassessed, does not reflect the risks related to periods beyond the reassessment date.

Cashflows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria. Cashflows that are not directly attributable to a portfolio of insurance contracts, are recognised as administration and other operating expenses as incurred. The contract boundary for contracts issued by the Scheme does not exceed 12 months and consequently, the Scheme elected to apply the PAA. Each year the Scheme embarks on a process to review and amend the benefit options available to members, and re-price them accordingly. As this happens annually, the contract boundary for the policy is 12 months.

#### Insurance acquisition costs

The Scheme includes the acquisition cashflows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and which are costs directly attributable to individual contracts and groups of contracts. Acquisition cashflows are expensed as incurred.

#### Risk adjustment for non-financial risk

The RA for non-financial risk is applied to the present value of the estimated future cashflows and reflects the compensation that the Scheme requires for bearing the uncertainty about the amounts and timing of the cashflows from non-financial risk as the Scheme fulfils insurance contracts.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2024*

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### 1. Material accounting policies (continued)

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Scheme to the reinsurer.

Under IFRS 17, the risk adjustment reflects the compensation that an entity requires for bearing the uncertainty, with respect to the amount and timing of the cashflows that arise from non-financial risks. The PAA (a simplified measurement approach adopted by the Scheme) requires the calculation for risk adjustment for liability for incurred claims. The method for its calculation is not prescribed by IFRS 17, and is therefore the choice of the Scheme.

However, the standard states that the risk adjustment must have the following characteristics:

- risks with low frequency and high severity must result in a higher risk adjustment than risks with higher frequency and low severity.
- for similar risks, insurance contracts with longer duration result in higher risk adjustment for non-financial risk than contracts with a shorter duration.
- risk with a wider probability distribution, thus subject to more uncertainty, result in a higher risk adjustment for non-financial risk than risks with a narrower distribution.
- the risk adjustment should reflect the risk that the Scheme is bearing for the uncertainty of timing, severity and number of reported cashflows. The risk adjustment compensates the Scheme for bearing non-financial risks such as claims risk, and the risk of uncertainty with respect to the severity, frequency and timing of claims.
- the IFRS 17 risk adjustment excludes the allowance for other types of risks, such as:
  - operational risk, the risk of failure of internal systems, procedures and controls.
  - regulatory risk, the introduction of new rules or legislation.
  - financial risk, such as adverse movements in interest rates, bad debts or the risk that the Scheme incurs losses from the inability to meet its current obligations (liabilities).

#### **Initial and subsequent measurement - groups of contracts measured under the PAA**

The Scheme elected to apply the PAA for measuring contracts since the contract boundary does not exceed 12 months.

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

In applying the PAA, the Scheme chose to recognise any insurance acquisition cashflows as expenses when it incurs these costs.

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

#### **Liability for remaining coverage (LRC) and Liability for incurred Claims (LIC)**

The carrying amount of a group of insurance contracts issued is the sum of:

- a) the LRC; and
- b) the LIC, comprising the fulfillment cashflows related to past service allocated to the group at the reporting date and the risk adjustment.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

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### 1. Material accounting policies (continued)

#### Liability for remaining coverage (LRC)

##### Initial recognition

Using the PAA, on initial recognition, the Scheme measures the LFRC as follows:

The premiums, if any, received at initial recognition:

- minus any insurance acquisition cashflows at that date, unless the entity chooses to recognise the payment as an expense
- plus or minus any amounts arising from the derecognition at that date of:
  - any asset for insurance acquisition cashflows; and
  - any other asset or liability previously recognised for cashflows related to the contracts.

##### Subsequent measurement

Using the PAA, on subsequent measurement, the Scheme measures the LRC as follows:

The premiums received in the period:

- minus the amount recognised as insurance revenue for the services provided in that period; and
- minus any investment component paid or transferred to the LIC;

At the end of the reporting period, the LFRC balance comprises of:

- the PMSA component; and
- premiums received in advance.

#### Liability for Incurred Claims

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

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

The risk adjustment for non-financial risk is applied to the present value of the estimated future cashflows and reflects the compensation the Scheme requires for bearing the uncertainty about the amount and timing of the cashflows from non-financial risk as the Scheme fulfils insurance contracts.

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

#### Liability for future members

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

- increased by net profits for the period; and
- decreased by the net losses for the period.

#### Reinsurance contracts

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 (RCC); and
- b) the incurred claims, comprising the present value fulfilment cash flows (PVFCF) related to past service allocated to the group at the reporting date and the risk adjustment (RA);

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2024*

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### 1. Material accounting policies (continued)

For reinsurance contracts measured under the PAA, the allocated investment component ("AIC") is measured similarly to AIC's measurement under the General Measurement Model ("GMM"). Under the GMM at initial recognition, an entity measures a group of reinsurance contracts as the total of the fulfilment cashflows which comprise the estimated future cashflows, an adjustment to reflect the time value of money and the financial risks associated with the future cashflows, and a risk adjustment for non-financial risk.

#### Onerous contracts

The Scheme assesses if the group as a whole is onerous or profitable. A group is onerous if the cash outflows exceed the cash inflows. If a group is onerous, no further liability is recognised as a liability to future members (as the Scheme is regarded as a mutual entity for accounting purposes). Only if the loss component is more than the liability for future members will an additional onerous contract liability be raised.

#### Amounts recognised in profit and loss and other comprehensive income

##### Insurance service result from insurance contracts issued

###### Insurance revenue

As the Scheme provides services under the group of insurance contracts, it reduces the LFRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the amount of expected premium receipts (excluding the PMSA) allocated to the period. The Scheme allocates the expected premium receipts to each period of the insurance contract services on the basis of the passage of time.

###### Insurance service expenses

Insurance service expenses include the following:

- a) incurred claims and benefits excluding investment components;
- b) other incurred directly attributable insurance service expenses (insurance service expenses are classified as attributable if 80% or more of the line item is incurred in servicing the member or members. If the 80% threshold is not met, then incurred expenses are classified as operating expenses);
- c) charges that relate to past service (i.e. changes in the fulfilment cash flows relating to the LIC); and,

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit and loss.

##### Insurance service result from reinsurance contracts held

###### Net income (expenses) from reinsurance contracts held

The Scheme presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held. 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 premiums the Scheme expects to pay in exchange for those services. For groups of reinsurance contracts held, measured under the PAA, the Scheme recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Reinsurance income consists of the amount that depicts the value of the insurer benefits from entering into a risk transfer agreement.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

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### 1. Material accounting policies (continued)

#### 1.10. Employee benefits

##### Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employee renders services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of short-term incentive (bonus) payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

##### Defined contribution plans

The Scheme participates in a defined contribution plan via a managed umbrella fund. The Scheme has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

#### 1.11. Provisions and contingencies

Provisions are recognised when:

- a) the Scheme has a present obligation as a result of a past event;
- b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- c) a reliable estimate can be made of the obligation.

The amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

When some, or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

#### 1.12. Road Accident Fund recoveries

Normally, receivables are recognised once the Scheme is notified of the amount to be paid over, and the Road Accident Fund ("RAF") has indicated that the claim is ready for payment. It is only at this time that the asset can be reliably measured. Receivables from the RAF should still be tested for possible impairment despite their notification of payment of the claim.

#### 1.13. Allocation of income and expenditure to benefit options

The following items are directly allocated to benefit options:

- Insurance revenue;
- Relevant healthcare expenditure (Insurance service expense); and
- Broker fees (Insurance service expense).

The remaining items are apportioned based on the number of members on each option (or other suitable basis):

- Directly attributable expenses (Insurance service expense);
- Net profit/(loss) from reinsurance contracts;
- Net investment Income;
- Finance expense;
- Administration fees and operating expenses;
- Other income; and
- Fair value adjustment on financial assets held at fair value through profit and loss.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

2. Property, plant and equipment	Leasehold Improvements R'000	Motor vehicles R'000	Furniture & fittings R'000	Computer and office equipment R'000	Total R'000
<b>Year ended 31 December 2024</b>					
<b>Gross carrying amount</b>					
At beginning of year	9 449	1 716	9 447	4 554	25 166
Additions	623	1 179	36	210	2 048
Disposals		(888)	(2 030)	(1 476)	(4 394)
<b>At end of year</b>	<b>10 072</b>	<b>2 007</b>	<b>7 453</b>	<b>3 288</b>	<b>22 820</b>
<b>Accumulated depreciation</b>					
At beginning of year	(5 527)	(1 716)	(9 302)	(4 428)	(20 973)
Depreciation charges	(2 033)	(172)	(51)	(81)	(2 337)
Disposals		888	1 989	1 477	4 354
<b>At end of year</b>	<b>(7 560)</b>	<b>(1 000)</b>	<b>(7 364)</b>	<b>(3 032)</b>	<b>(18 956)</b>
<b>Net carrying amount at end of year</b>	<b>2 512</b>	<b>1 007</b>	<b>89</b>	<b>256</b>	<b>3 864</b>
<b>Year ended 31 December 2023</b>					
<b>Gross carrying amount</b>					
At beginning of year	9 449	1 716	9 447	4 554	25 166
Additions	-	-	-	-	-
<b>At end of year</b>	<b>9 449</b>	<b>1 716</b>	<b>9 447</b>	<b>4 554</b>	<b>25 166</b>
<b>Accumulated depreciation</b>					
At beginning of year	(3 553)	(1 716)	(8 667)	(4 307)	(18 243)
Depreciation charges	(1 974)	-	(635)	(121)	(2 730)
<b>At end of year</b>	<b>(5 527)</b>	<b>(1 716)</b>	<b>(9 302)</b>	<b>(4 428)</b>	<b>(20 973)</b>
<b>Net carrying amount at end of year</b>	<b>3 922</b>	<b>-</b>	<b>145</b>	<b>126</b>	<b>4 193</b>

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 3. Right-of-use-assets & lease liability (Scheme as lessee)

The Scheme leases several assets, including buildings and IT equipment. The average lease term is 3 - 5 years.

The Scheme determined the estimated incremental borrowing rate using information obtained from the Scheme's banker, Nedbank. It obtained pricing for computer and office equipment, which was prime less 0.5%

The Scheme used that rate for leased equipment and adjusted the rate to prime less 1% for leased properties. Details pertaining to leasing arrangements, where the Scheme is the lessee are presented below:

#### Right-of-use asset

	2024 R'000	2023 R'000 Restated*
<b>Year ended 31 December 2024</b>		
<b>Gross carrying amount</b>		
At the beginning of the year*	25 009	83 020
Additions	4 705	-
Derecognition of expired leases*	(997)	(58 011)
<b>At end of the year*</b>	<b>28 717</b>	<b>25 009</b>
<b>Accumulated Depreciation</b>		
At the beginning of the year*	(7 314)	(60 985)
Derecognition of expired leases*	236	58 775
Depreciation charges	(5 719)	(5 104)
<b>At end of the year*</b>	<b>(12 797)</b>	<b>(7 314)</b>
<b>Net carrying amount at end of the year</b>	<b>15 920</b>	<b>17 695</b>

\*Refer to Note 30 for restatements.

#### Lease liability

	2024 R'000	2023 R'000
The reconciliation of lease liabilities is as follows:		
Opening value 1 January	20 310	23 271
Increase in lease liability - new leases	4 705	-
Lease payments	(6 965)	(6 374)
Leases terminated	(1 344)	-
	16 706	16 897
Finance charges	1 818	3 413
	<b>18 524</b>	<b>20 310</b>

#### Split between non-current and current liabilities

Non-current liabilities	12 401	15 602
Current liabilities	6 123	4 708
	<b>18 524</b>	<b>20 310</b>
	<b>2024 R'000</b>	<b>2023 R'000 Restated*</b>

### 4. Financial assets

Current*	1 597 269	1 636 196
- Fair value through other comprehensive income*	832 333	814 864
- Fair value through profit or loss*	764 936	821 332
Non-Current*	1 221 448	1 118 512
- Fair value through other comprehensive income*	-	-
- Fair value through profit or loss*	1 221 448	1 118 512
	<b>2 818 717</b>	<b>2 754 708</b>

\*Refer to Note 30 for restatements.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

	2024 R'000	2023 R'000 Restated*
<b>4. Financial assets</b>		
Fair value at the beginning of the year	2 754 708	2 897 440
Additions/re-investments	3 177 000	3 063 607
Disposals at fair value at date of disposal	(3 424 163)	(3 442 908)
Re-investment of investment income	204 200	208 740
Investment management fees	(17 104)	(16 301)
Realised profit/(losses)		
Fair value of equity instruments*	20 289	41 113
Fair through profit or loss*	33 759	(1 432)
Unrealised gains/(losses)		
Fair value through OCI (equity)*	26 694	(30 321)
Fair value through profit or loss*	43 334	34 770
Fair value at the end of the year	<b>2 818 717</b>	<b>2 754 708</b>
Investments have been managed by a number of fund managers namely:		
<b>Segregated portfolio investments</b>	<del>2 663 078</del>	<del>2 662 190</del>
Sanlam Investment Management	617 031	646 099
Argon Asset Managers	687 200	619 352
M & G Portfolio Managers	168 795	152 175
Mergence Asset Managers		
<b>Unitised investments</b>	<del>664 779</del>	<del>689 139</del>
Allan Gray Life Limited	682 613	692 578
Stanlib Investment Managers	17 834	3 439
	<b>2 818 717</b>	<b>2 754 708</b>
Financial assets comprise the following:		
<b>Financial Assets - other comprehensive income</b>		
Listed equities*	832 333	814 864
	<b>832 333</b>	<b>814 864</b>
<b>Financial Assets - profit and loss</b>		
Unitised instruments*	682 613	692 576
Debt instruments*	722 560	642 498
Money market instruments - risk*	581 211	604 770
	<b>1 986 384</b>	<b>1 939 844</b>

The fair value of the investments and other assets is based on market value at year end. Listed equities are based on the JSE Ltd closing price, debt instruments and money market instruments are based on the Bond Exchange of South Africa closing prices. Unitised investments are measured at the repurchase prices. The maximum exposure to credit risk at the reporting date is the fair value of debt securities classified as financial assets. The scheme has invested in bonds spread across all bond types and the market performance of the bond indices varied between 9.65% (2023: 9.22%) on the 1-3 year bond index to 13.69% (2023: 10.32%) on the 7-12 year bond index. All investments are denominated in South African Rands.

\*Refer to Note 30 for restatements.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

	2024 R'000	2023 R'000 Restated*
<b>5 Other receivables</b>		
Sundry debtors*	48 344	48 476
Deposit - South African Post Office*	520	520
Prepaid expenses*	2 712	2 268
Forensic recoveries*	269	269
Interest (debtors)*	646	411
Debtors - inter account transfer*	494	494
	<u>52 985</u>	<u>52 438</u>
Provision for impairment of sundry debtors*	(51 660)	(51 660)
	<u><b>1 325</b></u>	<u><b>778</b></u>

Footnote to be added - restatement?

	2024 R'000	2023 R'000
<b>6 Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	8	8
Bank balances	190 568	177 680
	<u><b>190 576</b></u>	<u><b>177 688</b></u>

The average effective interest rate on current accounts was 6.0% (2023: 6.5%). The carrying value of cash and cash equivalents is a reasonable approximation of their fair value due to their short-term maturities.

A portion of the cash and cash equivalents is encumbered as either a guarantee or a deposit in relation to the properties that the Scheme leases. The Scheme entered into a lease agreement with Burstone Group Limited (formerly Investec Property Fund Ltd) ("Landlord") in respect of the premises situated at 192 Bram Fischer Drive, Ferndale, Randburg. In terms of the lease agreement, the Landlord requires that the Scheme to furnish the Landlord with a letter of guarantee in respect of the Scheme's rental obligations to the Landlord in terms of the Lease. The Scheme has furnished the Landlord with the required guarantee in the amount of R1 988 000.

The Scheme entered into the following leases in relation to the regional offices: (a) Camden Property Investments (Durban), where the Scheme furnished the landlord with a guarantee in the amount of R139 586; (b) Eris Properties (Pty) Ltd (Cape Town), where the Scheme made a deposit of R111 951 in terms of the lease; (c) Capstone 598 (East London), where the Scheme made a deposit of R11 500 in terms of the lease; (d) Romanco 5 (Pty) Ltd (Port Elizabeth) where the Scheme made a deposit of R24 800 in terms of the lease and (e) Investpro (Pty) Ltd (Bloemfontein) where the Scheme made a deposit of R12 730 in terms of the lease agreement.

The Scheme has issued guarantees or made deposits totalling R2 288 567.

## 7. Insurance contract liabilities

The insurance contract liabilities line is made up of the following two components:

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

	2024 R'000	2023 R'000
Insurance contract liabilities – Liability attributable to current members		
– Current	412 642	396 411
Insurance contract liabilities – Liability attributable to future members		
– Non-current	2 539 354	2 482 565
– Current	2 499 300	2 468 337
	40 054	14 228
	<u><b>2 951 996</b></u>	<u><b>2 878 976</b></u>

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 7 Insurance contract liabilities (continued)

#### 7 Insurance contract liabilities – Liability attributable to current members

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

	2024 R'000			
	LFRC Excl. Loss	LIC PVFCF   Risk Adjust.		TOTAL
Insurance contracts issued component				
Opening insurance contract 1 January 2024	146 914	248 952	545	396 411
Insurance revenue				
New contracts issued in the year	(3 901 648)			(3 901 648)
Total insurance revenue	<b>(3 901 648)</b>			<b>(3 901 648)</b>
Insurance service expenses				
Incurred claims and other directly attributable expenses		3 977 335	8 721	3 986 056
Acquisition expenses		82 807		82 807
Changes that relate to past service - adjustments to the LIC		(13 560)	(1 455)	(15 015)
Total insurance service expenses	-	<b>4 046 582</b>	<b>7 266</b>	<b>4 053 848</b>
Insurance service result	<b>(3 901 648)</b>	<b>4 046 582</b>	<b>7 266</b>	<b>152 200</b>
Finance expense from insurance contracts issued	-			-
Other - PMSA written off and refunded*	(17 353)			(17 353)
Total amounts recognised in comprehensive income	<b>(3 919 001)</b>	<b>4 046 582</b>	<b>7 266</b>	<b>134 847</b>
Investment components*	(64 902)	64 902		-
<b>Cashflows</b>				
Contributions received	3 975 361			3 975 361
Claims and other directly attributable expenses paid		(4 092 150)		(4 092 150)
Saving plan refund	(1 828)			(1 828)
Total Cashflows	<b>3 973 533</b>	<b>(4 092 150)</b>	-	<b>(118 616)</b>
Closing insurance contract liabilities as at 31 December 2024	<b>136 544</b>	<b>268 287</b>	<b>7 811</b>	<b>412 642</b>
	<b>136 544</b>	<b>268 287</b>	<b>7 811</b>	<b>412 642</b>
Contributions in advance	75 509			75 509
Personal medical savings account ("PMSA")	120 720			120 720
Arrear contributions	(59 685)			(59 685)
IBNR		210 000		210 000
Directly attributable expense payables		58 287		58 287
IBNR - Risk adjustment			7 811	7 811

\* The Council for Medical Schemes requires additional disclosures on the PMSA liability - refer to note 12.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 7. Insurance contract liabilities (continued)

#### 7.1 Insurance contract liabilities – Liability attributable to current members

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

	2023 (Restated*) R'000			
	LFRC	LIC		
	Excl. Loss	PVFCF	Risk Adjust.	TOTAL
Insurance contracts issued component				
Opening insurance contract 1 January 2023	184 694	242 235	484	427 413
Insurance revenue				
New contracts issued in the year	(3 692 968)			(3 692 968)
Total insurance revenue	<b>(3 692 968)</b>			<b>(3 692 968)</b>
Insurance service expenses				
Incurred claims and other directly attributable expenses		3 768 989	9 266	3 778 255
Acquisition expenses		78 176		78 176
Changes that relate to past service - adjustments to the LIC		24 901	(9 205)	15 696
Total insurance service expenses	-	<b>3 872 066</b>	<b>61</b>	<b>3 872 127</b>
Insurance service result	<b>(3 692 968)</b>	<b>3 872 066</b>	<b>61</b>	<b>179 159</b>
Finance expense from insurance contracts issued				
Other - PMSA written off and refunded**	(40 720)			(40 720)
Total amounts recognised in comprehensive income	<b>(3 733 688)</b>	<b>3 872 066</b>	<b>61</b>	<b>138 439</b>
Investment components**	(66 075)	66 075		-
<b>Cashflows</b>				
Contributions received	3 778 007			3 778 007
Claims and other directly attributable expenses paid		(3 931 424)		(3 931 424)
Saving plan refund	(16 024)			(16 024)
Total Cashflows	<b>3 761 983</b>	<b>(3 931 424)</b>	-	<b>(169 441)</b>
Closing insurance contract liabilities as at 31 December 2023	<b>146 914</b>	<b>248 952</b>	<b>545</b>	<b>396 411</b>
	<b>146 914</b>	<b>248 952</b>	<b>545</b>	<b>396 411</b>
Contributions in advance	58 178			58 178
Personal medical savings account ("PMSA")	129 471			129 471
Arrear contributions	(40 735)			(40 735)
IBNR		223 560		223 560
Directly attributable expense payables		25 392		25 392
IBNR - Risk adjustment			545	545

\*Refer to Note 30 for the restatements.

\*\* The Council for Medical Schemes requires additional disclosures on the PMSA liability - refer to note 12.

# MEDSHIELD MEDICAL SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 7. Insurance contract liabilities (continued)

The IBNR and RA has the greatest effect on the measurement of the of insurance contract liabilities.

In calculating the provision, a number of methodologies were used to arrive at an appropriate provision. These methodologies include the Health Monitor Computer Model ("Health Monitor"), together with the traditional BCL and BF techniques.

The Health Monitor is a stochastic risk management model which is utilised to estimate the claims incurred by by service date, based on the Scheme's demographic profile and claims experience. The projections bear some similarity to the traditional Claims Loss Ratio method, and it tends to be more reliable when beneficiaries' claim propensities are stable. It also adjusts for demographic and benefit changes whereas these are not automatically reflected by the traditional BCL methodology.

Traditional BCL methods are based on claims development patterns derived from a period of 24 months prior to the calculation date. It is therefore assumed that claims are fully run-off after 24 months. This period is used as it provides a sufficiently large enough claims history on which to calculate the development factors. The use of the BCL method makes the implicit assumption that historical development patterns will apply in the future. No allowance is given for inflation. The BCL methodology tends to be reliable when claims administration processes are stable.

The BF method can be considered a hybrid method which incorporates the outstanding proportion of claims predicted by the BCL method, with the total claims for a month to be paid as estimated by using the Health Monitor model, to arrive at an estimate for total outstanding claims to be paid.

Due to the requirements set out in IFRS 17, consideration is only given to the claims paid during 2024 for 2024 services. Therefore, when calculating the IBNR provision without any actual run-off, there is significant uncertainty around the outstanding claims for the most recent service months.

Under IFRS 17, the risk adjustment reflects the compensation that an entity requires for bearing the uncertainty, with respect to the amount and timing of the cashflows that arise from non-financial risks. The PAA requires the calculation for the risk adjustment to be included in the liability for incurred claims. The method for this calculation is not prescribed by IFRS 17 and is therefore the choice of the Scheme. The calculation should reflect the risk that the Scheme is bearing for the uncertainty of timing, severity and number of reported cashflows. The risk adjustment excludes the allowance for other types of risks, such as operational, regulatory and financial risks (such as adverse movements in interest rates).

#### Changes in assumptions and sensitivities to changes in key variables

Although the provision for outstanding claims is believed to be adequate, the results are subject to a certain degree of uncertainty. As opposed to claims for 2023 that have already been paid, the claims for the 2024 estimate to be paid in future payment months, are still subject to uncertainty. This quantity forms a useful basis for a sensitivity analysis. The table below illustrates the effect of a 10% increase and decrease in the claims expected to be paid in 2025 for claims with a 2024 service date.

Scenario - 2024	Claims for 2024 services paid during 2024 R'000	Best Estimate fulfillment cash flow R'000	Risk Adjustment R'000	Liability for incurred claims R'000	% change in liability for incurred claims
Base scenario	3 409 742	210 000	7 811	217 811	
Increase	3 409 742	231 000	7 811	238 811	9.64%
Decrease	3 409 742	189 000	7 811	196 811	-9.64%

Scenario - 2023	Claims for 2023 services paid during 2023 R'000	Best Estimate fulfillment cash flow R'000	Risk Adjustment R'000	Liability for incurred claims R'000	% change in liability for incurred claims
Base scenario	3 234 616	223 560	545	224 105	
Increase	3 234 616	245 916	545	246 461	9.98%
Decrease	3 234 616	201 204	545	201 749	-9.98%

### 7.2 Insurance contract liabilities – Liability attributable to future members

	2024 R'000	2023 R'000
Opening balance	2 482 565	2 480 121
Movement in insurance liability attributable to future members	56 789	2 444
Amounts attributable to future members	9 805	(8 348)
Unrealised gains/(losses) on equity instruments designated as FVOCI	46 984	10 792
Derecognition of equity instruments designated as FVOCI upon disposal	(20 593)	(41 113)
Cumulative gains/(losses) on equity instruments designated FVOCI transferred to future members upon disposal	20 593	41 113
Closing balance	<b>2 539 354</b>	<b>2 482 565</b>

The liability attributable to future members reconciliation has been presented in the current year in line with the requirements of Circular 6 of 2025. The prior year has been represented to show comparative amounts.

# MEDSHIELD MEDICAL SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 8. Reinsurance contract liabilities

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

2024 R'000				
	Remaining Claims Coverage	Incurred claims		TOTAL
		Excl. Loss	PVFCF	
Reinsurance contracts issued component				
Opening reinsurance contract as at 1 January 2024		1 711		1 711
Net gains/(losses) from reinsurance contracts held				
Reinsurance expenses		18 764		18 764
Claims recovered***			(25 725)	(25 725)
Net gains/(losses) from reinsurance contracts held		<b>18 764</b>	<b>(25 725)</b>	<b>-</b>
Total amounts recognised in other comprehensive income		<b>18 764</b>	<b>(25 725)</b>	<b>(6 961)</b>
<b>Cashflows</b>				
Premiums paid		(18 728)		(18 728)
Recoveries from reinsurance*			25 725	25 725
Total cashflows		<b>(18 728)</b>	<b>25 725</b>	<b>-</b>
Closing reinsurance contracts as at 31 December 2024		<b>1 747</b>	<b>-</b>	<b>-</b>

2023 (Restated**) R'000				
	Remaining Claims Coverage	Incurred claims		TOTAL
		Excl. Loss	PVFCF	
Reinsurance contracts issued component				
Opening reinsurance contract as at 1 January 2023		1 574		1 574
Net gains/(losses) from reinsurance contracts held				
Reinsurance expenses**		19 380		19 380
Claims recovered***			(25 003)	(25 003)
Net gains/(losses) from reinsurance contracts held		<b>19 380</b>	<b>(25 003)</b>	<b>-</b>
Total amounts recognised in other comprehensive income		<b>19 380</b>	<b>(25 003)</b>	<b>(5 623)</b>
<b>Cashflows</b>				
Premiums paid **		(19 243)		(19 243)
Recoveries from reinsurance** ^			25 003	25 003
Total cashflows		<b>(19 243)</b>	<b>25 003</b>	<b>-</b>
Closing reinsurance contracts as at 31 December 2023		<b>1 711</b>	<b>-</b>	<b>-</b>

^ Recoveries from reinsurance is non-cash in nature.

\*\* Refer to Note 30 for restatements.

\*\*\* Claims recovered is the quantum that the Scheme would have paid, in the event that no reinsurance contract was in place.

# MEDSHIELD MEDICAL SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

		2024 R'000	2023 R'000
<b>9. Trade and other payables</b>			
Financial instruments			
Other payables		4 777	296
Other			
Accrued leave pay		4 317	5 198
Accrued bonus and other staff cost		33 596	31 876
Accrued expenses: strategic projects and other		8 349	6 175
Accrued expenses: legal and consulting fees		709	12
Unallocated deposits		-	2 714
Accrued audit fees		6 387	7 794
		<b>58 135</b>	<b>54 065</b>
<b>10. Insurance revenue and service expenses</b>			
		2024 R'000	2023 R'000
<b>Insurance revenue</b>			
Insurance revenue from contracts measured under the PAA		3 967 662	3 769 233
Provision for impairments of insurance contract assets	16	6 506	(2 178)
Less: contribution premium from PMSA members		(72 520)	(74 087)
<b>Total insurance revenue</b>	7.1	<b>3 901 648</b>	<b>3 692 968</b>
		2024 R'000	2023 R'000 Restated*
<b>Insurance service expenses</b>	7.1	(4 053 848)	(3 872 127)
Incurred claims*		(3 671 904)	(3 491 398)
Directly attributable expenses*	13	(396 959)	(365 033)
Changes that relate to past service – adjustments to the LIC	7.1	15 015	(15 696)
Amounts attributable to future members*	10	(56 789)	(2 444)
<b>Total insurance expenses</b>		<b>(4 110 637)</b>	<b>(3 874 571)</b>
<b>Net income/(expenses) from reinsurance contracts held</b>			
Reinsurance expenses – contracts measured under the PAA*		(18 764)	(19 380)
<b>Total expenses from reinsurance contracts held</b>			
Claims recovered*		25 725	25 003
<b>Total income from reinsurance contracts held</b>		<b>6 961</b>	<b>5 623</b>
<b>Total insurance service result</b>		<b>(202 028)</b>	<b>(175 980)</b>
Attributable to future members*		(56 789)	(2 444)
Amount as per note 7.1 relating to current members*		(152 200)	(179 159)
Reinsurance result		6 961	5 623
<b>Total insurance service result</b>		<b>(202 028)</b>	<b>(175 980)</b>

\*Refer to Note 30 for Restatements.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

	2024 R'000	2023 R'000
<b>11. Investment income</b>		
Interest on financial assets	161 646	169 094
Interest on cash and cash equivalents	4 320	4 365
Dividend income	42 553	39 645
	<u>208 519</u>	<u>213 104</u>
	<b>2024</b>	<b>2023</b>
	<b>R'000</b>	<b>R'000</b>
<b>12. Personal medical savings account trust liability*</b>		<b>Restated*</b>
Balance on PMSA at the beginning of the year	129 471	160 536
Member savings contributions received or receivable	72 520	74 087
Transfers from other schemes	984	1 643
Claims paid on behalf of members	(64 902)	(66 075)
Savings refunds	(6 556)	(8 126)
Savings write-offs	(10 797)	(32 594)
	<u>120 720</u>	<u>129 471</u>

\* The Personal medical savings account trust liability reconciliation required by CMS Circulars was incorrectly omitted in the prior year. This has been restated.

	2024 R'000	2023 R'000
<b>13. Directly attributable expenses*</b>		<b>Restated*</b>
Actuarial expenses	3 666	2 469
Administration system expenses	26 249	24 817
Ambulatory services managed care	2 057	1 934
Broker commission	82 807	78 176
Claims processing expenses	-	1 316
Communication expenses	1 665	2 405
Computer expenses	24 654	22 092
Data maintenance and warehousing expenses	7 590	8 438
Managed Care	62 629	58 983
Dental managed care	3 593	3 447
Diabetes managed care	2 551	2 908
Ex gratia managed care	1 296	450
HIV/Aids managed care	4 259	4 383
Hospital benefit managed care	28 927	27 136
Management of GP network	2 127	2 012
Oncology managed care	500	476
Optical benefit managed care	2 930	2 769
Pharmacy benefit managed care	13 654	12 775
Radiology managed care	2 792	2 627
Payroll and other related expenses	179 098	161 466
Principal Officer expenses	75	79
Principal Officer fees	6 591	4 493
Third party recoveries	(121)	(1 635)
	<u>396 959</u>	<u>365 033</u>

\* A separate note relating to the directly attributable expenses is required by CMS Circulars was incorrectly omitted in the prior year. This has been restated.

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

	2024 R'000	2023 R'000
<b>14. Administration and other operating expenses</b>		
Marketing and promotional fees	26 834	23 866
Audit fees - external	3 594	3 529
- external audit	3 324	3 264
- regulatory*	270	265
Audit fees - internal	2 896	3 336
Bad debts - change in impairment of debtors	-	2 178
Bank charges	2 681	2 492
Consulting fees and professional fees	5 366	(3 788)
Legal and inspection fees	1 559	1 470
Depreciation	8 056	7 835
Trustee and Independent committee members' remuneration	7 288	6 683
Regional office infrastructure, facilities and support	789	338
Rentals of office equipment	563	723
Council for Medical Schemes	3 401	3 332
Board of Healthcare Funders membership fees	1 165	1 140
Strategic projects costs	1 735	(3 763)
Forensic service fees	4 459	4 263
Other expenses	1 429	880
Conference expenses	1 507	435
Insurance	1 011	917
Office rentals	5 429	6 004
Motor vehicle expenses	1 410	1 284
Asset management fees	19 671	18 908
Recruitment costs	2 116	2 559
Postage	2 552	4 437
Penalties	279	-
Printing and stationery	1 175	383
Distribution and product development costs	13 534	14 991
Subscriptions	387	229
Telephony and facsimile costs	3 835	3 305
Training costs	2 313	2 340
Travel and entertainment expenses	7 835	5 418
Office of the Principal Officer	1 058	1 580
	<b>135 927</b>	<b>117 304</b>

\*The prior year external audit fees have been further disaggregated to present fees relating to the audit and fees relating to other regulatory services

	2024 R'000	2023 R'000
<b>15. Other operating income</b>		
Fraud recoveries	-	5 006
Profit on sales of property, plant & equipment	282	-
Gain on derecognition of terminated lease	583	-
Savings written back*	6 167	34 124
Other income	145	333
	<b>7 177</b>	<b>39 463</b>

\* The savings written back represents the amount of savings that prescribed due to not being claimed by members who left the Scheme. The prescription period is 3 years.

# MEDSHIELD MEDICAL SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 16. Provision for impairments of insurance contract assets

31 December 2024

	R'000	R'000	R'000	R'000	R'000	R'000
	Contribution debtors					
	Employer Groups	Private members	Members portions	Provider debtors	Savings	Total
Opening balance	(11 184)	(6 625)	(974)	(3 741)	(34)	(22 558)
Net provisions reversed/(raised) during the year	4 911	1 450	546	(357)	(44)	6 506
Additional provisions made during the year	(1 649)	(1 431)	(264)	(667)	(383)	(4 394)
Unused amounts reversed during the period	6 560	2 881	810	310	339	10 900
	<b>(6 273)</b>	<b>(5 175)</b>	<b>(428)</b>	<b>(4 098)</b>	<b>(78)</b>	<b>(16 052)</b>

31 December 2023

	R'000	R'000	R'000	R'000	R'000	R'000
	Contribution debtors					
	Employer Groups	Private members	Members portions	Provider debtors	Savings	Total
Opening balance	(10 712)	(5 424)	(933)	(3 299)	(12)	(20 380)
Net provisions reversed/(raised) during the year	(472)	(1 201)	(41)	(442)	(22)	(2 178)
Additional provisions made during the year	(6 774)	(2 168)	(157)	(826)	(153)	(10 078)
Unused amounts reversed during the period	6 302	967	116	384	131	7 900
	<b>(11 184)</b>	<b>(6 625)</b>	<b>(974)</b>	<b>(3 741)</b>	<b>(34)</b>	<b>(22 558)</b>

## MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

#### 17. Surplus/(deficit) from operations per benefit option

31 December 2024	R'000	R'000	R'000	R'000	R'000	R'000
Category	MediPlus Prime	MediPlus Compact	MediValue Prime	MediValue Compact	MediBonus	MediPhila
Number of members	12 870	949	27 456	8 084	1 631	12 039
<b>Insurance revenue</b>	1 056 963	72 484	1 297 588	336 687	208 197	359 206
<b>Insurance service expense</b>	(1 139 780)	(97 895)	(1 262 088)	(358 079)	(201 654)	(361 129)
Net profit/(loss) from reinsurance contracts	1 254	92	2 675	788	159	1 173
<b>Insurance service result</b>	(81 563)	(25 319)	38 175	(20 604)	6 702	(750)
Net investment income	37 556	2 769	80 119	23 590	4 759	35 131
<b>Net insurance and investment result</b>	(44 007)	(22 550)	118 294	2 986	11 461	34 381
Finance Expense	(327)	(24)	(699)	(206)	(41)	(306)
Administration and operating expenses	(24 482)	(1 805)	(52 227)	(15 378)	(3 103)	(22 901)
Other operating income	1 293	95	2 758	812	164	1 209
Fair value adjustment on financial assets held at fair value through profit and loss	13 885	1 024	29 622	8 722	1 760	12 989
<b>Profit/(loss) for the year before amounts attributable to future members</b>	<b>(53 638)</b>	<b>(23 260)</b>	<b>97 747</b>	<b>(3 064)</b>	<b>10 240</b>	<b>25 372</b>
Amounts attributable to future members	(10 228)	(754)	(21 820)	(6 425)	(1 296)	(9 568)
<b>Profit/(loss) for the year</b>	<b>(63 866)</b>	<b>(24 014)</b>	<b>75 927</b>	<b>(9 489)</b>	<b>8 944</b>	<b>15 803</b>

Expenses not directly attributable to an option were allocated proportionately to the membership per option.

Following Circular 12 of 2024 and Circular 6 of 2025 issued by the Council for Medical Schemes, the Scheme has changed its presentation of insurance service expense.

"Amounts attributable to future members" are now presented as a separate line item in the Statement of Profit and Loss and Other Comprehensive Income before "Total Comprehensive income/(loss) for the year", rather than being included within insurance service expenses. This change enhances transparency in medical scheme reporting as required by CMS regulations.

a) Amounts attributable to future members total R56.8m (2023: R2.4m).

b) Total insurance service expenses, which under IFRS 17 would include amounts attributable to future members, amounted to R4.1bn (2023: R3.7bn).

c) The insurance service result, after adjusting for amounts attributable to future members, shows a loss of R202m (R2023: R176m).

## MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

#### 17. Surplus/(deficit) from operations per benefit option (continued)

31 December 2024	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Category	MediCore	MediSaver	MediCurve	MediSwift	Premium Plus	Other	Total
Number of members	2 537	3 359	1 227	105	1 200	-	<b>71 457</b>
<b>Insurance revenue</b>	178 796	234 396	22 868	3 623	130 841	(1)	<b>3 901 648</b>
<b>Insurance service expense</b>	(181 757)	(265 908)	(22 925)	(2 951)	(168 537)	8 855	<b>(4 053 848)</b>
Net profit/(loss) from reinsurance contracts	247	327	120	10	117	(1)	<b>6 961</b>
<b>Insurance service result</b>	(2 714)	(31 185)	63	682	(37 579)	8 853	<b>(145 239)</b>
Net investment income	7 403	9 802	3 581	306	3 502	1	<b>208 519</b>
<b>Net insurance and investment result</b>	4 689	(21 383)	3 644	988	(34 077)	8 854	<b>63 280</b>
Finance Expense	(65)	(85)	(31)	(3)	(31)	-	<b>(1 818)</b>
Administration and operating expenses	(4 826)	(6 390)	(2 334)	(200)	(2 283)	2	<b>(135 927)</b>
Other operating income	255	337	123	11	121	(1)	<b>7 177</b>
Fair value adjustment on financial assets held at fair value through profit and loss	2 737	3 624	1 324	112	1 295	2	<b>77 093</b>
<b>Profit/(loss) for the year before amounts attributable to future members</b>	<b>2 790</b>	<b>(23 898)</b>	<b>2 726</b>	<b>908</b>	<b>(34 975)</b>	<b>8 857</b>	<b>9 805</b>
Amounts attributable to future members	(2 016)	(2 669)	(975)	(83)	(954)	(1)	(56 789)
<b>Profit/(loss) for the year</b>	<b>774</b>	<b>(26 566)</b>	<b>1 751</b>	<b>825</b>	<b>(35 929)</b>	<b>8 856</b>	<b>(46 984)</b>

Expenses not directly attributable to an option were allocated proportionately to the membership per option.

Following Circular 12 of 2024 and Circular 6 of 2025 issued by the Council for Medical Schemes, the Scheme has changed its presentation of insurance service expense. "Amounts attributable to future members" are now presented as a separate line item in the Statement of Profit and Loss and Other Comprehensive Income before "Total Comprehensive income/(loss) for the year", rather than being included within insurance service expenses. This change enhances transparency in medical scheme reporting as required by CMS regulations.

a) Amounts attributable to future members total R56.8m (2023: R2.4m).

b) Total insurance service expenses, which under IFRS 17 would include amounts attributable to future members, amounted to R4.1bn (2023: R3.7bn).

c) The insurance service result, after adjusting for amounts attributable to future members, shows a loss of R202m (R2023: R176m).

## MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

#### 17. Surplus/(deficit) from operations per benefit option (continued)

31 December 2023	R'000	R'000	R'000	R'000	R'000	R'000
Category	MediPlus Prime	MediPlus Compact	MediValue Prime	MediValue Compact	MediBonus	MediPhila
Number of members	14 353	851	27 411	6 275	1 861	10 320
<b>Insurance revenue</b>	1 081 112	59 068	1 212 629	256 662	217 330	293 329
<b>Insurance service expense*</b>	(1 135 326)	(84 964)	(1 205 003)	(301 338)	(226 390)	(300 880)
Net profit/(loss) from reinsurance contracts*	1 649	123	1 750	438	329	437
<b>Insurance service result*</b>	(52 565)	(25 773)	9 375	(44 239)	(8 732)	(7 115)
Investment income	43 906	2 603	83 851	19 195	5 693	31 569
<b>Net insurance and investment result*</b>	(8 659)	(23 170)	93 226	(25 044)	(3 039)	24 455
Finance Expense	(703)	(42)	(1 343)	(307)	(91)	(506)
Administration and operating expenses	(24 168)	(1 433)	(46 156)	(10 566)	(3 134)	(17 377)
Other operating income	8 131	482	15 528	3 555	1 054	5 846
Fair value adjustment on financial assets held at fair value through profit and loss*	6 869	407	13 118	3 003	891	4 939
<b>Profit/(loss) for the year before amounts attributable to future members*</b>	<b>(18 530)</b>	<b>(23 755)</b>	<b>74 374</b>	<b>(29 359)</b>	<b>(4 319)</b>	<b>17 356</b>
Amounts attributable to future members*	(504)	(30)	(962)	(220)	(65)	(362)
<b>Profit/(loss) for the year*</b>	<b>(19 033)</b>	<b>(23 785)</b>	<b>73 411</b>	<b>(29 579)</b>	<b>(4 384)</b>	<b>16 994</b>

\*Refer to Note 30 for Restatements.

Expenses not directly attributable to an option were allocated proportionately to the membership per option.

Following Circular 12 of 2024 and Circular 6 of 2025 issued by the Council for Medical Schemes, the Scheme has changed its presentation of insurance service expense. "Amounts attributable to future members" are now presented as a separate line item in the Statement of Profit and Loss and Other Comprehensive Income before "Total Comprehensive income/(loss) for the year", rather than being included within insurance service expenses. This change enhances transparency in medical scheme reporting as required by CMS regulations.

a) Amounts attributable to future members total R56.8m (2023: R2.4m).

b) Total insurance service expenses, which under IFRS 17 would

c) The insurance service result, after adjusting for amounts attributable to future members, shows a loss of R202m (R2023: R176m).

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#### 17. Surplus/(deficit) from operations per benefit option (continued)

31 December 2023	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Category	MediCore	MediSaver	MediCurve	MediSwift	Premium Plus	Other	Total
Number of members	2 821	3 737	674	43	1 318	-	69 664
<b>Insurance revenue</b>	184 420	240 250	13 899	1 572	132 699	(2)	3 692 968
<b>Insurance service expense*</b>	(192 632)	(255 601)	(17 697)	(1 283)	(151 012)	1	(3 872 127)
Net profit/(loss) from reinsurance contracts*	280	371	26	2	219	-	5 623
<b>Insurance service result*</b>	(7 932)	(14 980)	(3 773)	291	(18 094)	(1)	(173 536)
Investment income	8 630	11 432	2 062	132	4 032	(1)	213 104
<b>Net insurance and investment result*</b>	698	(3 548)	(1 711)	423	(14 062)	(2)	39 568
Finance Expense	(138)	(183)	(33)	(2)	(65)		(3 413)
Administration and operating expenses	(4 750)	(6 293)	(1 135)	(72)	(2 219)	(1)	(117 304)
Other operating income	1 598	2 117	382	24	747	(1)	39 463
Fair value adjustment on financial assets held at fair value through profit and loss*	1 350	1 788	323	21	631	(1)	33 338
<b>Profit/(loss) for the year before amounts attributable to future members*</b>	<b>(1 241)</b>	<b>(6 119)</b>	<b>(2 173)</b>	<b>393</b>	<b>(14 969)</b>	<b>(5)</b>	<b>(8 348)</b>
Amounts attributable to future members*	(99)	(131)	(24)	(2)	(46)	(1)	(2 444)
<b>Profit/(loss) for the year*</b>	<b>(1 340)</b>	<b>(6 250)</b>	<b>(2 198)</b>	<b>391</b>	<b>(15 015)</b>	<b>(6)</b>	<b>(10 792)</b>

\*Refer to Note 30 for Restatements.

Expenses not directly attributable to an option were allocated proportionately to the membership per option.

Following Circular 12 of 2024 and Circular 6 of 2025 issued by the Council for Medical Schemes, the Scheme has changed its presentation of insurance service expense. "Amounts attributable to future members" are now presented as a separate line item in the Statement of Profit and Loss and Other Comprehensive Income before "Total Comprehensive income/(loss) for the year", rather than being included within insurance service expenses. This change enhances transparency in medical scheme reporting as required by CMS regulations.

a) Amounts attributable to future members total R56.8m (2023: R2.4m).

b) Total insurance service expenses, which under IFRS 17 would include amounts attributable to future members, amounted to R4.1bn (2023: R3.7bn).

c) The insurance service result, after adjusting for amounts attributable to future members, shows a loss of R202m (R2023: R176m).

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	2024 R'000	2023 R'000
<b>18. Reconciliation of movements in the statement of cash flows</b>		
<b>Cash received/(paid) from members and providers - other</b>	<b>145</b>	<b>5 338</b>
Fraud recoveries (note 15)	-	5 006
Other income (note 15)	145	333
<b>Cash received/(paid) from members and providers - other debtors</b>	<b>(547)</b>	<b>(35)</b>
Cash movements in other receivables (note 5)	(547)	(35)
<b>Cash paid to providers and employees - other administration fees and operating expenses</b>	<b>(91 943)</b>	<b>(106 787)</b>
Administration fees and other operating expenses (note 14)	(135 927)	(117 304)
Add back: non-cash items included in these amounts:		
Depreciation (notes 2 and 3)	8 056	7 834
Asset management fees (note 14)	19 671	18 908
Movement in accounts payables	4 070	(1 752)
Movement in risk transfer arrangements/reinsurance contracts	36	137
Movement in accrued expenses	1 670	(15 021)
Movement (other)	10 481	410
<b>Interest received</b>	<b>4 320</b>	<b>4 365</b>
Interest on cash and cash equivalents (note 11)	4 320	4 365
<b>Finance costs paid</b>	<b>(1 818)</b>	<b>(3 413)</b>
Finance costs paid on lease liabilities (note 3)	(1 818)	(3 413)
<b>Other non-cash items</b>		
<b>Financial assets</b>		
Reinvestment of interest (note 11)	161 646	169 094
Reinvestment of dividends (note 11)	42 553	39 645
Realised profit/(loss) (note 4)	54 047	39 681
Unrealised profit/(loss) (note 4)	70 029	4 449
<b>Reinsurance contract liabilities</b>		
Reinsurance income (note 8)	25 725	25 003
<b>Insurance contract liabilities</b>		
Investment component (note 7.1)	64 902	(66 075)
<b>Right-of-use asset and lease liability</b>		
Increase in lease liability (note 3)	4 705	-
Leases terminated (note 3)	(1 344)	-

# MEDSHIELD MEDICAL SCHEME

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

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### 19. Estimates and assumptions

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal actual results.

The note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the financial statements.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability weighted mean of the full range of scenarios.

For the sensitivities with regards to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to note 7.

#### *Lease liabilities*

The Scheme calculates its lease liabilities on all operating leases. The future lease payments are determined for the period of the lease. The net present value of the future lease payments is calculated using the incremental borrowing rate. The sum of the present value of the leases determines the lease liability. The period of the leases ranges from three to five years, in accordance with the Scheme policy. The incremental borrowing rate was determined using information obtained from the Scheme's bankers, Nedbank, which was prime less 0.5% for computer and office equipment and less 1% for property leases (Note 3)

### 20. Insurance risk management

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

The Scheme issues contracts that transfer risk to the Scheme from the members. This section summarises these risks and the way the Scheme manages them.

#### **Insurance risk - description of benefit options**

The types of benefits offered by the Scheme in return for monthly contributions are a mix between traditional and savings options as indicated below.

In-hospital benefits cover all costs incurred by members, up to the member's benefit limit, whilst they are in hospital to receive pre-authorised treatment for certain medical care.

Chronic benefits provide cover to members limited to their specific options as prescribed by the chronic disease list. When limits have been reached, additional benefits per option are made available to members and will be paid in accordance with Scheme rules.

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

The MediSaver and Premium Plus options include a savings benefit to cover day-to-day costs.

The above benefits are extended to the principal member and their dependents based on their elected benefit option.

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

The primary insurance activity carried out by the Scheme assumes the cost of healthcare provision to members and their dependents. The risks relate to the health of the Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contracts. The Scheme also has exposure to market risk through its insurance and investment activities.

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management and service provider profiling.

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### 20. Insurance risk management (continued)

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. Medical scheme regulations do not permit selection of risk by explicit risk rating, e.g. rating by age or medical health. The structuring of options enables the Scheme to attract and discourage certain risks. However, all options must contain prescribed minimum benefits.

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

*Insurance risk - Demographic \**

#### Age grouping (in years)

	Current year claims					
	2024			2023		
	Number of Beneficiaries	Claims expenditure		Number of Beneficiaries	Claims expenditure	
		Male R'000	Female R'000		Male R'000	Female R'000
< 26	48 356	236 326	223 686	46 571	230 966	225 515
26 – 35	16 260	73 369	204 329	16 034	71 705	206 000
36 – 54	31 237	282 020	375 325	38 858	275 623	378 394
55 – 65	25 280	391 229	472 835	16 518	382 355	476 701
>65	18 855	562 071	729 307	18 922	549 323	735 270
<b>Grand Total</b>	<b>139 988</b>	<b>1 545 016</b>	<b>2 005 482</b>	<b>136 903</b>	<b>1 509 972</b>	<b>2 021 880</b>

\* The insurance demographic risk is based on 2024 claims serviced in 2024 (and 2023 in 2023). This will not agree to claims in profit & loss, nor the cash flow statement.

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## NOTES TO THE FINANCIAL STATEMENTS

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### 20. Insurance risk management (continued)

#### Concentration of risks\*

The following tables summarise the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred, as determined by the service date of the claim, in relation to type of benefit provided, and by age group:

2024 Age grouping (in years)		General Practitioners	Specialists	Dentistry	Optometry	Medicines	Hospital	Other	Total
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
< 26	Gross claims	39 675	65 857	22 984	7 248	48 073	206 692	76 758	467 287
	Net claims	37 826	65 763	20 665	5 816	44 545	206 243	73 302	454 160
26 – 35	Gross claims	31 955	236 924	17 613	10 073	136 366	621 084	324 606	1 378 621
	Net claims	25 956	241 284	11 918	5 281	113 841	619 995	299 203	1 317 478
36 – 54	Gross claims	27 140	44 279	10 585	4 975	29 919	112 073	62 488	291 459
	Net claims	26 700	44 226	10 052	4 491	28 881	111 896	60 677	286 923
55 – 65	Gross claims	45 621	90 641	19 150	14 913	77 586	241 023	167 796	656 730
	Net claims	44 395	91 184	17 777	13 207	74 335	240 771	162 580	644 249
> 65	Gross claims	37 789	136 067	18 991	17 052	115 336	334 854	220 118	880 207
	Net claims	34 490	136 954	14 890	12 141	105 565	334 102	209 545	847 688
Gross claims		182 180	573 768	89 323	54 261	407 280	1 515 726	851 766	3 674 304
Net claims		169 367	579 411	75 302	40 936	367 167	1 513 007	805 308	3 550 498

Gross claims are made up of claims submitted by service providers or members and include members' portion amounts. Net claims are claims settled in accordance with the rules of the scheme.

Classification of "other" includes radiology, pathology, physiotherapy and associated health services based on the extract of claims from the operating system, Nexus, used by the Scheme in 2024.

\* The insurance demographic risk is based on 2024 claims serviced in 2024 (and 2023 in 2023). This will not agree to claims in profit & loss, nor the cash flow statement

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### 20. Insurance risk management (continued)

#### Concentration of risks\*

The following tables summarise the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred, as determined by the service date of the claim, in relation to type of benefit provided, and by age group:

2023		<i>General Practitioners</i>	<i>Specialists</i>	<i>Dentistry</i>	<i>Optometry</i>	<i>Medicines</i>	<i>Hospital</i>	<i>Other</i>	<i>Total</i>
Age grouping (in years)		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
< 26	Gross claims	38 773	60 254	22 072	6 779	50 337	198 699	79 567	456 481
	Net claims	36 581	59 347	19 459	5 562	46 523	198 215	75 604	441 291
26 – 35	Gross claims	29 757	220 962	16 444	9 621	128 389	586 009	293 412	1 284 594
	Net claims	23 658	214 137	10 587	4 874	106 197	584 638	269 256	1 213 347
36 – 54	Gross claims	25 150	42 123	9 635	4 719	27 731	109 822	58 526	277 706
	Net claims	24 676	41 822	9 171	4 304	26 714	109 666	56 961	273 314
55 – 65	Gross claims	41 980	85 465	18 133	13 867	82 438	258 872	153 263	654 018
	Net claims	40 518	84 461	16 486	12 100	78 716	224 092	148 619	604 992
> 65	Gross claims	36 571	130 279	19 148	17 373	110 522	333 371	211 789	859 053
	Net claims	33 061	127 352	15 051	11 883	100 836	332 957	201 180	822 320
Gross claims		172 231	539 083	85 432	52 359	399 417	1 486 773	796 557	3 531 852
Net claims		158 494	527 119	70 754	38 723	358 986	1 449 568	751 620	3 355 264

Gross claims are made up of claims submitted by service providers or members and include members' portion amounts. Net claims are claims settled in accordance with the rules of the scheme.

Classification of "other" includes radiology, pathology, physiotherapy and associated health services based on the extract of claims from the operating system, Nexus, used by the Scheme in 2023.

\* The insurance demographic risk is based on 2024 claims serviced in 2024 (and 2023 in 2023). This will not agree to claims in profit & loss, nor the cash flow statement

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

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### 20. Insurance risk management (continued)

#### *Frequency and severity of claims*

For insurance contracts issued, climatic and seasonal changes, as well as the spread of pandemics give rise to more frequent and severe claims.

#### *Sources of uncertainty in the estimation of future claim payments*

The Scheme annually reprices its products to ensure that the necessary surplus is maintained relative to the risk exposure. It is relatively easy to assess the future claims payments since a large majority of claims are lodged soon after year end before the four month expiration of claims period comes into effect.

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 thereof. The Scheme has the right to change the terms and conditions of the contracts at renewal. Management information, including contribution income and claims management information, including claims ratio by option and target market demographic split, is reviewed monthly.

The main risks addressed by the Scheme in determining the contribution rates and benefits of the Scheme's different options are summarised below:

- Only part of the year's data is available when the pricing exercise is performed and for the last three treatment months a substantial portion of the claims will be outstanding (i.e. either not yet submitted or submitted but not yet paid).
- Adjustments would then need to be made for outstanding claims. This would mean applying factors derived from this year's and the previous year's data. There is a risk that these claims are either overstated or understated.
- Projections of claim amounts need to be made for the remainder of the current year. This would involve using seasonality adjustments, which may differ from year to year. There is a risk of the actual experience being different to the projected experience.
- Assumptions need to be made regarding future medical price inflation and increases in benefit utilisation as a result of factors such as ageing of the membership and medical advancements. There is a risk that actual experience will differ from these assumptions.
- Expenses and fees will be loaded into the contributions. The risk is that the budgeted values may differ from actual costs incurred by the Scheme.
- Implicit currency projections need to be made due to the importing of medicine, medical equipment, and the potential volatility of the exchange rates, makes this uncertain.
- Changes in benefit design need to be allowed for. This may be difficult if the design differs significantly from that previously offered by the Scheme.
- The risk exists that the actual changes in the Scheme's and each option's demographic profile will differ from those allowed for in the assumptions.
- Allowance has been made for the possible effects of changes in the legislative and market environment. There is a risk that these allowances have been over or understated.

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 20. Insurance risk management (continued)

#### Risk transfer arrangements

The Scheme entered into a capitation agreement with Netcare Jet Air (Pty) Ltd trading as Netcare Limited Administration, branded as Netcare 911. The capitation agreements involve transfer of risk and are, in substance, the same as a 100% quota share reinsurance treaty.

According to the terms of the capitation agreement, the service provider provides certain minimum benefits to certain 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 supplier fails to meet the obligation it assumes.

When selecting a service provider the Scheme considers their relative security. The security of the service provider is assessed from public rating information where applicable and from internal investigations, and is reviewed on an on-going basis.

#### Sensitivity of the Scheme's financial position

According to the MSA, the reserve levels of Schemes must be equal to or exceed 25% of gross contributions (i.e. including savings contributions).

The table below indicates how sensitive the Scheme's results are to changes in the claims experience:

	Change in variable %	2024 R'000	2023 R'000
Actual surplus / (deficit) for the year		9 805	(8 348)
Surplus after change in claims experience	1% lower	45 310	26 970
Surplus after change in claims experience	1% higher	(25 700)	(43 667)

#### Prescribed minimum benefits (PMBs)

The Scheme has a process in place whereby it analyses, verifies and adjudicates PMB claims before making payment in accordance with the cost of the claim so as to, as far as possible, prevent fraudulent and incorrectly coded claims from being paid. The process followed is in line with the registered Scheme rules.

### 21. Financial instruments and risk management

The accounting policies for financial instruments have been applied to the line items below:

#### Categories of financial instruments

#### Categories of financial assets

31 December 2024

		R'000	R'000	R'000	R'000
Note(s)	Fair Value through OCI	Fair Value through profit or loss	Amortised Cost	Total Fair Value	
Investments at fair value	4	832 333	1 986 384		2 818 717
Cash and cash equivalents	6			190 576	190 576
		<b>832 333</b>	<b>1 986 384</b>	<b>190 576</b>	<b>3 009 293</b>

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### 21. Financial instruments and risk management (continued)

The accounting policies for financial instruments have been applied to the line items below:

31 December 2023

		R'000	R'000	R'000	R'000
	<b>Note(s)</b>	<b>Fair Value through OCI</b>	<b>Fair Value through profit or loss</b>	<b>Amortised Cost</b>	<b>Total Fair Value</b>
Investments at fair value	4	814 864	1 939 844	-	2 754 708
Cash and cash equivalents	6		-	177 688	177 688
		<b>814 864</b>	<b>1 939 844</b>	<b>177 688</b>	<b>2 932 396</b>

#### Categories of financial liabilities

31 December 2024

		R'000	R'000
	<b>Note</b>	<b>Fair Value</b>	<b>Total Fair Value</b>
Finance lease obligations	3	18 524	18 524
		<b>18 524</b>	<b>18 524</b>

31 December 2023

		Fair Value	Total Fair Value
Finance lease obligations	3	20 310	20 310
		<b>20 310</b>	<b>20 310</b>

### 22. Credit quality of financial instruments

The credit quality of financial assets that are neither past due, nor impaired, can be assessed by reference to information about counterparty default rates:

#### Cash and cash equivalents

Cash and cash equivalents are held with Nedbank and Standard Lesotho Bank. The ratings for Nedbank, as a financial institution (per Moody's rating) are P-3 for Moody's short term rating and Baa3 for their long term rating, and for Standard Lesotho Bank are P-3 for short-term and Baa3 for long-term.

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## NOTES TO THE FINANCIAL STATEMENTS

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### 22. Credit quality of financial instruments (continued)

#### Financial assets

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

	2024 R'000	2023 R'000 Restated*
Investments (current and non-current)**	2 818 717	2 754 707
Other receivables	1 325	778
Cash and cash equivalents	190 576	177 688
	<u>3 010 618</u>	<u>2 933 173</u>

Credit ratings obtained for certain debt and money market instruments included in portfolio investments are summarised as follows:

	2024 R'000
Instruments guaranteed by the government of the RSA	700 492
Debt instruments - other	341 109
Long-term money market instruments	241 332
	<u>1 282 933</u>

The above information was based on the average credit ratings of the instruments as communicated to the Scheme by the relevant fund managers (Sanlam, M&G, Argon, Allan Gray and Mergence). The credit ratings used by the asset managers were provided by Moody's and S&P Global Ratings.

\*\*Refer to note 30 Restatements

\*The maximum credit risk at the reporting date is restated for 2023.

### 23. Financial risk management

#### Financial risk management strategy and policy

The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligations to its members. Certain risk management and investment decisions are made under the guidance policies approved by the Board. The Board provides written principles for risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investing excess liquidity.

Based on the nature of the Medical Schemes industry, the assets are considered to be the capital of the Scheme. The Scheme ensures, on a monthly basis, that it complies with Regulation 30 and Annexure B of the MSA. The current investment structure is that 30% of total assets are held in equity, 30% of total assets are held in bonds and the remainder held in interest bearing assets and other asset types.

The investment objectives are:

- to ensure that there are sufficient funds to meet benefit and operating expense commitments as they fall due;
- to make adequate provision for possible long-term adverse claim experience;
- to manage risks such as exposure to adverse exchange rates;
- to manage the risk of diversification and credit rating/evaluation of third parties;
- to satisfy regulatory requirements in respect of the Scheme's investments; and
- to achieve an investment return of CPI + 4% (net of costs) on funds held in the investment portfolio (excludes cash and money market fund balances) over a three year rolling period, whilst minimising the potential for capital loss over any 12 month period, as well as achieving a return equal to STeFi on funds held directly in cash and money market type funds.

#### 23.1 Financial risk factors

	2024 R'000	2023 R'000
Instruments exposed to interest rate risks	1 303 771	1 247 268
Instruments exposed to price risk	1 514 946	1 507 440

The Scheme's activities expose it to a variety of financial risks including market risk (fair value/price risk and interest rate risk), credit risk and liquidity risk. The risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements.

##### (i) Liquidity risk and fair value interest rate risk\*

The Scheme's investment policy is to hold the majority of its investments in interest bearing instruments. The Scheme's income and operating cash flow are therefore substantially influenced by changes in market interest rates. Investments in interest bearing instruments issued at variable rates, expose the Scheme to liquidity and interest rate risk (i.e. loss of income if the rates decrease and increase in income if they increase). Investments in interest bearing instruments issued at fixed rates expose the Scheme to fair value risk (i.e. movement in interest rates would have a direct effect on the fair value of the instruments).

An increase or decrease of 1% (100 basis points) in market interest rates on money market instruments and cash and cash equivalents at 31st December 2024, with all the other variables remaining constant, would increase or decrease the Scheme's liability for future members by R 7 717 867 (2023: R 7 824 565).

\*Liquidity risk and fair value interest rate risk has been corrected to include sensitivity for money market, cash and cash equivalents and debt instruments

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 23. Financial risk management (continued)

#### 23.1 Financial risk factors (continued)

##### (ii) Price risk\*

The Scheme invests in equity of other entities that are publicly traded. The Scheme is exposed to security price risk because of investments held in equities and unitised investments. To manage its price risk the Scheme diversified its portfolio by including money market instruments and bonds. Diversification is in accordance with the limits set by the Scheme.

\*The price risk has been corrected to include cash and debt instruments.

##### (iii) Fair value market risk - sensitivity analysis: Cash

The sensitivity analysis is based on the movement of the STeFi index for the cash component of investments and cash and cash equivalents. The model used for % change in respect of a change in index return is the standard deviation (i.e. for every 1% assumed change in market value the index return would change by 1 standard deviation). A one percent increase in the investment return at the reporting date would have increased cash by R 7,718m in 2024 (2023: R 7,824m); an equal change in the opposite direction would have decreased cash by the same amount. These sensitivity measures are based on the average change per annum of the STEFI index over a 5 year period.

	Current accounts	Current accounts held in escrow	Money market funds	Total Cash & Money Market Funds
31 December 2024	190 576	2 289	581 211	774 076
31 December 2023	177 688	2 289	604 770	784 747

31 December 2024		R'000	R'000	R'000
% Change	Index return	Adjusted closing value	Fair value impact	Liability for future members
2.0%	8.8%	789 558	15 483	2 554 836
1.0%	7.8%	781 817	7 742	2 547 095
0.0%	6.8%	774 076	-	2 539 354
-1.0%	5.8%	766 335	(7 742)	2 531 613
-2.0%	4.8%	758 594	(15 482)	2 523 872

31 December 2023		R'000	R'000	R'000
% Change	Index return	Adjusted closing value	Fair value impact	Liability for future members
2.0%	8.6%	800 442	15 695	2 498 260
1.0%	7.6%	792 594	7 847	2 490 412
0.0%	6.6%	784 747	-	2 482 565
-1.0%	5.6%	776 900	(7 847)	2 474 718
-2.0%	4.6%	769 052	(15 695)	2 466 870

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 23. Financial risk management (continued)

#### 23.1. Financial risk factors (continued)

##### (iii) Fair value market risk - sensitivity analysis: Bonds

The sensitivity is based on the movement on the All Bond index. The All Bond index is a weighted portfolio of the bonds traded on the Bond Exchange. The index return is therefore measured by the price changes of quoted bonds. The model used for % change in price in respect of a change in index return is the standard deviation. (i.e. for every 1% assumed change in market value the index return would change by 1 standard deviation). The reason for using this model is due to its simplicity as a measure of variability and hence sensitivity. It is also suitable for measuring variability using past data. It is assumed that the Scheme's debt portfolio is weighted similar to the All Bond index and that standard deviation is representative of the current volatility of the portfolio held. It is assumed that the Scheme's interest bearing securities are weighted on a similar bases as the All Bond index. The impact has been evaluated by looking at the change to the index return on the following 15%, 7.5% and 0% for 2024 (2023: 15%, 7.5% and 0%) applicable at 31 December for each year. These sensitivity measures are based on the average change per annum of the All Bond index over a 5 year period.

	Bonds	Total Bonds
31 December 2024	722 560	722 560
31 December 2023	642 498	642 498

#### 31 December 2024

% Change	Index return	Adjusted closing value	Fair value impact	Liability for future members
15.0%	24.6%	830 944	108 384	2 647 738
7.5%	17.1%	776 752	54 192	2 593 546
0.0%	9.6%	722 560	-	2 539 354
-7.5%	2.1%	668 368	(54 192)	2 485 162
-15.0%	-5.4%	614 176	(108 384)	2 430 970

#### 31 December 2023

		R'000	R'000	R'000
% Change	Index return	Adjusted closing value	Fair value impact	Liability for future members
15.0%	23.3%	738 873	96 375	2 578 940
7.5%	15.8%	690 685	48 187	2 530 752
0.0%	8.3%	642 498	-	2 482 565
-7.5%	0.8%	594 311	(48 187)	2 434 378
-15.0%	-6.8%	546 123	(96 375)	2 386 190

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 23. Financial risk management (continued)

#### 23.1. Financial risk factors (continued)

##### (iii) Fair value market risk - sensitivity analysis: Equities & Unitised Funds

The sensitivity analysis is based on the movement of the Weighted All Share Index. The All Share Index is a weighted portfolio of all the listed shares traded on the JSE. The index return is therefore measured by the price changes of quoted shares. The model used for % change in respect of a change in index return is the standard deviation (i.e. for every 1% assumed change in market value the index return would change by 1 standard deviation). The reason for using this model is due to its simplicity as a measure of variability and hence sensitivity. It is also suitable for measuring variability using past data. It is assumed that the Scheme's equity portfolio is weighted similar to the All Share index and that standard deviation is representative of the current volatility and of the portfolio held. The impact has been evaluated by looking at the change to fair value based on the following percentage changes of 30%, 20% and 10% for the year ending 31 December 2024 (30%, 20% and 10% for the year ending 31 December 2023). These sensitivity measures are based on the average change per annum of the All Share index movement over a 5 year period.

	Equities	Total Equities
31 December 2024	1 514 946	1 514 946
31 December 2023	1 507 440	1 507 440

31 December 2024		R'000	R'000	R'000
% Change	Index return	Adjusted closing value	Fair value impact	Liability for future members
30%	42.2%	1 969 431	454 486	2 993 840
20%	32.2%	1 817 935	302 989	2 842 343
10%	22.2%	1 666 442	151 497	2 690 851
0%	12.2%	1 514 946	-	2 539 354
-10%	2.2%	1 363 451	(151 495)	2 387 859
-20%	-7.8%	1 211 957	(302 989)	2 236 365
-30%	-17.8%	1 060 462	(454 484)	2 084 870

31 December 2023		R'000	R'000	R'000
% Change	Index return	Adjusted closing value	Fair value impact	Liability for future members
30%	41.9%	1 959 672	452 232	2 934 797
20%	31.9%	1 808 928	301 488	2 784 053
10%	21.9%	1 658 184	150 744	2 633 309
0%	11.9%	1 507 440	-	2 482 565
-10%	1.9%	1 356 696	(150 744)	2 331 821
-20%	-8.1%	1 205 952	(301 488)	2 181 077
-30%	-18.1%	1 055 208	(452 232)	2 030 333

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 23. Financial risk management (continued)

#### 23.1. Financial risk factors (continued)

##### (iv) Currency risk

The Scheme operates in South Africa and therefore its cash flows are denominated in South African Rand. The exposure of the Scheme's solvency to foreign currency movements was 12.1% (2023: 9.8%). This was due to the Scheme's assets being invested in bonds, cash and money market instruments on international markets. The Scheme's reserves are managed in compliance with Regulation 30, which limits offshore exposure and excludes investment in offshore equities. The Scheme's underlying investment portfolios can, and will, hold Rand hedge securities.

##### (v) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt financial assets carried at fair value through profit and loss (FVPL), as well as credit exposures to members, including outstanding receivables (insurance and non-insurance).

##### a) Risk management

Credit risk is managed on a Scheme level. For financial assets, the Scheme invests only in those financial instruments that are in compliance with Regulation 30 of the Act. Cash and financial asset transactions are limited to high credit quality institutions with high credit ratings. The Scheme manages the credit risk specifically relating to trade and other receivables, by ensuring it applies a clearly defined credit policy per category of debtor. For credit quality assessment of financial assets refer to note 20.

In terms of the MSA, contributions are required to be settled within three days after they become due. Direct paying members (DPM's) are invoiced in advance and if they are cash paying, they are suspended after 30 days if the contribution is not received. DPM's paying via debit order are suspended when the debit order is rejected, thereby reducing credit risk. Groups are suspended after thirty days. There is significant concentration of credit risk through exposure to the mining industry.

The Scheme's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

##### b) Impairment of financial assets

The Scheme has trade and other receivables, which are subject to the impairment requirements of IFRS 9. Impairment gains or (losses) have been included in note 16.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Expected credit losses were measured on the general approach. The general approach of IFRS 9 requires an assessment of the relevant stage. For stage 1 assets, one-year credit losses are measured. For stage 2 & 3 assets, lifetime losses are applied. An asset would normally be in stage 1 upon acquisition and move to stage 2 if there is a significant increase in credit risk ("SICR").

#### 31 December 2024

	Note	Amortised Cost	Expected Credit Losses	Total Amortised Cost
Other receivables	5	1 325	-	1 325
		1 325	-	1 325

#### 31 December 2023

	Note	Amortised Cost	Expected Credit Losses	Total Amortised Cost
Other receivables	5	778	-	778
		778	-	778

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 23. Financial risk management (continued)

#### 23.1. Financial risk factors (continued)

##### (v) Credit risk (continued)

Management considers "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The Scheme's principal financial assets are cash and cash equivalents, other receivables, financial assets through OCI and financial assets. Cash and financial asset transactions are limited to high credit quality financial institutions with high credit ratings. The Scheme manages the credit risk specifically relating to trade and other receivables, by ensuring it applies a clearly defined credit policy per category of debtor. For credit quality assessment of financial assets refer to Note 20.

The provision for impairment losses has been included in Note 16.

##### (vi) Liquidity risk

Liquidity risk is the risk that the Scheme will not have sufficient liquid funds available to settle financial obligations as they fall due. The financial liabilities have been aged according to cash requirements to service the debt. The short-term financial liabilities of the Scheme consist of claims made by members which have not been processed by the Scheme, savings refundable to members, claims payable to members and service providers processed by the Scheme at year end. The outstanding claims provision is based on contractual agreements between the Scheme and its members and is not discounted. The Scheme performs a monthly cash forecast (managed on a daily basis) based on cash requirements to service short-term financial liabilities and payment of expenses. Prudent liquidity management implies maintaining sufficient cash and marketable securities. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Scheme has the ability to fund its day-to-day operations.

The fair value of other financial assets are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions and dealer quotes for similar instruments.

### 31 December 2024

	R'000	R'000	R'000	R'000	R'000	R'000
Liabilities	Up to 1 month	1-3 Months	Between 3 months and a year	Between 1 and 5 years	Over 5 Years	Total
Liabilities for future members ( note 7)			40 054		2 499 300	2 539 354
Lease liability (Note 3)	510	1 020	4 593	12 401		18 524
Insurance contract liability (Note 7.1)	264 154	117 557	30 931			412 642
Trade and other payables (Note 9)	58 135					58 135
<b>Total liabilities</b>	<b>322 799</b>	<b>118 577</b>	<b>75 578</b>	<b>12 401</b>	<b>2 499 300</b>	<b>3 028 655</b>

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 23. Financial risk management (continued)

#### 31 December 2023 Restated\*

	R'000	R'000	R'000	R'000	R'000	R'000
Liabilities	Up to 1 month*	1-3 Months*	Between 3 months and a year*	Between 1 and 5 years*	Over 5 Years*	Total
Liabilities for future members ( note 7)			14 228		2 468 337	2 482 565
Lease liability (Note 3)	392	784	3 532	15 602	-	20 310
Insurance contract liability (Note 7.1)	218 557	147 266	30 588	-	-	396 411
Trade and other payables (Note 9)	54 064	-	-	-	-	54 064
<b>Total liabilities</b>	<b>273 013</b>	<b>148 050</b>	<b>48 348</b>	<b>15 602</b>	<b>2 468 337</b>	<b>2 953 350</b>

A significant portion of the Scheme's investments are exposed to the change in the market interest rates.

#### 31 December 2024

	R'000	R'000	R'000	R'000	R'000	R'000
Assets	Up to 1 month	1-3 Months	Between 3 months and a year	Between 1 and 5 years	Over 5 Years	Total
Financial assets (Note 4)	1 360 499	41 823	194 947	479 183	742 265	2 818 717
Cash and cash equivalents (Note 6)	190 576	-	-	-	-	190 576
	<b>1 551 075</b>	<b>41 823</b>	<b>194 947</b>	<b>479 183</b>	<b>742 265</b>	<b>3 009 293</b>

#### 31 December 2023 Restated\*

	R'000	R'000	R'000	R'000	R'000	R'000
Assets	Up to 1 month*	1-3 Months*	Between 3 months and a year*	Between 1 and 5 years*	Over 5 Years*	Total
Financial assets (Note 4)*	1 370 921	7 098	258 177	478 766	639 746	2 754 708
Cash and cash equivalents (Note 6)*	177 688	-	-	-	-	177 688
	<b>1 548 609</b>	<b>7 098</b>	<b>258 177</b>	<b>478 766</b>	<b>639 746</b>	<b>2 932 396</b>

\* Liquidity risk is restated to include all liabilities. The liquidity timebands have also been restated.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 23. Financial risk management (continued)

#### 23.1 Financial risk factors (continued)

##### *Investment in structured entity*

The exposure to investments in investee funds at fair value, is disclosed in the following table.

These investments are included in financial assets in the statement of financial position.

#### 2024

Unitised Funds	Number of investees in fund	Net asset value of investee fund (range and weighted average) R'000	Fair value of Scheme assets R'000	% Fair value of Scheme assets in total investee fund R'000
Stanlib Corporate Money Market Fund B4	887	68 026 811	17 834	0.03%
Allan Gray Life Stable Medical Scheme Portfolio	18	3 183 033	664 779	20.89%

#### 2023

Unitised Funds	Number of investees in fund	Net asset value of investee fund (range and weighted average) R'000	Fair value of Scheme assets R'000	% Fair value of Scheme assets in total investee fund R'000
Stanlib Corporate Money Market Fund B4	794	64 318 097	3 439	0.01%
Allan Gray Life Stable Medical Scheme Portfolio	18	2 948 509	689 139	23.37%

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

##### *Valuation techniques and assumptions applied for the purposes of measuring fair value*

The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market closing prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2024*

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### 23. Financial risk management (continued)

#### 23.1. Financial risk factors (continued)

##### *Fair value measurements recognised in the statement of financial position (fair value hierarchy)*

For financial assets measured at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 fair value measurement represents those assets which are measured using unadjusted quoted market closing prices in an active market for identical assets.

At 31 December 2024, investments classified as Level 1 comprise approximately 86% (2023: 90%) of financial assets measured at fair value on a recurring basis. Fair value measurements classified as Level 1 include exchange traded prices of fixed maturities and equity securities.

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

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

At 31 December 2024, investments classified as Level 2 comprise approximately 14% (2023: 10%) of financial assets measured at fair value on a recurring basis. They primarily include government and agency securities and certain corporate debt securities, such as private fixed maturities. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined utilising relevant information generated by market transactions involving comparable securities. Inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices) are applied.

Observable inputs generally used to measure the fair value of securities classified as Level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. Additional observable inputs are used when available, and as may be appropriate, for certain security types, such as pre-payment, default and collateral information for purpose of measuring the fair value of mortgage and asset-backed securities.

Level 3 fair value measurements apply to inputs which are not based on observable market data. Private equity securities usually are priced based on unobservable market data and are not easily tradable and are therefore likely to be classified as Level 3. These are often based on model pricing techniques that effectively discount prospective cash flows to present value using appropriate sector-adjusted credit spreads commensurate with the security's duration, also taking into consideration issuer specific credit quality and liquidity. These valuation methodologies have been studied and evaluated by the asset manager and the resulting prices determined to be representative of exit values.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 23. Financial risk management (continued)

#### Fair values of financial assets by hierarchy level (continued)

#### Fair value measurements recognised in the statement of financial position (fair value hierarchy)(continued)

At 31 December 2024, there are no instruments classified as Level 3 (2023: 0.1%).

#### 31 December 2024

	R'000	R'000	R'000	R'000
	Level 1	Level 2	Level 3	TOTAL
<b>Assets</b>				
Financial assets (Note 4)				
Money market instruments	461 407	119 803	-	581 210
Debt instruments	708 349	14 212	-	722 561
Equities	598 463	233 871	-	832 334
Unitised investments	664 779	17 833	-	682 612
	<b>2 432 998</b>	<b>385 719</b>	<b>-</b>	<b>2 818 717</b>

#### 31 December 2023 Restated\*

	R'000	R'000	R'000	R'000
	Level 1	Level 2	Level 3	TOTAL
<b>Assets</b>				
Financial assets (Note 4)				
Money market instruments	554 571	50 198	-	604 769
Debt instruments	626 782	15 716	-	642 498
Equities	594 997	217 503	2 363	814 863
Unitised investments	689 139	3 439	-	692 578
	<b>2 465 489</b>	<b>286 856</b>	<b>2 363</b>	<b>2 754 708</b>

\*The fair value hierarchy in terms of level 1 and 2 assets is corrected to show the split by asset class to which the level relates.

#### Capital adequacy risk

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 all the stakeholders. The risk arises that the reserves are insufficient to provide for adverse variations of actual and future expenditure. The Act requires a minimum solvency ratio of accumulated funds expressed as a percentage of net premiums to be no less than 25%. The Scheme's strategy was to maintain a solvency ratio of above the required 25% and a AA- credit rating. The Scheme's solvency ratio at 31 December 2024 is 60.8% (2023: 64.0%) with a rating of AA- (2023: AA-) Stable.

#### 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 significant legal risk that had not been provided for.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 24. Related party transactions

The Board and the Principal Officer have the authority as well as the responsibility for planning, directing and controlling the activities of the Scheme. The Board is responsible for the affairs of the Scheme.

#### Principal Officer and Executive Management

##### (i) Principal Officer

	2024	2023
	R'000	R'000
<i>Transactions for the year:</i>		
<b>Remuneration and considerations - Principal Officer</b>	<b>6 666</b>	<b>6 784</b>
- Total remuneration	4 710	4 498
- Short-term incentive provision	1 880	2 208
- Other disbursements (Operational expenses)	76	78
<b>Medical Aid contribution and claims made to and received from the Scheme</b>	<b>32</b>	<b>(30)</b>
- Membership contributions made by Principal Officer	61	57
- Claims paid in respect of the Principal Officer	(29)	(87)
<b>Balances at year-end</b>	<b>1 880</b>	<b>2 208</b>
- Short-term incentive provision	1 880	2 208

##### (ii) Key Management

	2024	2023
	R'000	R'000
<i>Transactions for the year:</i>		
<b>Remuneration and considerations</b>	<b>22 449</b>	<b>15 093</b>
- Total remuneration	17 492	10 830
- Short-term incentive provision	4 455	3 789
- Other disbursements (Operational expenses)	502	474
<b>Medical Aid contribution and claims made to and received from the Scheme</b>	<b>190</b>	<b>(19)</b>
- Membership contributions made by executives	437	432
- Claims paid in respect of executives	(247)	(451)

*Outstanding balances due to related parties:*

	2024	2023
	R'000	R'000
<b>Board of Trustees</b>		
- Fees and remuneration considerations	4 136	3 929
- Other disbursements	503	260
- Membership contributions made by Trustees	924	957
- Claims paid in respect of Trustees	427	697
- Trustee personal medical savings accounts balances	46	31

*Terms and conditions of the related party transactions were as follows:*

#### Remuneration

This constitutes fees received by the member, acting in the capacity of a trustee of the Scheme.

#### Contributions received

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

#### Claims incurred

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

#### Member savings

The amounts owing to the related parties relate to PMSA balances to which the parties have a right. In line with the Scheme rules, these balances do not earn interest. The amounts are all current, and would need to be payable on demand should an appropriate claim be issued, or the member exits the Scheme.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 25. Trustees' and Principal Officer remuneration

31 December 2024

		R'000	R'000	R'000	R'000	R'000
Names	Date appointed /resigned	Fees for meeting attendance	Fees for holding office	Total remuneration	*Other disbursements (operational expenses)	Total remuneration and operational expenses
<b>Principal Officer</b>						
K Aron			6 590	6 590	76	6 666
Sub total		-	6 590	6 590	76	6 666
<b>Board of Trustees</b>						
A Labuscagne	Appointed 11 August 2023		679	679	136	815
S Makhani	Appointed 11 August 2023	360	291	651	46	697
L de Lange	Appointed 11 August 2023	265	290	555	55	610
A Fourie-Van Zyl	Appointed 30 November 2023	312	290	602	44	646
T Wiblin	Appointed 12 August 2023	273	290	563	63	626
R Nandkoomar	Appointed 12 February 2024	293	290	583	40	623
Y Nkuna	Appointed 12 February 2024	260	243	503	119	622
Sub total		1 763	2 373	4 136	503	4 639
<b>Total</b>		1 763	8 963	10 726	579	11 305

\* Other disbursements (operational expenses) include amongst other expenses, training and travel (flights and accomodation).

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 25. Trustees' and Principal Officer remuneration

31 December 2023

		R'000	R'000	R'000	R'000	R'000
Names	Date appointed /resigned	Fees for meeting attendance	Fees for holding office	Total remuneration	*Other disbursements (operational expenses)	Total remuneration and operational expenses
<b>Principal Officer</b>						
K Aron			6 706	6 706	78	6 784
Sub total		-	6 706	6 706	78	6 784
<b>Board of Trustees</b>						
A Labuscagne	Appointed 11 August 2023	76	586	662	65	727
S Makhani	Appointed 11 August 2023	138	94	232	2	234
L de Lange	Appointed 11 August 2023	110	94	204	9	213
A Fourie-Van Zyl	Appointed 30 November 2023	33	21	54	-	54
T Wiblin		360	237	597	48	645
R Nandkoomar		328	237	565	37	602
E Botha	Term ended 31 August 2023	236	143	379	35	414
Dr Z Soni	Term ended 31 August 2023	191	143	334	-	334
K Majola	Term ended 30 September 2023	267	164	431	11	442
M Chidi	Term ended 29 November 2023	272	199	471	53	524
Sub total		2 011	1 918	3 929	260	4 189
<b>Total</b>		<b>2 011</b>	<b>8 624</b>	<b>10 635</b>	<b>338</b>	<b>10 973</b>

\* Other disbursements (operational expenses) include amongst other expenses, training and travel (flights and accomodation).

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

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### 26. Contingent assets

1. Action has been abandoned against Calabash Health Solutions (Pty) Ltd (In liquidation) and its former directors regarding the potential recovery of the amount of R46.2m relating to claims paid by the Scheme as a result of Calabash's breach of a capitation agreement. The Board resolved to passively abandon the matter.
2. The Scheme has brought an action against both Bletchley Park and Medshield Distribution Services, for the recovery of "research fees" that were paid to brokers through the two entities, totalling an amount of R27.7m.
3. Medshield purchased the name and trademark, *Medshield*, from Alumni Trading for R10m. The purchase agreement determined that Alumni must cause the trademarks to be transferred to Medshield, which it failed to do. Medshield subsequently sent a notice of termination of the agreement to Alumni in which return of the R10m was demanded. Medshield instituted proceedings to liquidate Alumni Trading, over and above attempts to have the agreement set aside and the monies recovered. Judgement was issued in favour of Medshield, and the agreement sale and assignment were set aside. Alumni was ordered to pay Medshield R10m, plus costs of litigation. There were challenges in recovering the amount owed to the Scheme. To date an amount of R1 972 230 has been recovered.

### 27. Non Compliance with Medical Schemes Act and Regulations

#### 27.1. **Contributions not received within the time stipulated by the MSA**

*Nature of the non-compliance*

*Section 26(7) of the MSA states that: All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becomes due.*

*Impact*

Risk of paying claims where no contributions were received or possible bad debts as a result of not collecting the contributions on time.

*Cause of the non-compliance*

There were some instances noted where the contributions were not received within three days of becoming due.

*Corrective course of action*

Strict credit control procedures are in place to prevent loss to the Scheme. Members and employers are continuously reminded to submit payment and non-payment will result in the suspension of the account and no claims are paid until the account is brought up to date.

#### 27.2. **Claims payments made in excess of 30 days since receipt thereof**

*Nature of the non-compliance*

*Section 59(2) of the MSA states: "A medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme."*

*Impact*

Members might be charged interest on the late payment of accounts by the healthcare professionals.

# MEDSHIELD MEDICAL SCHEME

(Registration number 1140)

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2024*

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### 27. Non Compliance with Medical Schemes Act and Regulations (continued)

#### 27.2. Claims payments made in excess of 30 days since receipt thereof (continued)

##### *Cause of the non-compliance*

These instances mainly arise due to queries on the accounts submitted and further investigation is required before claims are processed. There are two main process issues that may arise every year; firstly, PMB claim reversals and corrections will always breach 30 days because of the nature of the claim and secondly, there may be technical system issues which may result in further software development. This may lead to claims being put on hold until the software development is implemented, leading to certain claims breaching the 30 day payment requirement.

##### *Corrective course of action*

The Scheme continuously encourages members and providers to submit the required supporting documentation as early as possible. The Scheme is continuously implementing new controls to manage the payments of claims in excess of 30 days.

#### 27.3. Loss making options

##### *Nature of the non-compliance*

Section 33(2) of the MSA states : "The Registrar shall not approve any benefit option under this section unless the Council is satisfied that such benefit option -

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

Five options incurred a loss for the year before amounts attributable to future members.

##### *Impact*

Benefit options will not be self-sustainable.

##### *Cause of the non-compliance*

The Scheme budgeted for the following benefit options to make a net healthcare loss as a way to subsidise some of the members' contributions by utilising accumulated reserves. These options included MediPlus Prime, MediPlus compact, MediValue compact, MediSaver and Premium Plus.

##### *Corrective course of action*

The Scheme, in conjunction with the Scheme's actuaries, constantly reviews the performance of these options, and after taking all factors into consideration, contributions and benefits are adjusted accordingly on an annual basis in the normal course of business.

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

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### 27. Non Compliance with Medical Schemes Act and Regulations (continued)

#### 27.3. Loss making options (continued)

Furthermore, the Scheme reviews the benefit options and their related pricing on an annual basis during benefit design. Particular attention is paid to loss making options and the Scheme addresses loss making options by generally going to market with higher contribution increases on these options. The Scheme also focuses on the relevant claims loss ratios and related interventions. The Scheme intends to achieve option self-sustainability in the medium to long-term as per the Scheme's 5 year sustainability plan.

#### 27.4 Direct or indirect investments in other medical scheme administration companies & participating employers

##### *Nature of the non-compliance*

Section 35(8) of the MSA states : "A Medical Scheme shall not invest any of its assets in the business of any other medical scheme or administrator or employer who participates in the medical scheme".

##### *Impact*

Direct equity investment holdings in holding companies of medical scheme administrators.

##### *Cause of the non-compliance*

This is as a result of the mandate given to the asset managers by the Scheme, who have the discretion to invest in any approved instrument, in terms of Regulation 30.

##### *Corrective course of action*

The Scheme has obtained exemption from the Council for Medical Schemes for this non-compliance. This exemption expires on the 30th November 2025.

#### 27.5 Encumbered Assets

##### *Nature of the non-compliance*

Section 35(6) of the MSA states : "A Medical Scheme shall not encumber its assets"

##### *Impact*

A portion of the Scheme's cash and cash equivalents are encumbered as guarantees to landlords, as a requirement to secure the relevant properties. The Scheme was obligated to furnish the landlords with deposits as part of the lease agreements in respect of the Head Office and regional offices' premises.

##### *Cause of the non-compliance*

In terms of the lease agreements, the landlords requires the Scheme to furnish a letter of guarantee in respect of the Scheme's rental obligation to the landlord in terms of the lease. The Scheme has furnished the landlords with the required guarantee in the amounts (in totality) of R2 288 567.

##### *Corrective course of action*

The Scheme has obtained exemption from the Council for Medical Schemes for this non-compliance. This exemption is valid for the duration of the guarantee and related lease agreements.

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### 27. Non Compliance with Medical Schemes Act and Regulations (continued)

#### 27.6. Prescribed Minimum Benefits

##### *Nature of the non-compliance*

Section 29(10(o) of the MSA and Regulation 8 provide the scope and the level of minimum benefits that the Scheme must provide to members and dependants.

##### *Impact*

In certain instances, the Scheme may not pay the level of minimum benefits in full.

##### *Cause of the non-compliance*

During the year under review, there were isolated instances where the Scheme did not pay claims in accordance with the scope and level of prescribed minimum benefits.

##### *Corrective course of action*

These identified claims are reprocessed and paid in terms of the rules.

#### 27.7. Claims received after 120 days (four months) were paid

##### *Nature of the non-compliance*

MSA Regulation 6 states the following: "A medical scheme must not in its rules or in any other manner in respect of any benefit to which a member or a former member of such a medical scheme or a dependant of such member is entitled, limit, exclude, retain or withhold, as the case may be, any payment to such member or supplier of service as a result of the late submission of an account or statement, before the end of the fourth month -

a) from the last date of the service rendered as stated on the account, statement or claim; or

b) during which such account, statement or claim was returned for correction.

##### *Impact*

Instances were identified where claims were received after 120 days (four months) from treatment date and paid which may result in losses for the Scheme

##### *Cause of the non-compliance*

During the year under review, there were isolated instances where the Scheme received claims after 120 days, which it paid.

##### *Corrective course of action*

The Scheme will implement internal controls to ensure that claims received after 120 days (four months) are not paid.

#### 27.8. Prescribed Minimum Benefits paid from members' medical savings account

##### *Nature of the non-compliance*

MSA Regulation 10 states the following: "The funds of members' medical savings account shall not be used to pay for the costs of a prescribed minimum benefit".

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### 27. Non Compliance with Medical Schemes Act and Regulations (continued)

#### 27.8. Prescribed Minimum Benefits paid from members' medical savings account (continued)

##### *Impact*

Claims paid from members' medical savings account will reduce the investment component of the affected member's

##### *Cause of the non-compliance*

In certain instance, it was identified where members' medical savings accounts were used to pay for prescribed minimum benefits.

##### *Corrective course of action*

These identified claims are reprocessed and paid in terms of the Rules.

### 28. Going Concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to meet future obligations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

The Board believes that the Scheme has adequate financial resources to continue to operate in the normal course of business for the foreseeable future and accordingly, the annual financial statements have been prepared on the going concern basis. The Board is satisfied that the Scheme is in a sound financial position and that it has access to sufficient non-current and current assets to meet foreseeable cash requirements.

The Board is not aware of any new material changes that may adversely impact the Scheme. The Board is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Scheme.

The Scheme is in advanced discussions with another open scheme with regards a potential amalgamation. Both the Scheme Board and the other Board have approved the amalgamation in principle. It is too nascent in the process to determine if the amalgamation will be successful, as there are key approvals outstanding, being the approval by the members of the Scheme, approval by the Council for Medical Schemes and the final approval by the Competition Commission. In the event that the amalgamation is successful, the Scheme will amalgamate into the other scheme and legally cease to exist on the day of amalgamation. The Board emphasises that this is a legal going concern matter, not a financial going concern matter. The Scheme solvency ratio is 59.4%, which indicates that the Scheme is well capitalised.

### 29. Events after the reporting period

It is the Schemes strategy to explore opportunities for growth, which are both organic and inorganic in nature. In this regard the Scheme is pursuing this strategy in the ordinary course of business. As at the date of signature, no agreements had been concluded.

The Annual Financial Statements set out on pages 25 to 89, which have been prepared on the going concern basis, were approved by the Board on 10th June 2025.

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 30. Restatements

The Scheme made restatements, which affected the statement of financial position and other primary statements and consequently the notes. The following required correction:

- a. The current and non-current splits for financial assets was incorrectly presented in the statement of financial position (note 4).
- b. The classification of financial assets measured at fair value through other comprehensive income and profit and loss were incorrect.(note 4).
- c. As a result of matter b, the fair value of adjustments on both equity and debt instruments recognised through profit and loss and other comprehensive income was erroneously presented.
- d. Incurred claims and other directly attributable expenses were erroneously calculated, as the release of the risk adjustment and the reinsurance cost were not included in the profit or loss. (SOCl)
- e. There were material errors in the statement of cash flows due to the classification errors identified. (SOcF)
- f. The gross carrying amount of the right-of-use assets and the accumulated depreciation in the opening balance and closing balance were incorrect due to an error in the assets as expired leases had erroneously not been derecognised between 2019 and 2023 (note 3).
- g. In the prior year, the incurred claims and directly attributable expenses were erroneously included in the LFRC instead of the LIC. The total IBNR of R225m was erroneously including in the LIC instead of the year on year movement in the IBNR(note 7).
- h. In both the insurance and reinsurance contract liability notes, the cash flows were disclosed incorrectly on both the note 7 and 8 and in the statement of cash flows.
- i. The claims and premiums in the reinsurance note 8 did not cast.
- j. The net income from reinsurance contracts held was incorrect (note 8).

#### Impact on Primary Statements

	Reference	As stated previously R'000	Change R'000	2023 Restated R'000
<b>30.1 Statement of financial position</b>				
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, plant & equipment		4 193	-	4 193
Right-of-use assets		17 695	-	17 695
Investments at fair value	a	1 252 197	(133 685)	1 118 512
		<u>1 274 085</u>	<u>(133 685)</u>	<u>1 140 400</u>
<b>Current Assets</b>				
Investments at fair value	a	1 502 511	133 685	1 636 196
Other receivables		778	-	778
Cash and cash equivalents		177 688	-	177 688
		<u>1 680 977</u>	<u>133 685</u>	<u>1 814 662</u>
<b>Total Assets</b>		<u>2 955 062</u>	-	<u>2 955 062</u>

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 30. Restatements (continued)

	Reference	As stated previously R'000	Change R'000	2023 Restated R'000
<b>Statement of financial position (continued)</b>				
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
Lease liabilities		15 602	-	15 602
Liabilities for future members		2 468 337	-	2 468 337
		<b>2 483 939</b>	-	<b>2 483 939</b>
<b>Current Liabilities</b>				
Lease liabilities		4 708	-	4 708
Insurance contract liabilities		396 411	-	396 411
Reinsurance contract liabilities		1 711	-	1 711
Trade and other payables		54 064	1	54 065
Liabilities for future members		14 228	-	14 228
		<b>471 122</b>	1	<b>471 123</b>
<b>Total Liabilities</b>		<b>2 955 061</b>	1	<b>2 955 062</b>

	Reference	As stated previously R'000	Change R'000	2023 Restated R'000
<b>30.2 Statement of Profit or Loss and Other Comprehensive Income</b>				
Insurance revenue		3 692 968	-	3 692 968
Insurance service expense	d	(3 823 968)	(48 159)	(3 872 127)
Net gains/(losses) from reinsurance contracts	d,j	4 623	1 000	5 623
<b>Insurance service result</b>		<b>(126 377)</b>	<b>(47 159)</b>	<b>(173 536)</b>
Investment income		213 103	1	213 104
Other operating income		39 463	-	39 463
Fair value adjustments:				
- realised profit/(loss)	c	16 602	(18 034)	(1 432)
- unrealised profit/(loss)	c	8 083	26 687	34 770
Administration and other operating expenses		(117 303)	(1)	(117 304)
Other finance expenses		(3 413)	-	(3 413)
<b>Profit/(loss) for the year before amounts attributable to future members</b>		<b>30 158</b>	<b>(38 506)</b>	<b>(8 348)</b>
<b>Amounts attributable to future members</b>		-	<b>(2 444)</b>	<b>(2 444)</b>
<b>Profit/(loss) for the year</b>		<b>30 158</b>	<b>(40 950)</b>	<b>(10 792)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be classified to profit and loss:</i>				
Profit on fair value equity instruments at fair value through other comprehensive income	c	(30 158)	40 950	10 792
<b>Other comprehensive income for the year</b>		<b>(30 158)</b>	<b>40 950</b>	<b>10 792</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 30. Restatements (continued)

	Reference	As stated previously R'000	Change R'000	2023 Restated R'000
<b>30.3 Statement of Cash Flows</b>				
<b>Cash flows from operating activities</b>				
Cash receipts from members and providers - other	e	5 140	199	5 339
Cash receipts from members - contributions	e	3 687 629	90 378	3 778 007
Cash receipts from members and providers - other debtors	e	-	(35)	(35)
Cash paid to reinsurer	e	-	(19 243)	(19 243)
Cash paid to providers and employees - claims and directly attributable expenses	e	(3 533 654)	(397 770)	(3 931 424)
Cash paid to providers and employees - other administration fees and operating expenses	e	(429 845)	323 058	(106 787)
Cash paid to members - savings plan refunds		(16 024)	-	(16 024)
<b>Cash flows used in operations</b>		<b>(286 754)</b>	<b>(3 413)</b>	<b>(290 167)</b>
Interest received		4 363	-	4 363
Finance costs paid		(3 413)	-	(3 413)
<b>Net cash flows used in operations</b>		<b>(285 804)</b>	<b>(3 413)</b>	<b>(289 217)</b>
<b>Cash flows from investing activities</b>				
Investment deposits from Scheme bank account		(3 063 607)	-	(3 063 607)
Investment withdrawals into the Scheme bank account		3 442 907	-	3 442 907
<b>Net cash flows from investing activities</b>		<b>379 300</b>	<b>-</b>	<b>379 300</b>
<b>Cash flows from financing activities</b>				
Cash payments on lease liabilities	e	(6 374)	3 413	(2 961)
<b>Net cash flows utilised in financing activities</b>		<b>(6 374)</b>	<b>3 413</b>	<b>(2 961)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>87 122</b>	<b>-</b>	<b>87 122</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>90 566</b>	<b>-</b>	<b>90 566</b>
<b>Cash and cash equivalents at end of the year</b>		<b>177 688</b>	<b>-</b>	<b>177 688</b>

### Impact on Note Disclosures

	Reference	As stated previously R'000	Change R'000	2023 Restated R'000
<b>Statement of financial position notes</b>				
<b>30.4 Right-of-use-asset ( note 3)</b>				
<b>Opening Balance</b>		<b>22 799</b>	<b>(764)</b>	<b>22 035</b>
Gross carrying amount - Right-of-use asset	f	115 239	(32 219)	83 020
Gross carrying amount - Accumulated depreciation	f	(92 440)	31 455	(60 985)
<b>Closing Balance</b>		<b>17 695</b>	<b>-</b>	<b>17 695</b>
Gross carrying amount - Right-of-use asset	f	115 239	(90 230)	25 009
Gross carrying amount - Accumulated depreciation	f	(97 544)	90 230	(7 314)

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

### 30. Restatements (continued)

	Reference	As previously stated R'000	Change R'000	2023 Restated R'000
<b>30.5 Financial Assets (note 4)</b>				
<b>Realised profit/(losses)</b>				
- Fair value of equity instruments	b	49 603	(8 490)	41 113
- Fair value through profit and loss	b	16 602	(18 034)	(1 432)
<b>Unrealised profit/(losses)</b>				
Fair value through OCI (equity)	b	(30 158)	(163)	(30 321)
Fair value through profit or loss	b	8 083	26 687	34 770
<b>Investments at Fair Value</b>				
Investments at fair value through profit or loss	b	1 490 851	448 993	1 939 844
Investments at fair value through other comprehensive i	b	1 263 856	(448 992)	814 864
		<u>2 754 707</u>	<u>1</u>	<u>2 754 708</u>

	Reference	As previously stated R'000	Change R'000	2023 Restated R'000
<b>30.6 Reinsurance contract liabilities ( note 8)</b>				
<b>Net gains/(losses) from reinsurance contracts held</b>	j,i	4 623	1 000	5 623
Reinsurance expenses		(17 650)	(1 730)	(19 380)
Claims recovered		22 273	2 730	25 003

### 30.7 Insurance contract liabilities ( note 7)

Following Circular 6 of 2025 issued by the Council for Medical Schemes, which addressed general concerns around the 2023 Annual Financial Statements, the Scheme has corrected classification errors identified in the prior year cash flow presentation.

To ensure proper reconciliation between the cash flow amounts in Note 7.1 (LFRC & LIC) and the Statement of Cash Flows, the following corrections have been made to note 7.1.

Contributions received	h	3 766 856	11 151	3 778 007
Claims and other directly attributable expenses paid	h	(3 894 990)	(36 434)	(3 931 424)

Detailed disclosure has been provided in the reconciliation of cash flows for items that are included in the premiums received, claims and other directly attributable expenses paid and the investment components received and paid. Therefore, the prior year comparatives were restated for consistency. This resulted in the following changes in the 2023 financial information

	Reference	As stated previously R'000	Change R'000	2023 Restated R'000
<b>Reconciliation of the liability for remaining coverage and the liability for incurred claims</b>				
LRC - total insurance service expense	g	3 809 252	(3 809 252)	-
LIC -total insurance service expense	g	225 061	3 647 066	3 872 127

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## NOTES TO THE FINANCIAL STATEMENTS

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### 30. Restatements (continued)

	As stated previously R'000	Change R'000	2022 Restated R'000
<b>30.8 Statement of financial position</b>			
<b>Non-current assets</b>			
Financial assets	1 392 914	(563 979)	828 935
<b>Current assets</b>			
Financial assets	1 504 525	563 979	2 068 504
Made up as follows:			
<b>Non-current assets</b>	1 392 914	(563 979)	828 935
Financial assets FVOCI	408 242	(408 242)	-
Financial assets FVPL	984 672	(155 737)	828 935
<b>Current assets</b>	1 504 525	563 979	2 068 504
Financial assets FVOCI	812 532	(61 383)	751 149
Financial assets FVPL	691 993	625 362	1 317 355

Management has assessed the impact on the ratios that are important to the users of the annual financial statements. Management has assessed the solvency and liquidity ratios and the change in these ratios before and after the restatements are not considered to be material. Furthermore the net asset value does not change as there is only a reclassification between non-current and current financial assets and between fair value through OCI and P&L. Therefore, management is comfortable to include the 2022 impact in the restatement note and not present a third balance sheet as this would not have a material effect on users of the financial statements.