



MALCOR MEDICAL AID SCHEME

Registration number: 330

Reference number: 1547

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2025

MALCOR MEDICAL AID SCHEME

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2025

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MALCOR MEDICAL AID SCHEME

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2025

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The trustees are responsible for the preparation, integrity and fair presentation of the annual financial statements of Malcor Medical Aid Scheme ("the Scheme") which have been prepared in accordance with IFRS® Accounting Standards (IFRS) and the requirements of the Medical Schemes Act of South Africa. In addition, the trustees are responsible for preparing the report of the board of trustees.

The trustees:-

- consider that in preparing the annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates;
- are satisfied that the information contained in the annual financial statements fairly presents the results of operations and cash flows for the year and the financial position of the Scheme at year-end;
- are responsible for ensuring that adequate accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Scheme to enable the trustees to ensure that the annual financial statements comply with the relevant legislation; and
- are responsible for such internal controls as the trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining an effective system of risk management.

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

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

The Scheme's external auditors, Harris Dowden & Fontaine, are responsible for auditing the annual financial statements and their report is presented on pages 14 - 18.

Harris Dowden & Fontaine have unrestricted access to all financial records and related data, including minutes of all meetings of members, the trustees and the Audit and Risk Committee. The trustees believe that all their representations made to the independent auditors during their audit were accurate and appropriate.

The annual financial statements were approved by the board of trustees on 28 April 2026 and are signed on its behalf by:



A MARAIS
Chairperson



A LOWES
Trustee



P DORFAN
Principal officer

MALCOR MEDICAL AID SCHEME

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for the year ended 31 December 2025

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

The Malcor Medical Aid Scheme is committed to the principles and practice of fairness, responsibility, transparency and accountability in all dealings with its stakeholders. The Scheme complies with a recognised governance framework and conducts its affairs according to ethical values. The trustees are proposed and elected by the members of the Scheme.

The board of trustees view good governance not only as complying with legislative provisions and applying the relevant principles of King on corporate governance, but view it as integral to the success, sustainability and financial soundness of the Malcor Medical Scheme. The trustees are satisfied that the Scheme has in all material respects complied with the provisions and spirit of its rules, the Medical Schemes Act 131 of 1998, as amended and its regulations, other than those matters noted in the Board of Trustees report.

BOARD OF TRUSTEES

The board of trustees meets regularly and monitors the performance of the administrator and other service providers. They address a range of key issues and ensure discussion of items of policy, strategy and performance are informed and constructive.

All trustees have access to the advice and services of the principal officer and, where appropriate, may seek independent professional advice at the cost of the Scheme.

RISK MANAGEMENT AND INTERNAL CONTROL

The trustees are accountable for the process of risk management and internal controls. Risks are reviewed and identified on an ongoing basis and appropriate strategies are implemented and monitored.

The trustees have established an Audit and Risk Committee ("ARC") mandated under terms of reference to oversee all risk and corporate governance issues pertaining to the Scheme in accordance with accepted corporate governance practices.

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

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

PERFORMANCE MONITORING OF BUDGETS

The budget for the Scheme is set annually and approved by the trustees. The performance against budget is monitored monthly by the trustees and agreed remedial actions are implemented.

PERFORMANCE MONITORING OF TERMS OF REFERENCE

The trustees approve the terms of reference of the ARC and monitor its performance against it.



A MARAIS
Chairperson



A LOWES
Trustee



P DORFAN
Principal Officer

MALCOR MEDICAL AID SCHEME

ANNUAL REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025

The board of trustees ("the Board") hereby presents its report for the year ended 31 December 2025.

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1. Terms of registration

The Malcor Medical Aid Scheme ("the Scheme") is a restricted membership scheme registered in terms of the Medical Schemes Act No 131 of 1998 ("the Act").

The Scheme operates for the benefit of its members and its trustees oversee and govern the business of the Scheme on behalf of its members.

1.2. Benefit options with Malcor Medical Aid Scheme

The Scheme offered 4 benefit options to its members during the year - Plans A, B, C and D.

Plans A, B and C are graded non-savings benefit options, while Plan D is a low-cost benefit option serviced by National HealthCare Group (Pty) Ltd ("National HealthCare"). National HealthCare has in return for a capitation fee, assumed the risk of providing the Plan D members with the medical benefits permitted by the Plan.

2. SCHEME MANAGEMENT AND THIRD PARTY SERVICE PROVIDERS

2.1 Board of trustees

Member trustees are all elected by the members. Employer trustees are appointed by the Employer. Trustees term of office is 5 years. The most recent election was held during the 2022 financial year. The next election will be held during the 2027 financial year.

The Board are also entitled in terms of the Scheme rules to appoint a trustee to fill a vacancy during the financial year to hold office until the next annual general meeting.

The board of trustees during the year under review and at the date of this report were:

<u>Name</u>	<u>Number of meetings attended during the year</u>	
	<u>A</u>	<u>B</u>
Employer appointed trustees		
S Dladla (Appointed: 1 December 2025)	-	-
G Fouche (Appointed: 1 January 2025)	5	5
R Govender (Ravi)	4	5
R Govender (Rominisha) (Resigned: 30 September 2025)	4	4
R Khan (Resigned: 30 September 2025)	-	4
M Ras (Appointed: 1 December 2025)	-	-
R Schneider	4	5
Member elected trustees		
A Marais (Chairperson)	5	5
L James	4	5
A Lowes	5	5
H Shapiro	5	5
C Van Zitters	5	5
Principal Officer		
P Dorfan (Invitee)	5	5

A - Actual number of meetings attended

B - Total possible meetings

There were 5 trustee meetings held during the year under review and none of the trustees, other than the chairperson received remuneration relating to such services. The chairperson received remuneration of R120,424 (2024: R109,261) for his services to the Scheme during the year.

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for the year ended 31 December 2025

2. SCHEME MANAGEMENT AND THIRD PARTY SERVICE PROVIDERS (continued)

2.2. Principal officer

P Dorfan

16 Jersey Drive
Longmeadow Business Estate East
Edenvale

P O Box 8012
Greenstone
1616

The principal officer received remuneration of R900,218 (2024: R834,520) for his services to the Scheme during the year.

2.3. Registered office and postal address of the Scheme

Discovery Health Head Office
1 Discovery Place
Sandton

P O Box 786722
Sandton
2146

2.4. Scheme administrator

Discovery Health (Pty) Ltd
Accreditation number: 19
Discovery Health Head Office
1 Discovery Place
Sandton

P O Box 786722
Sandton
2146

2.5. Managed care administrators

Discovery Health (Pty) Ltd
Managed care accreditation number: 6
Discovery Health Head Office
1 Discovery Place
Sandton

P O Box 786722
Sandton
2146

National HealthCare Group (Pty) Ltd
Managed care accreditation number: 22
Route 21 Corporate Park
72 Regency Drive
Irene

P O Box 11480
Queenswood
0121

2.6. Investment advisors

I Madjarova
Financial service provider number: 873
Sygnia Asset Management (Pty) Ltd
Katherine & West Building, West Street
Sandton
2196

7th Floor, The Foundry
Green Point
Cape Town
8001

MALCOR MEDICAL AID SCHEME

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for the year ended 31 December 2025

2. SCHEME MANAGEMENT AND THIRD PARTY SERVICE PROVIDERS (continued)

2.7. External auditors

Harris Dowden & Fontaine
IRBA registration number: 943703
7 Pam Road
Morningside
Sandton

P O Box 651129
Benmore
2010

2.8. Actuaries

Discovery Health (Pty) Ltd
Discovery Health Head Office
1 Discovery Place
Sandton

P O Box 786722
Sandton
2146

2.9. Scheme committees

2.9.1 Audit Committee

In accordance with good corporate governance and the provisions of the Act, the Scheme has an Audit and Risk Committee ("ARC"). The ARC is appointed by the trustees and mandated by them by means of written terms of reference as to its membership, authority and duties. The ARC is required to have a minimum of five members the majority of whom, including the chairman, are not officers of the Scheme or its administrator.

The primary responsibility of the members of the ARC is to assist the board of trustees in carrying out its duty relating to the Scheme's accounting policies, internal control systems, financial reporting and corporate governance practices and risk management. The external and internal auditors formally report to the ARC on the critical findings arising from their audits.

The trustees monitor the performance of the ARC against its related terms of reference. No deficiencies were noted for the 2025 financial year.

The ARC in turn, make recommendations to the trustees arising from their abovementioned duties.

The ARC members during the year under review and at date of this report were:

<u>Name</u>	<u>Number of meetings</u>	
	<u>A</u>	<u>B</u>
Independent members:		
G Kapp (Chairperson) (Resigned: 30 April 2025)	2	2
F Mohamed (Chairperson) (Appointed: 1 May 2025)	1	1
J Englund	3	3
M Lorgat	1	3
J Forson	3	3
Trustee members:		
A Lowes	3	3
R Schneider	2	3
Principal Officer:		
P Dorfan	3	3

A - Actual number of meetings attended

B - Total possible meetings

MALCOR MEDICAL AID SCHEME

ANNUAL REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025

2. SCHEME MANAGEMENT AND THIRD PARTY SERVICE PROVIDERS (continued)

2.9.1 Audit Committee (continued)

The principal officer of the Scheme and representatives of the administrators as well as the internal and external auditors are invited to attend all ARC meetings and have unrestricted access to the chairperson of the committee.

There were 3 ARC meetings held during the year under review and none of the ARC members, with the exception of the ARC chairperson, received any remuneration or was reimbursed for any expenditure relating to such services.

The chairpersons received remuneration of R39,161 (2024: R53,322) for their services to the Scheme during the year.

The ARC reported that:

- It carried out its duties in terms of the Act and its terms of reference approved by the Board.
- The external auditors have confirmed their independence.
- The combined assurance provided by management and the external and internal auditors has led them to conclude that the internal controls of the Scheme are adequate and effective.
- It has reviewed the Scheme's annual financial statements and accounting policies, obtained assurance from the external auditors in this regard and recommended the adoption of the annual financial statements by the Board for presentation to members.

2.9.2 Investment Committee

The Scheme has an investment committee that functions in accordance with terms of reference as set out by the Board of Trustees. The main responsibilities of the Committee include:

- Assess the investment policy on a yearly basis, and recommend amendments where required.
- Review, on an ongoing basis, the appropriateness of the strategy in the light of economic and business conditions affecting the Scheme.
- Ensure that investments are made in accordance to the strategy.
- Provide a quarterly report on investment performance.
- Monitor the performance of the investment managers to ensure that investment falls within acceptable limits.

The investment sub-committee members during the year under review and at date of this report were:

<u>Name</u>	<u>Number of meetings</u>	
	<u>A</u>	<u>B</u>
A Marais (Chairperson)	2	2
H Shapiro (Appointed: 19 November 2025)	-	-
R Govender (Rominisha) (Resigned: 30 September 2025)	1	2
M Ras (Appointed: 19 February 2026)	-	-
C Van Zitters	2	2
P Dorfan (Principal Officer - ex officio attendee)	2	2

A - Actual number of meetings attended

B - Total possible meetings

Details of investments are set out in the annual financial statements.

MALCOR MEDICAL AID SCHEME

ANNUAL REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025

3. MANAGEMENT OF RISK

3.1. Risk transfer arrangements (Reinsurance contracts)

National HealthCare Group (Pty) Ltd provides Plan D members with the medical benefits attributable to the Plan in return for a fixed fee per member per month.

The Scheme has also entered into a capitation agreement with Discovery Health (Pty) Ltd for the provision of Diabetes Management Services to benefit options A, B and C. The Scheme is paying a fixed fee per member per month for all members registered on this program.

The trustees monitor the performance of these service providers regularly and evaluate the economic benefit for the Scheme. The results of these agreements are disclosed in note 7 in the financial statements.

3.2. Investment strategy

The Scheme's investment strategy is to ensure there is a sum equivalent to at least two month's expected claims and administration costs in the Scheme's bank accounts and that the investments comply with the regulations of the Act. Within this overall strategy the objective is to invest no more than 40% in equities, 100% in cash or bonds and 5% in property holding investments. The Scheme adhered to the investment strategy and at year end had invested 19.61% (2024: 19.74%) of the Scheme's funds available for investment in equities, 75.35% (2024: 79.51%) in cash or bonds and 0.57% (2024: 0.75%) in equities in property holding investments. The return achieved on investments held at fair value through profit or loss as a percentage of the weighted average fair value per month for the year under review was 19.1% (2024: 11.3%).

All investments are in the name of the Scheme and no withdrawal or investment changes are permitted without the approval of the trustees and the written approval of the principal officer.

The trustees of the Scheme review the allocation and performance of investments on a quarterly basis to monitor the returns and ensure compliance with the Act and review the investment policy on an annual basis. Advice in respect of specific funds in which the Scheme is invested is taken from the Scheme's investment advisor and professional asset consultants.

MALCOR MEDICAL AID SCHEME

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for the year ended 31 December 2025

3. MANAGEMENT OF RISK (continued)

3.3. Management of insurance risk

The primary insurance activity carried out by the Scheme assumes the risk of loss incurred by members and their dependants relating to medical care. These risks relate to the health of the Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of medical claims made by its members.

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

The Scheme uses several methods to assess and monitor insurance risk exposures for both individual types of risks insured and overall risks. The principal risk is that the frequency and severity of claims are greater than expected.

An assessment of the major risks affecting the Scheme and the most effective manner in which these risks may be mitigated is considered by the ARC and the Board on a regular basis.

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

MALCOR MEDICAL AID SCHEME

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2025

4. OPERATIONAL STATISTICS

The detailed statistics per plan are reflected in the table below:

	Plan A		Plan B		Plan C		Plan D		Total Scheme						
	2025	2024	%	2025	2024	%	2025	2024	%	2025	2024	%			
Number of members at end of the year	507	540	-6%	2,943	3,089	-5%	968	909	6%	143	146	-2%	4,561	4,684	-3%
Number of beneficiaries at the end of the year	1,157	1,232	-6%	7,233	7,692	-6%	1,760	1,624	8%	243	248	-2%	10,393	10,796	-4%
Average number of members per month	515	551	-7%	3,092	3,101	0%	980	834	18%	149	146	2%	4,736	4,632	2%
Average number of beneficiaries per month	1,180	1,263	-7%	7,675	7,785	-1%	1,771	1,482	20%	256	248	3%	10,882	10,778	1%
Average number of beneficiaries per member at year-end	2.28	2.28	0%	2.46	2.49	-1%	1.82	1.79	2%	1.70	1.70	0%	2.28	2.30	-1%
Dependant ratio to members at year-end	1.28	1.28	0%	1.46	1.49	-2%	0.82	0.79	4%	0.70	0.70	0%	1.28	1.30	-2%
Average age of beneficiaries at the beginning of the year	48.0	47.3	2%	33.4	32.5	3%	30.6	30.5	0%	35.2	35.0	0%	34.6	33.9	2%
Pensioner ratio (beneficiaries >65 years)	23.3%	22.0%	6%	5.4%	4.9%	10%	5.9%	5.9%	0%	13.0%	10.8%	20%	7.6%	7.1%	7%
Number of beneficiaries registered for chronic conditions at year end	658	678	-3%	2,358	2,308	2%	349	309	13%	35	35	1%	3,400	3,347	2%
Average per month	11,749	10,785	9%	7,653	7,110	8%	4,422	4,054	9%	2,646	2,495	6%	7,272	6,851	6%
Risk contributions per member (R')	5,128	4,705	9%	3,083	2,832	9%	2,447	2,282	7%	1,540	1,469	5%	3,165	2,945	7%
Risk contributions per beneficiary (R')	14,092	12,143	16%	7,229	6,719	8%	3,205	2,803	14%	2,208	1,975	12%	6,984	6,509	7%
Relevant healthcare expenditure per member (R')	6,150	5,298	16%	2,912	2,676	9%	1,774	1,577	12%	1,285	1,162	11%	3,040	2,797	9%
Non-healthcare expenditure per member (R')	350	334	5%	350	334	5%	350	334	5%	350	334	5%	350	334	5%
Non-healthcare expenditure per beneficiary (R')	153	146	5%	141	133	6%	194	188	3%	204	196	4%	153	143	6%
Accumulated funds per member at year-end (R')	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	49,833	42,598	17%
Relevant healthcare expenditure as % of risk contribution income	119.9%	112.6%	7%	94.5%	94.5%	0%	72.5%	69.1%	5%	83.5%	79.2%	5%	96.0%	95.0%	1%
Directly attributable insurance service expenses as a percentage of risk contributions	122.7%	115.4%	6%	98.0%	98.1%	0%	78.2%	75.1%	4%	93.8%	89.5%	5%	99.8%	98.8%	1%
Directly attributable insurance service expenses per beneficiary per month	6,290	5,427	16%	3,022	2,779	9%	1,914	1,714	12%	1,444	1,315	10%	3,159	2,909	9%
Managed care as % of risk contribution income	1.2%	1.3%	-3%	1.9%	1.9%	-2%	3.3%	3.4%	-4%	-	-	-	1.9%	2.0%	-1%
Administration expenditure as % of risk contributions	2.3%	2.4%	-4%	3.5%	3.6%	-2%	6.0%	6.3%	-4%	10.1%	10.2%	-1%	3.7%	3.7%	-1%
Non-healthcare expenditure as % of risk contributions	3.7%	3.8%	-1%	5.1%	5.2%	-2%	8.2%	8.6%	-4%	14.3%	14.4%	-1%	4.9%	5.0%	-1%

MALCOR MEDICAL AID SCHEME

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025

5. REVIEW OF RESULTS FOR THE YEAR

5.1. Results of operations

The results of the operations of the Scheme are set out in the annual financial statements, and the trustees believe that no further clarification is necessary.

5.2. Operational statistics for the Scheme

	2025	2024
	R'000	R'000
Amount paid to administrators		
- Administration fee	15,185	14,136
- Managed healthcare fee	7,966	7,412
Total	<u>23,151</u>	<u>21,548</u>

5.3. Solvency ratio

The solvency ratio is calculated as follows:

Total insurance contract liability to members for future benefits per statement of financial position

Less: Cumulative unrealised fair value gain on investments

Accumulated funds per Regulation 29 of the Act

Annual gross contributions (insurance revenue)

Solvency ratio

(Accumulated funds per Regulation 29/annual contribution x 100)

227,286	199,528
(54,883)	(34,496)
<u>172,403</u>	<u>165,032</u>
<u>413,300</u>	<u>380,832</u>
<u>41.71%</u>	<u>43.33%</u>

5.4. Liability for incurred claims

Movements in the liability for incurred claims are set out in the annual financial statements. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the Scheme.

MALCOR MEDICAL AID SCHEME

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025

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

With the exception of the indirect investments in Aspen Pharmacare Holdings Limited and Discovery Holdings Limited, the Scheme did not hold shares in any related party or in companies whose employees are members of the Scheme. Refer to note 12.2 below.

7. RELATED PARTY TRANSACTIONS

Related party transactions are set out in Note 13 to the annual financial statements.

8. ACTUARIAL SERVICES

The Scheme's actuary was consulted in the determination of the contributions and benefit levels.

9. FIDELITY AND PROFESSIONAL INDEMNITY INSURANCE

In terms of section 33(3) of the Medical Schemes Act, Camargue Underwriting Managers Proprietary Limited, underwritten by Bryte Insurance Company Ltd, Compass Insurance Company Ltd and Lloyds Bank Of London Ltd, have provided professional indemnity and fidelity insurance of R30 million (2024: R30 million) to the Scheme.

10. INTERNAL AUDIT

Discovery Health Internal Audit provided the ARC with an annual internal audit plan for discussion, regular feedback on their findings, suggested improvements on internal controls as well as feedback on the progress of the audits against the approved audit plan. The external auditors also liaised with Discovery Health Internal Audit to ensure they could minimise their audit procedures in the areas covered by Discovery Health Internal Audit.

11. EVENTS AFTER THE REPORTING DATE

There were no other events after the reporting date that had a material impact on the Scheme.

MALCOR MEDICAL AID SCHEME

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025

12. AREAS OF NON-COMPLIANCE WITH MEDICAL SCHEME LEGISLATION FOR THE YEAR UNDER REVIEW

Although they may not be material in amount or effect, the trustees are required by the Council for Medical Schemes to report on all matters of non-compliance with the Act irrespective of whether or not the external auditors consider the non-compliance as material. In accordance with this requirement, the trustees note:

12.1. Late payment of contributions

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the Scheme. In terms of the Scheme rules, contributions are required to be received no later than three days after their due date. During the financial year certain contributions were identified that were not paid to the Scheme within this deadline period.

Causes of failure

The failure was mainly caused due to administrative delays by certain participating employers in paying over their respective contributions to the Scheme.

Corrective action

Whilst every effort is made through credit control procedures to enforce this requirement, the onus is on the member/employer group to ensure compliance. The loss of interest to the Scheme from this delay is minimal.

12.2. Investments in participating employers and medical scheme administrators

Nature and impact

Section 35(8)(a), (c) and (d) of the Act states that a medical scheme shall not invest any of its assets in participating employers, medical scheme administrators or persons associated with these organisations. During the year the Scheme did have investments in certain of these organisations.

Causes of failure

The Scheme invests in investment vehicles which allow investment managers discretion to invest in organisations of their choice. Certain of these choices have resulted in the Scheme having investments in organisations which are in conflict with this Section of the Act.

Corrective action

The Scheme has received exemption from the provisions of this Section from Council on the grounds that the investments are made, without reference to the Scheme, by the asset managers in the portfolios in which the Scheme invests. These investment choices are therefore not influenced by the Scheme.

MALCOR MEDICAL AID SCHEME

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2025

12. AREAS OF NON-COMPLIANCE WITH MEDICAL SCHEME LEGISLATION FOR THE YEAR UNDER REVIEW (continued)

12.3. Late payment of claims

Nature and impact

Section 59(2) of the Act requires that medical schemes shall pay 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.

Causes of failure

Late payment of claims usually resulted from members or providers submitting claims without the necessary details for these payments to be made timeously. These are isolated cases and thus do not have a material effect on the Scheme.

Corrective action

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

12.4. Sustainability of benefit options

Nature and impact

In terms of section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. At 31 December 2025 Plan A incurred a net insurance service deficit of R16.5 million (2024: deficit of R10.9 million).

Causes of failure

Plan A was deliberately costed to incur a deficit as the increase in contributions necessary to achieve a surplus would have been too onerous for members on this plan and might lead to members changing to other plans to the detriment of the Scheme as a whole.

Corrective action

The Trustees are expecting this trend for Plan A to continue in future. The performance of all benefit options is monitored on a continuous basis with a view to improving their financial outcomes, and the Scheme continually evaluates different strategies to address the deficit in these benefit options.

When structuring benefit options, the financial sustainability of all the benefit options is considered. The different financial positions reflect the different disease burdens in each benefit option, among many other factors. The Scheme's strategy on the sustainability of benefit options has to balance short and long-term financial considerations, fairness to both healthy and sick members, and continued affordability of cover for members with different levels of income and healthcare needs. While the Scheme is committed to complying wherever possible with the applicable legislation, it also focuses intensively on the overall stability and financial position of the Scheme as a whole and not only individual benefit options. The Scheme's actuary was consulted in the determination of the contributions and benefit levels.



HARRIS DOWDEN & FONTAINE CHARTERED ACCOUNTANTS (SA)

IRBA Registration No: 943703

7 Pam Road, Morningside, 2196

P.O. Box 651129, Benmore, 2010

Telephone: (011) 884-7373 Fax: (011) 784-6992

E-Mail hdf@icon.co.za

B.J. Dowden, C.L.I. Fontaine

Independent Auditor's Report

To the Members of Malcor Medical Aid Scheme

Report on the audit of the Financial Statements For the year ended 31 December 2025

Opinion

We have audited the financial statements of Malcor Medical Aid Scheme (the Scheme), set out on pages 19 to 63, which comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, the statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Malcor Medical Aid Scheme as at 31 December 2025 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act 131 of 1998 of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA's). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. Insurance contract liabilities:

International Financial Reporting Standards (IFRS) requires the Scheme to make provision for all future cash outflows for which a past event has occurred.

The determination of the Liability for Incurred Claims (LIC) including the Risk Adjustment for non financial risk amounted at year end to R8,734,000 (2024: R7,982,000). These amounts are included in Total Insurance Contract Liabilities in the Statement of Financial Position at year end.

As disclosed in the Statement of Financial Position the carrying amount of the Total Insurance Contract Liabilities at year end was R265,942,000 (2024: R236,141,000).

The determination of the LIC liability requires the Scheme's Trustees to make assumptions and significant judgements 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.

How the matter was addressed in the audit:

In evaluating the valuation of the LIC, we audited the calculations approved by the Board of Trustees and performed various procedures including the following:

- Testing the Scheme's controls relating to the preparation of the LIC calculation;
- Testing the integrity of the information used in the calculation of the LIC by performing substantive procedures, on a sample basis, on the completeness and accuracy of the claims data used in calculating the LIC;
- Performance of an independent estimate of the LIC using substantive analytical procedures that involved historical claims data and trends and comparing the estimate to the Scheme's LIC;
- Performance of tests of details on the current year's LIC including testing actual claims experienced subsequent to year end and to as close as possible to audit completion date; and
- Performance of a retrospective review based on actual claims paid in 2025 to verify the assumptions applied to determine the LIC are reasonable.

The assumptions applied in the LIC are appropriate and we are satisfied that the movement of the insurance contract liabilities in the Statement of Financial Position and assumptions are appropriate.

We engage with management around the rationale for any adjustments or decisions over and above the numeric calculation.

Key Audit Matters (continued)**2. Insurance revenue and insurance service expenses (contributions and claims):**

Insurance revenue and insurance service expenses are significant classes of transactions in the annual financial statements of the Scheme. These are also subject to significant risk of fraud or material misstatement. The Scheme places significant reliance on the system of internal controls and various analytical and system based checks to ensure that all claims and contributions are valid and accurate.

How the matter was addressed in the audit:

During the audit insurance revenue and insurance service expense systems are subjected to various tests of controls and exception reports are reviewed.

3. Risk Transfer Arrangement:

The Scheme entered into a risk transfer arrangement for the duration of the year, which obliges the risk transfer provider to compensate medical providers for costs incurred by members of the Scheme, in the case that an insured event occurred.

How the matter was addressed in the audit:

We tested the accuracy of the risk transfer arrangement fees expense, by agreeing the number of members and rates applied in the calculations, to member records and the service level agreement with the risk transfer provider. No inconsistencies were noted.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Scheme's Trustees for the Financial Statements

The Scheme's trustees are responsible for the preparation and fair presentation of the financial statements, in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act 131 of 1998 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 the 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 audit 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 ISA's 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 ISA's, 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 audit 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.

We also provide the Scheme's Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 our firm has been the auditor of Malcor Medical Aid Scheme for 19 years.

The engagement partner, Brian Dowden, has been responsible for Malcor Medical Aid Scheme's audit for 5 years.


HARRIS DOWDEN & FONTAINE
Registered Auditors
Per: BJ DOWDEN

Sandton
28 April 2026

MALCOR MEDICAL AID SCHEME

STATEMENT OF FINANCIAL POSITION

as at 31 December 2025

	Notes	2025 R'000	2024 R'000
ASSETS			
Financial assets at fair value through profit or loss	2	164,391	138,009
Financial assets at amortised cost	3	1,917	1,548
Cash and cash equivalents	4	100,480	97,390
TOTAL ASSETS		266,788	236,947
LIABILITIES			
Liability to members for future benefits	6	227,286	199,528
Insurance contract liabilities	5	38,546	36,613
Reinsurance contract liabilities	7	110	-
Financial liabilities at amortised cost	8	846	806
TOTAL LIABILITIES		266,788	236,947

MALCOR MEDICAL AID SCHEME

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2025

	Notes	2025 R'000	2024 R'000
Insurance revenue	9	413,300	380,832
Insurance service expense	9	(411,081)	(375,733)
Incurred claims *		(387,625)	(353,823)
Accredited managed care services (no risk transfer) *		(8,014)	(7,458)
Third party claim recoveries		154	12
Other directly attributable expenses		(13,913)	(12,953)
Insurance acquisition cash flows		(1,683)	(1,512)
Net expense from reinsurance contracts *	9	(1,452)	(540)
Reinsurance premium paid		(5,120)	(4,216)
Recovery from reinsurance		3,668	3,676
Insurance service result		767	4,559
Interest from financial assets not measured at fair value through profit and loss	10	1,673	1,474
Investment income from investments at fair value through profit and loss	10	31,968	20,280
Net investment income		33,641	21,754
Net insurance and investment result		34,408	26,313
Sundry income	11	45	20
Asset management fees		(693)	(656)
Other operating expenses	12	(6,002)	(5,587)
Net surplus before amounts attributable to members for future benefits		27,758	20,090
Amounts attributable to members for future benefits	6	(27,758)	(20,090)
Net result		-	-
* Relevant healthcare expenditure		(397,091)	(361,821)

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

MALCOR MEDICAL AID SCHEME

STATEMENT OF CASH FLOWS

for the year ended 31 December 2025

	Notes	2025 R'000	2024 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from members and providers		414,315	385,077
• Cash receipts from members - contributions	5	414,161	385,065
• Cash receipts from members and providers – other		154	12
Cash paid to providers, employees and members		(423,386)	(386,957)
• Cash paid to providers and members – claims		(403,470)	(366,244)
• Cash paid to providers and employees – non-healthcare expenditure		(19,916)	(20,713)
Sundry income	11	45	20
NET CASH FLOWS FROM OPERATING ACTIVITIES		(9,026)	(1,860)
CASH FLOWS FROM INVESTING ACTIVITIES			
Reinvestment of investment income	2	(445)	(409)
Proceeds on disposal of investments held at fair value through profit or loss	2	5,550	3,732
Investment income		7,011	7,449
NET CASH FLOWS FROM INVESTING ACTIVITIES		12,116	10,772
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,090	8,912
Cash and cash equivalents at the beginning of the year		97,390	88,478
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	100,480	97,390

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. MATERIAL ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

The material accounting policies applied in the preparation of the financial statements are set out below and are in accordance with International Financial Reporting Standards (IFRS). These policies were consistently applied to the previous year, unless otherwise stated.

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

1.2 BASIS OF PREPARATION

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

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

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

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

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

The Statement of Financial Position is disclosed in the order of liquidity as it provides more reliable information about the transactions and conditions on the financial position of medical schemes largely due to the uncertainty around the actual identifiable operating cycle and the asset decisions taken to manage such uncertain operating cycle.

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

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.3 IMPLEMENTATION OF NEW STANDARDS

New standards, amendments and interpretations effective and relevant to the Scheme:

The following new standards, amendments and interpretations to the existing standards have been published and are not yet effective for the current financial year. The Scheme has not early adopted them and it is not expected that they will have any material impact on the Scheme's assets, liabilities and results but may result in additional disclosure in the Financial Statements.

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

New standards, amendments and interpretations effective in 2025:

No new standards, amendments and interpretations were effective in 2025.

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.4 INSURANCE CONTRACTS SCOPE AND GROUPING

Definition and classification

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

A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

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

Significant judgements and estimates

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

Separating components within insurance contracts

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

The Scheme presently has no contracts requiring further separation or a combination of insurance contracts. The Scheme does not have contracts with specified embedded derivatives.

Measurement models

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

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.4 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Measurement models (continued)

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

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

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

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

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

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

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

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

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

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

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

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.4 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Expected Fulfilment Cash Flows (EFCF)

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

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

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

In assessing the practical ability to reprice, risks transferred from the member to the Scheme are considered; other risks, such as lapse or surrender and expense risk, are not included. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria. The Scheme has assessed its group of insurance contracts and determined that the group has a boundary of one year.

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

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

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

Risk adjustment

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

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

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

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Risk adjustment (continued)

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

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

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

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

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

Portfolio

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

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

Cohort

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

Groups

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

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

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.4 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Onerous contract assessment

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

Recognition and derecognition

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

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

An insurance contract is derecognised when it is:

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

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

Initial and subsequent measurement

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

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

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

For insurance contracts issued, at each of the subsequent reporting dates, the Liability for remaining coverage is:

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

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Initial and subsequent measurement (continued)

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

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

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

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

Insurance revenue

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

Insurance Service Expenses

Insurance service expenses include:

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

Net of:

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

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Other incurred directly attributable insurance service expenses include:

Accredited managed care healthcare services (no risk transfer)

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

Insurance acquisition costs

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

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

Accredited administration services

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

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

Classification of contribution receivables

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

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

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

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.5 REINSURANCE CONTRACTS

Definition

Reinsurance contracts are contractual arrangements entered into by the Scheme and third parties who undertake to indemnify the Scheme against all or part of the loss that the Scheme may incur as a result of carrying on the business of a medical scheme. The third party is paid a fixed fee per member to cover the risk of the number of incidents that occur during a specified period and the cost of providing the service. Risk transfer arrangements do not reduce the Scheme's primary obligations to its members and their dependents.

Unit of account

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

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

Recognition and derecognition

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

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

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

Initial and subsequent measurement

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

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

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

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.5 REINSURANCE CONTRACTS (continued)

Initial and subsequent measurement (continued)

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

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

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

Contract boundary

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

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

Net income/(expense) from reinsurance contracts held

Reinsurance income consists of the amount that depicts the value the insurer benefits from entering into a reinsurance contract (i.e. the value of services received from the capitation provider).

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

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

1.6 CLASSIFICATION, RECOGNITION, PRESENTATION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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

Offsetting financial instruments

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

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

Derecognition of financial assets and liabilities

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

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

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

1.7 FINANCIAL ASSETS

IFRS 12 Unconsolidated investment structures

The Scheme has determined that its investments in pooled funds and collective investment schemes ("funds") are investments in unconsolidated structured entities. The Scheme invests in these funds, whose objectives range from achieving medium to long-term capital growth and whose investment strategy do not include the use of leverage. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

1.8 FINANCIAL LIABILITIES

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

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.9 PROVISIONS

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

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

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

1.10 CONTINGENT LIABILITY

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

- A possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme.
- A present obligation that arises from past events but not recognised because:
 - It is not probable that an outflow of resources will be required to settle an obligation.
 - The amount of the obligation cannot be measured with sufficient reliability.

1.11 UNALLOCATED FUNDS

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

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

A liability for unallocated funds that have not legally prescribed is recognised and disclosed under Insurance contract liabilities. The liability is measured at amortised cost using the effective interest rate method.

1.12 INCOME TAX

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

1.13 BROKER FEES

Brokers' fees are recognised as incurred.

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.14 REIMBURSEMENT FROM THE ROAD ACCIDENT FUND

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

Due to the uncertainty around the confirmation and value of the RAF amounts, the Scheme accounts for these amounts on a cash basis and recognises them as third party claim recoveries as a reduction of net claims incurred. Recoveries from the RAF are reflected in third party claim recoveries in the Statement of Comprehensive Income in the current year keeping in mind that some of these recoveries may pertain to prior year claims. The contingent assets are assessed continually to ensure any developments are appropriately reflected in the annual financial statements.

1.15 ALLOCATION OF INCOME AND EXPENDITURE TO BENEFIT OPTIONS

All allocations between benefit options are based on the actual income and expenditure per benefit option with the exception of:

- Administration expenditure - allocated on membership per benefit option;
- Investment income and asset management fees - allocated pro-rata to risk contribution income per benefit option;
- Managed care: management services - allocated on membership per benefit option;
- Risk adjustment - allocated pro-rata based on claims expenditure per benefit option.

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting policy

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

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

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

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

Note

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

Non-current asset	2025 R'000	2024 R'000
Cost at the beginning of the year	128,092	113,562
Gain on adjustments to fair value	9,917	10,389
Fair value at the beginning of the year	138,009	123,951
Additions	445	409
Acquisitions	-	-
Reinvestment of investment income	445	409
Disposals	5,550	3,732
Disposals at cost	(693)	(656)
Realised gains on sale of investment (Note 10)	6,243	4,388
Gain on adjustments to fair value	20,387	9,917
Fair value at the end of the year	164,391	138,009

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	2025 R'000	2024 R'000
The investments included above represent investments in:		
Linked insurance policies	164,391	138,009
Fair value at the end of the year	164,391	138,009
The investments were managed by the following asset managers at year-end:		
Sygnia Asset Management (Pty) Ltd	164,391	138,009
	164,391	138,009

The weighted average return for the year on investments at fair value through profit or loss was 19.1% (2024: 11.3%).

3. FINANCIAL ASSETS AT AMORTISED COST

Accounting policy

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

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

Impairment of other receivables

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

Note	2025 R'000	2024 R'000
Current asset		
Interest receivable	1,893	1,480
Forensic debtors	14	58
Sundry debtors	10	10
	1,917	1,548

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

4. CASH AND CASH EQUIVALENTS

Accounting policy

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

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

- Money on call and short notice; and
- Balances with banks

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

Note	2025	2024
	R'000	R'000
Current asset		
Current accounts	23,544	8,653
Short term cash deposits	76,936	88,737
	100,480	97,390

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

MALCOR MEDICAL AID SCHEME

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

5. INSURANCE CONTRACT LIABILITY

	Liability for incurred claims (LIC)			Total
	Liability for remaining coverage (LRC)	Present value of future cash flows	Risk adjustment	
2025				
Insurance contracts issued R'000				
Current liability				
Net opening balance	25,326	11,005	282	36,613
Insurance service result	(413,300)	411,129	(48)	(2,219)
Insurance revenue	(413,300)	-	-	(413,300)
Insurance service expense	-	411,129	(48)	411,081
Incurred claims and other directly attributable expenses	-	399,296	-	399,296
Changes in fulfilment cash flows relating to the liability for incurred claims - past service	-	3,333	(282)	3,051
Changes in fulfilment cash flows relating to the liability for incurred claims - current service	-	8,500	234	8,734
Total amounts recognised in comprehensive income	(413,300)	411,129	(48)	(2,219)
Total movement	(413,300)	411,129	(48)	(2,219)
<i>Cash flows</i>				
Contributions received	414,161	-	-	414,161
Claims and other directly attributable expenses paid	-	(410,007)	-	(410,007)
Total cash flows	414,161	(410,007)	-	4,154
Net closing balance	26,185	12,127	234	38,546

MALCOR MEDICAL AID SCHEME

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

5. INSURANCE CONTRACT LIABILITY

2024

	Liability for incurred claims (LIC)			
	Liability for remaining coverage (LRC)	Present value of future cash flows	Risk adjustment	Total
Insurance contracts issued				
R'000				
Current liability				
Net opening balance	21,093	12,182	258	33,533
Insurance service result	(380,832)	365,067	24	(15,740)
Insurance revenue	(380,832)	-	-	(380,832)
Insurance service expense	-	365,067	24	365,091
Incurred claims and other directly attributable expenses	-	357,761	-	357,761
Changes in fulfilment cash flows relating to the liability for incurred claims - past service	-	(394)	(258)	(652)
Changes in fulfilment cash flows relating to the liability for incurred claims - current service	-	7,700	282	7,982
Total amounts recognised in comprehensive income	(380,832)	365,067	24	(15,741)
Total movement	(380,832)	365,067	24	(15,741)
<i>Cash flows</i>				
Contributions received	385,065	-	-	385,065
Claims and other directly attributable expenses paid	-	(366,244)	-	(366,244)
Total cash flows	385,065	(366,244)	-	18,821
Net closing balance	25,326	11,005	282	36,613

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

5. INSURANCE CONTRACT LIABILITY (continued)	2025	2024
	R	R
Present value of future cash flows		
Amounts due from members and suppliers	(690)	(969)
Impairment losses	537	596
Outstanding claims provision	8,500	7,700
Reported claims not yet paid	1,916	1,463
Unidentified deposits	8	201
Directly attributable expenses payable	1,856	2,014
	<u>12,127</u>	<u>11,005</u>
 Breakdown of cashflows		
Contribution income		
Contributions received	414,161	385,065
Debtors movement	(859)	(4,232)
	<u>413,302</u>	<u>380,833</u>
 Claims and directly attributable expenses		
Risk claims	387,471	353,810
Expenses	22,536	12,434
	<u>410,007</u>	<u>366,244</u>
 Included in Insurance Contact Liability:		
 Breakdown of outstanding claims provision		
Opening balance	7,700	8,000
Payments in respect of prior year	(11,033)	(7,606)
(Under)/over provision *	(3,333)	394
Movement for the year	11,833	7,306
	<u>8,500</u>	<u>7,700</u>
 * Risk adjustment to cover possible under provision	234	282
 6. LIABILITY TO MEMBERS FOR FUTURE BENEFITS		
Opening balance	199,528	179,439
Amounts attributable to future members	27,758	20,089
Balance at the end of the year	<u>227,286</u>	<u>199,528</u>

MALCOR MEDICAL AID SCHEME

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

7. REINSURANCE CONTRACT ASSETS

	2025	Remaining Coverage Component	Incurring claims for contracts under the PAA	Total
		Present value of future cash flows	Risk adjustment	
Healthcare Risk – Reinsurance contracts held				
R'000				
Net opening balance	-	-	-	-
Net income/(expenses) from reinsurance contracts held	(5,120)	3,668	-	(1,452)
Reinsurance expenses	(5,120)	-	-	(5,120)
Claims recovered	-	3,668	-	3,668
Total amounts recognised in comprehensive income	(5,120)	3,668	-	(1,452)
<i>Cash flows</i>				
Premiums paid	5,010	-	-	5,010
Recoveries from reinsurance	-	(3,668)	-	(3,668)
Total cash flows	5,010	(3,668)	-	1,342
Net closing balance	110	-	-	110
2024				
Net opening balance	-	-	-	-
Net income/(expenses) from reinsurance contracts held	(4,216)	3,676	-	(540)
Reinsurance expenses	(4,216)	-	-	(4,216)
Claims recovered	-	3,676	-	3,676
Total amounts recognised in comprehensive income	(4,216)	3,676	-	(540)
<i>Cash flows</i>				
Premiums paid	4,216	-	-	4,216
Recoveries from reinsurance	-	(3,676)	-	(3,676)
Total cash flows	4,216	(3,676)	-	540
Net closing balance	-	-	-	-

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

7. REINSURANCE CONTRACT ASSETS (continued)	2025	2024
	R	R
Breakdown of reinsurance contracts		
Discovery Health (Pty) Ltd: Diabetic program (CMO)		
Premiums paid	1,217	669
Amounts recovered from reinsurance contract	(926)	(524)
	<u>291</u>	<u>11,005</u>

The Scheme has also entered into a capitation agreement with Discovery Health (Pty) Ltd for the provision of Diabetes Management Services to benefit options A, B and C. The Scheme is paying a fixed fee per member per month for all members registered on this program.

	2025	2024
	R	R
National HealthCare Group (Pty) Ltd (Enabled)		
Premiums paid	3,903	3,547
Amounts recovered from reinsurance contract	(2,742)	(3,152)
	<u>1,161</u>	<u>394</u>

National HealthCare Group (Pty) Ltd provides Plan D members with the medical benefits attributable to the Plan in return for a fixed fee per member per month.

	2025	2024
	R	R
Total: Reinsurance contacts		
Premiums paid	5,120	4,216
Amounts recovered from reinsurance contract	(3,668)	(3,676)
	<u>1,452</u>	<u>540</u>

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

8. FINANCIAL LIABILITIES AT AMORTISED COST

Accounting policy

Financial liabilities at amortised cost are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Financial liabilities at amortised cost are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Note

	2025 R'000	2024 R'000
<i>Financial liabilities</i>		
Balances due to related parties	248	225
Principal Officer	48	31
Total Medical Aid Administrators (Pty) Ltd	200	194
Accruals	4	83
Audit fee accrual	594	498
Total arising from financial liabilities	846	806

At 31 December the carrying amounts of Financial liabilities at amortised cost approximate their fair values due to the short-term maturities of these liabilities.

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

9. INSURANCE REVENUE AND SERVICE EXPENSES	2025 R'000	2024 R'000
Insurance revenue	413,300	380,832
Insurance service expenses		
Incurred claims	(387,625)	(353,823)
Accredited managed care services (no risk transfer)	(8,014)	(7,458)
Third party claim recoveries	154	12
Other directly attributable expenses	(13,913)	(12,953)
Accredited administration services	(13,913)	(12,953)
Insurance acquisition cash flows	(1,683)	(1,512)
Insurance service expenses	(411,081)	(375,733)
Net expense from reinsurance contracts	(1,452)	(540)
Reinsurance premium paid	(5,120)	(4,216)
Recovery from reinsurance contracts	3,668	3,676
Insurance service result	767	4,559
<i>Breakdown of:</i>		
Accredited managed healthcare services (no risk transfer)		
Disease management services	2,521	2,346
Hospital management services	2,548	2,371
Pharmaceutical benefit management services	796	741
Provider network management services	2,149	2,000
	8,014	7,458
<i>Included in other directly attributable expenses above:</i>		
Accredited administration services		
Customer services	5,152	4,796
Information management and data control	3,479	3,239
Claims management	1,587	1,477
Member record management	1,940	1,806
Contribution management	1,704	1,587
Financial management	51	48
	13,913	12,953

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

	2025 R'000	2024 R'000
10. INVESTMENT INCOME		
Interest earned	1,673	1,474
Interest on cash and cash equivalents	1,673	1,474
Income from investments at fair value through profit or loss	31,968	20,280
Interest income	5,122	5,878
Dividend income	216	97
Realised gains	6,243	4,388
Unrealised gains	20,387	9,917
	33,641	21,754
11. SUNDRY INCOME		
Prescribed amounts written back	7	16
Employer group reinsurance recoveries	38	4
	45	20

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

12. OTHER OPERATING EXPENDITURE

Accounting policy

Other operating expenses are expensed as incurred.

Note	2025 R'000	2024 R'000
Administration services	1,272	1,183
Other services		
Forensic investigations and recoveries	267	248
Internal audit services	212	198
Actuarial services	202	187
Governance and compliance	42	39
Additional services		
Quality Management and Monitoring Services	202	187
Advanced Data Analytics	167	156
Digital Service Offering	62	58
Product Innovation	40	37
Enhanced Service Offering	34	32
Enterprise risk management services	34	32
Legal Services	10	9
Audit fees	668	519
Current year	571	494
Prior year under provision	71	-
Non-audit services	26	25
Audit committee chairperson fees	39	53
Bank charges	93	120
Advisory fees	2,494	2,302
Council for Medical Schemes levies	241	221
Other administration expenses	117	188
Principal officers' fees	900	835
Professional indemnity insurance	58	57
Trustee remuneration *	120	109
	6,002	5,587

* Trustee payments represent fees paid to A Marais for his services as chairman to the Scheme and reimbursement of cost incurred in performing his duties.

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

13 RELATED PARTY TRANSACTIONS

The administrator and advisors of the Scheme are involved in organisations which provide contractual services to the industry including the Scheme and its members.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, controlling and advising on the activities of the Scheme. Key management personnel comprise the board of trustees, principal officer and advisors and those providing administrative services to the Scheme. The administrator and advisor and their family members did not receive any preferential treatment from the Scheme or its administrator.

	2025	2024
	R'000	R'000
<i>Transactions with key management personnel</i>		
Statement of comprehensive income transactions		
Principal officers' fees	900	835
Principal officer and trustees:		
- Risk contributions received	1,259	1,150
- Risk claims incurred	1,100	872
Trustee remuneration	120	109
Statement of financial position		
Principal officers' fees	48	31

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

<i>Transactions</i>	<i>Nature of transactions and their terms and conditions</i>
Risk contributions received	This constitutes risk contributions paid by the related parties as members of the Scheme. All contributions were on the same terms as applicable to other members.
Risk claims incurred	This constitutes risk claims incurred by the related parties as members of the Scheme. All claims were paid out in terms of the rules of the Scheme.

	2025	2024
	R'000	R'000
Discovery Health Proprietary Limited		
Statement of comprehensive income transactions		
Administration fees	14,135	14,136
- Insurance service expenses (Note 9)	13,913	12,953
- Other operating expenditure (Note 12)	1,272	1,183
Managed care: management fees	7,412	7,412
Reinsurance premium paid: Diabetic Management Programme	1,217	669
Statement of financial position		
Balance due at year end	1,856	2,014
Reinsurance premium due: Diabetic Management Programme	110	-

Discovery Health (Pty) Ltd provides administration and managed care services to the Scheme. Discovery Health (Pty) Ltd has significant influence over the Scheme and it participates in the Scheme's financial and operating policy decisions but does not control the Scheme.

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

13 RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties (continued)	2025 R'000	2024 R'000
Discovery Third Party Recovery Services Proprietary Limited		
Statement of comprehensive income transactions		
Road Accident Fund recoveries	3	5
Total Medical Aid Administrators Proprietary Limited		
Statement of comprehensive income transactions		
Advisory fees	2,494	2,302
Statement of financial position		
Balance due at year end	194	194
National HealthCare Group Proprietary Limited		
Statement of comprehensive income transactions		
Reinsurance contract fees paid	3,903	3,547
Employer Groups		
Statement of comprehensive income transactions		
Reinsurance recoveries	4	4

The administration and managed care management service agreements are in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees. The agreements are automatically renewed each year unless notification of termination is received or following the cancellation of the Administrator's accreditation or the issue of a lawful directive to this effect by the Council for Medical Schemes in terms of the Medical Schemes Act, No 131 of 1998, as amended. The Scheme and the Administrator/Managed Healthcare Organisation shall be entitled to terminate the agreement by giving notice in writing of not less than 90 days and not more than 180 days. The outstanding balances bears no interest and is due within 7 days.

14. FIDELITY AND PROFESSIONAL INDEMNITY COVER

In terms of section 33(3) of the Medical Schemes Act, Camargue Underwriting Managers Proprietary Limited, underwritten by Bryte Insurance Company Ltd, Compass Insurance Company Ltd and Lloyds Bank Of London Ltd, have provided professional indemnity and fidelity insurance of R30 million (2024: R30 million) to the Scheme.

The staff of the administrator were covered against fidelity claims through their employer indemnity insurance.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

15. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

Estimates of future cash flows to fulfil insurance contracts.

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

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

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

Methods used to measure the insurance contracts.

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

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

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

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

The following was taken into account when estimating the Liability for incurred claims:

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

16. INSURANCE RISK MANAGEMENT

Risk management objectives and policies for mitigating medical insurance risk

The primary medical activity carried out by the Scheme assumes the risk of loss from members and their dependants who are directly subject to medical insurance risk. These risks relate to the health of the Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing, severity of claims, changing epidemiology, and unexpected catastrophic events under each contract. The Scheme also has exposure to market risk such as changing member profiles and investment activities.

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

Chronic medicine benefits cover the cost of medicines for conditions listed in the Chronic Disease List such as high blood pressure, cholesterol and asthma, as well as prescribed medicines for other specified conditions which are categorised as chronic, and are paid according to accepted protocols, and may be subject to limits.

As a result of regulations under the Medical Schemes Act, medical schemes are required to provide Prescribed Minimum Benefits, and the Scheme makes every effort to be compliant with this requirement. Such benefits are provided according to the regulated criteria and protocols.

Day to day benefits cover the cost (up to 100% of the Malcor rate for the appropriate year) of all out of hospital services, such as visits to medical practitioners and dentists, services rendered by auxiliaries and supplementary services, as well as prescribed non-chronic medicines.

Management information, including contribution income and claims ratios per plan is reviewed monthly.

Medical insurance risks facing the Scheme

The most significant medical insurance risk facing the Scheme is that risk contribution income will not be sufficient to cover risk claims expenditure and non-healthcare costs and will therefore not result in a surplus to enable the Scheme to achieve and maintain the required accumulated funds ratio.

Expected claims are determined on the basis of past claims experience, allowing for the effects of tariff and utilisation increases, and changes in benefit design. Prices are determined and managed according to changes in the National Health Reference Price List ("NHRPL") published by the Department of Health in 2006 and subsequently escalated by medical inflation annually, regulated fees such as dispensing fees, and negotiations with providers in certain major medical expense categories. Contributions are calculated so as to cover those claims, non-healthcare costs, and provide a surplus. There is always the risk that the past claims were overstated or understated, and/or that the calculations could be affected by changes in the membership profile or regulatory requirements, and that the contributions could consequently be calculated on the incorrect basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

16. INSURANCE RISK MANAGEMENT (continued)

Medical insurance risks facing the Scheme (continued)

It is necessary, due to regulatory requirements for registering benefits and contributions in advance for the ensuing year, to estimate tariff increases and increases in benefit utilisation before negotiations with certain provider groups can be concluded. The extent of increases in the single exit prices for medicines also have to be estimated. All these factors constitute a risk that the results for the ensuing year will be affected by the use of the incorrect assumptions.

Changes in the membership profile as a result of plan selection, ageing of beneficiaries and demographics pose a risk to the Scheme, due to the effect they could have on claims experience, even though these factors are constantly monitored.

Concentration of medical insurance risks

The following table summarises the concentration of insurance risk per beneficiary, with reference to the carrying amount, net of adjustments, of the insurance claims incurred by age group and in relation to the type of risk covered.

Age grouping (in years)	Average claims per beneficiary per year					
	2025			2024		
	Unlimited risk*	Limited risk**	Total	Unlimited risk*	Limited risk**	Total
	R	R	R	R	R	R
< 25	8,432	7,701	16,133	8,237	7,784	16,021
25 - 34	15,450	13,398	28,848	11,448	12,770	24,218
35 - 49	18,354	15,355	33,709	15,840	14,690	30,530
50 - 64	35,233	19,756	54,989	34,466	17,997	52,463
> 65	73,693	24,550	98,243	67,404	24,642	92,046

* Unlimited risk claims comprise the cost to the Scheme of hospitalisation and related in-hospital treatment, Prescribed Minimum Benefits and chronic conditions for which there are no individual annual claim limits.

** Limited risk claims comprise the cost to the Scheme of all benefits for which there is an individual annual claim limit.

Management of forensic risk

The administrator provides a forensic service which analyses claims and investigates possible fraud and abuse of the benefits by providers and members, and institutes appropriate action.

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

16. INSURANCE RISK MANAGEMENT (continued)

Reinsurance contracts

The Scheme has a capitation agreement with National HealthCare Group (Pty) Ltd which in return for a premium payable per member bears the risk for all individual claims up to the value of 92.5% of the capitation fee paid (2024: 92.5%) in respect of all members of Plan D.

Sensitivity to insurance risk

A sensitivity analysis reflecting the impact on the Scheme's reported results for the year is as follows: A 10% movement in either direction in the provision for outstanding claims with all other variables held constant would have either a negative or positive effect of R0.9 million (2024: R0.8 million) on the Scheme's risk claims incurred and net surplus for the year.

Sensitivity of risk adjustment

	2025	2024
	R'000	R'000
Risk adjustment with a 75% confidence level - as reported	234	282
Risk adjustment with a 85% confidence level	332	386

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

17. FINANCIAL RISK MANAGEMENT

Overview

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

Risk management and investment decisions are made by the trustees in consultation with the investment advisor.

Financial risk factors

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate in Rands due to changes in foreign exchange rates. The Scheme has direct exposure to currency risk as at 31 December 2025. The Scheme has foreign exposure due to its investments with Sygnia. The investment is aligned to the regulatory requirements.

The table below illustrates the Scheme's exposure to currency risk:

	2025 R'000	2024 R'000
Foreign cash	5,254	5,506
Foreign bonds	6,591	7,526

Interest rate risk

The investments of the Scheme, both long term and short term, comply with the regulations as set out in Regulation 30, annexure B, of the Medical Schemes Act.

Returns on interest bearing investments vary according to Reserve Bank monetary policy decisions.

The table below summarises the Scheme's exposure to interest rate risk. Included in the table are the Scheme's investments at carrying amounts. The investments that are subject to interest rate risks have been aged by the estimated period in which they could reasonably be liquidated.

	Up to 1 month R'000	1 - 3 months R'000	Greater than 4 months R'000	Non-interest bearing R'000	Total R'000
As at 31 December 2025					
Investments at fair value through profit or loss	164,391	-	-	-	164,391
Cash and cash equivalents	100,480	-	-	-	100,480
	264,871	-	-	-	264,871
As at 31 December 2024					
Investments at fair value through profit or loss	138,009	-	-	-	138,009
Cash and cash equivalents	97,390	-	-	-	97,390
	235,399	-	-	-	235,399

Non-interest bearing investments comprise investment in equity, commodities, property and preference shares.

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

17. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

Credit risk

The Scheme's principal financial assets comprise investments held at fair value through profit or loss, trade and other receivables and cash and cash equivalents. The Scheme's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the statement of financial position are net of allowances for impairment. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Derivative counterparties (if applicable) and cash transactions are limited to high credit quality financial institutions.

With respect to cash and cash equivalents the Scheme limits its counterparty exposure by only dealing with financial institutions that have high external credit quality ratings. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution in accordance with the limitation on asset requirements specified in the Regulations to the Medical Schemes Act.

Credit risk in respect of trade and other receivables is controlled through the application of credit monitoring procedures. Section 26(7) of the Medical Schemes Act requires all contributions to be paid to the Scheme within 3 days of becoming due. Whilst every effort is made to enforce this requirement the onus is on the member/employer group to ensure compliance. The rules of the Scheme provide for suspension and ultimately termination of membership after specified periods of non-compliance.

Exposure to credit risk

	Insurance receivables			
	Contribution receivables		Member and provider claim receivables	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Carrying amount	-	-	690	969
Past due but no expected credit loss - carrying amount	-	-	103	351
30 - 60 days	-	-	86	238
61 - 90 days	-	-	2	62
91 days +	-	-	15	51
Expected credit loss - carrying amount	-	-	537	557
Not past due	-	-	50	61
	-	-	690	969

Past due but not expecting a credit loss

Contribution and member and provider receivable payments are past due but the Scheme believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Scheme.

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

17. FINANCIAL RISK MANAGEMENT REPORT (continued)

Financial risk factors (continued)

Expected credit losses

Insurance assets are recoverable but, in exceptional circumstances small amounts may be irrecoverable. These irrecoverable amounts are written off.

Cash and cash equivalents

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

The table below shows the exposure limit and balance of cash or deposits held at five major counterparties at year end.

Counterparty	2025		2024	
	Exposure limit	Balance	Exposure limit	Balance
	R	R	R	R
ABSA	92,704,548	42,171,282	82,389,742	11,235,350
Rand Merchant Bank	92,704,548	30,564,557	82,389,742	9,902,255
Nedbank	92,704,548	33,581,854	82,389,742	27,561,323
Investec	92,704,548	7,559,939	82,389,742	873,188
Standard Bank	92,704,548	24,258,496	82,389,742	38,960,544

No exposure limits were exceeded during the reporting period and the Trustees do not expect any losses from non-performance of these counterparties.

Exposure limits were calculated as 35% of investable assets (2024: 35%)

Capital adequacy risk

The Scheme's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide benefits for its stakeholders.

The principal risk is that the frequency and severity of claims is greater than expected and that there are insufficient reserves to provide for their settlement.

The Medical Schemes Act, 131 of 1998 requires a minimum accumulated funds (solvency) ratio, calculated as accumulated funds expressed as a percentage of registered contributions, of 25%. The Scheme's solvency ratio based on registered contributions as at 31 December 2025 was 41.71% (2024: 43.33%).

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Scheme has the ability to fund the day-to-day operations of the Scheme.

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

17. FINANCIAL RISK MANAGEMENT (continued)

Financial risk factors (continued)

The table below summarises the Scheme's financial liabilities analysed by the expected maturity dates. The table also provides information on the available cash and investments to match the liabilities:

	Up to 1 month R'000	1 - 12 months R'000	> 12 months R'000	Total R'000
As at 31 December 2025				
Insurance contract liability	37,296	1,250	-	38,546
Liability to members for future benefits	-	-	227,286	227,286
Reinsurance and other payables	957	-	-	957
	38,253	1,250	227,286	266,789
Available assets	102,398	164,391	-	266,789
Excess/(shortfall)	64,145	163,141	(227,286)	-

As at 31 December 2024

Insurance contract liability	36,163	450	-	36,613
Liability to members for future benefits	-	-	199,528	199,528
Reinsurance and other payables	806	-	-	806
	36,969	450	199,528	236,947
Available assets	98,938	138,009	-	236,947
Excess/(shortfall)	61,969	137,559	(199,528)	-

Market risk

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

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

2025	Total (R)	Currency risk	Price risk	Interest rate risk
Bills & bonds	52,338,848			✓
Listed property	1,505,708		✓	
Listed equities	51,937,360		✓	
Foreign cash	5,253,713	✓		
Foreign bonds	6,590,935	✓		
Cash	147,245,569			✓

2024	Total (R)	Currency risk	Price risk	Interest rate risk
Bills & bonds	40,574,360			✓
Listed property	1,812,234		✓	
Listed equities	39,549,788		✓	
Foreign cash	6,468,548	✓		
Foreign bonds	7,161,408	✓		
Cash	139,833,924			✓

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

17. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity risk

Listed and unit-linked investments

A 5% movement in the market value of investments in either direction would have had either a positive or negative effect of R8,219 million (2024: R6,900 million) on the market value of the portfolio at year end.

Fair value estimation

IFRS 7 requires disclosure of fair value measurements of financial instruments by level in terms of the following fair value measurement hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (such as derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2025

Investments at fair value through profit or loss

Bonds

Equities

Cash

Level 1 R'000	Level 2 R'000	Level 3 R'000
-	58,930	-
53,443	-	-
152,499	-	-

2024

Investments at fair value through profit or loss

Bonds

Equities

Cash

Level 1 R'000	Level 2 R'000	Level 3 R'000
-	47,736	-
41,362	-	-
146,302	-	-

Unconsolidated investment structures

The Scheme invests monies in reputable funds which provide returns to the Scheme. The Scheme's view these funds as unconsolidated structured entities. The Scheme monitors the performance of the funds closely to ensure high earnings without unnecessary exposure to risk. The Scheme's exposure to risk is limited to the fair value of these investments.

The Scheme has investments in certain pooled portfolios and money market funds that are included in financial assets held at fair value through profit and loss, and cash and cash equivalents in the Statement of Financial Position. The Scheme's maximum exposure to loss from its interests in the Funds is limited to the total fair value of its investments in the Funds.

Fund	2025			2024		
	Scheme exposure	Value of pooled fund	% exposure	Scheme exposure	Value of pooled fund	% exposure
	R'000	R'000	%	R'000	R'000	%
Nedgroup Corporate Money market Fund	24,642	21,364,876	0.12%	37,216	47,736,359	0.08%
STANLIB Corporate Money Market Fund	27,462	64,561,255	0.04%	26,092	68,675,389	0.04%
Sygnia Portfolio	164,391	1,508,170	10.90%	138,009	1,179,564	11.70%

MALCOR MEDICAL AID SCHEME

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

17. FINANCIAL RISK MANAGEMENT (continued)

Breakdown of investments

The following table analyses the financial assets and financial liabilities of the Scheme per class of assets and liabilities:

	Investments at fair value through profit or loss	Financial assets at amortised cost	Insurance contract liabilities	Financial liabilities at amortised cost	Total carrying amount	Fair value amount
	R'000	R'000	R'000	R'000	R'000	R'000
As at 31 December 2025						
Financial assets at fair value through profit or loss	164,391	-	-	-	164,391	164,391
Financial assets at amortised cost	-	1,917	-	-	1,917	1,917
Cash and cash equivalents	-	100,480	-	-	100,480	100,480
Insurance contract liabilities	-	-	(38,546)	-	(38,546)	(38,546)
Insurance liability for future members	-	-	(227,286)	-	(227,286)	(227,286)
Trade and other payables	-	-	-	(846)	(846)	(846)
	164,391	102,397	(265,833)	(846)	108	108
As at 31 December 2024						
Financial assets at fair value through profit or loss	138,009	-	-	-	138,009	138,009
Financial assets at amortised cost	-	1,548	-	-	1,548	1,548
Cash and cash equivalents	-	97,390	-	-	97,390	97,390
Insurance contract liabilities	-	-	(36,613)	-	(36,613)	(36,613)
Insurance liability for future members	-	-	(199,528)	-	(199,528)	(199,528)
Trade and other payables	-	-	-	(806)	(806)	(806)
	138,009	98,938	(236,141)	(806)	-	-

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

18. AREAS OF NON-COMPLIANCE WITH MEDICAL SCHEME LEGISLATION FOR THE YEAR UNDER REVIEW

Although they may not be material in amount or effect, the trustees are required by the Council for Medical Schemes to report on all matters of non-compliance with the Act irrespective of whether or not the external auditors consider the non-compliance as material. In accordance with this requirement, the trustees note:

18.1 Late payment of contributions

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the Scheme. In terms of the Scheme rules, contributions are required to be received no later than three days after their due date. During the financial year certain contributions were identified that were not paid to the Scheme within this deadline period.

Causes of failure

The failure was mainly caused due to administrative delays by certain participating employers in paying over their respective contributions to the Scheme.

Corrective action

Whilst every effort is made through credit control procedures to enforce this requirement, the onus is on the member/employer group to ensure compliance. The loss of interest to the Scheme from this delay is minimal.

18.2 Investments in participating employers and medical scheme administrators

Nature and impact

Section 35(8)(a), (c) and (d) of the Act states that a medical scheme shall not invest any of its assets in participating employers, medical scheme administrators or persons associated with these organisations. During the year the Scheme did have investments in certain of these organisations.

Causes of failure

The Scheme invests in investment vehicles which allow investment managers discretion to invest in organisations of their choice. Certain of these choices have resulted in the Scheme having investments in organisations which are in conflict with this Section of the Act.

Corrective action

The Scheme has received exemption from the provisions of this Section from Council on the grounds that the investments are made, without reference to the Scheme, by the asset managers in the portfolios in which the Scheme invests. These investment choices are therefore not influenced by the Scheme.

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

18. AREAS OF NON-COMPLIANCE WITH MEDICAL SCHEME LEGISLATION FOR THE YEAR UNDER REVIEW (continued)

18.3 Late payment of claims

Nature and impact

Section 59(2) of the Act requires that medical schemes shall pay 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.

Causes of failure

Late payment of claims usually resulted from members or providers submitting claims without the necessary details for these payments to be made timeously. These are isolated cases and thus do not have a material effect on the Scheme.

Corrective action

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

18.4 Sustainability of benefit options

Nature and impact

In terms of section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. At 31 December 2025 Plan A incurred a net insurance service deficit of R16.5 million (2024: deficit of R10.9 million).

Causes of failure

Plan A was deliberately costed to incur a deficit as the increase in contributions necessary to achieve a surplus would have been too onerous for members on this plan and might lead to members changing to other plans to the detriment of the Scheme as a whole.

Corrective action

The Trustees are expecting this trend for Plan A to continue in future. The performance of all benefit options is monitored on a continuous basis with a view to improving their financial outcomes, and the Scheme continually evaluates different strategies to address the deficit in these benefit options.

When structuring benefit options, the financial sustainability of all the benefit options is considered. The different financial positions reflect the different disease burdens in each benefit option, among many other factors. The Scheme's strategy on the sustainability of benefit options has to balance short and long-term financial considerations, fairness to both healthy and sick members, and continued affordability of cover for members with different levels of income and healthcare needs. While the Scheme is committed to complying wherever possible with the applicable legislation, it also focuses intensively on the overall stability and financial position of the Scheme as a whole and not only individual benefit options. The Scheme's actuary was consulted in the determination of the contributions and benefit levels.

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

19 (DEFICIT)/SURPLUS PER BENEFIT OPTION

2025	PLAN A R'000	PLAN B R'000	PLAN C R'000	PLAN D R'000	TOTAL R'000
Insurance revenue	72,608	283,961	52,000	4,731	413,300
Insurance service expense	(88,995)	(278,036)	(40,759)	(3,291)	(411,081)
Net claims incurred	(86,124)	(262,605)	(36,089)	(2,807)	(387,625)
Third party claim recoveries	17	101	32	4	154
Accredited managed healthcare services	(900)	(5,403)	(1,711)	-	(8,014)
Other directly attributable expenses					
Accredited administration services	(1,513)	(9,083)	(2,879)	(438)	(13,913)
Broker services	(475)	(1,046)	(112)	(50)	(1,683)
Net income on reinsurance contracts	(79)	(306)	77	(1,145)	(1,452)
Reinsurance premium paid	(179)	(911)	(115)	(3,915)	(5,120)
Recovery from reinsurance	101	605	192	2,770	3,668
Insurance service result	(16,465)	5,619	11,318	295	767
Net investment income	5,911	23,090	4,257	383	33,641
Net insurance and investment result	(10,554)	28,709	15,575	678	34,408
Employer group reinsurance recoveries	-	38	-	-	38
Sundry income	-	7	-	-	7
Asset management fees	(123)	(482)	(88)	-	(693)
Other operating expenses	(653)	(3,919)	(1,242)	(188)	(6,002)
Net result	(11,330)	24,353	14,245	490	27,758
Number of members at year-end	507	2,943	968	143	4,561
Number of beneficiaries	1,157	7,233	1,760	243	10,393
Average age	48.0	33.4	30.6	35.2	34.6
Pensioner ratio	23.3%	5.4%	5.9%	13.0%	7.6%

Refer to note 1.15 for basis of allocation of income and expenses to benefit options.

MALCOR MEDICAL AID SCHEME

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2025

19 (DEFICIT)/SURPLUS PER BENEFIT OPTION (continued)

2024	PLAN A R'000	PLAN B R'000	PLAN C R'000	PLAN D R'000	TOTAL R'000
Insurance revenue	71,311	264,574	40,577	4,370	380,832
Insurance service expense	(82,248)	(259,554)	(30,474)	(3,458)	(375,734)
Net claims incurred	(79,365)	(244,797)	(26,656)	(3,005)	(353,823)
Third party claim recoveries	1	9	2	-	12
Accredited managed healthcare services	(915)	(5,156)	(1,387)	-	(7,458)
Other directly attributable expenses					
Accredited administration services	(1,541)	(8,672)	(2,332)	(408)	(12,953)
Broker services	(428)	(938)	(101)	(45)	(1,512)
Net income on reinsurance contracts	(10)	(67)	(8)	(455)	(540)
Reinsurance premium paid	(81)	(523)	(65)	(3,547)	(4,216)
Recovery from reinsurance	71	456	57	3,092	3,676
Insurance service result	(10,947)	4,953	10,095	457	4,558
Net investment income	4,081	15,080	2,343	250	21,754
Net insurance and investment result	(6,866)	20,033	12,438	707	26,312
Employer group reinsurance recoveries	-	4	-	-	4
Sundry income	-	16	-	-	16
Asset management fees	(125)	(460)	(71)	-	(656)
Other operating expenses	(665)	(3,740)	(1,006)	(176)	(5,587)
Net result	(7,656)	15,853	11,361	531	20,089
Number of members at year-end	540	3,089	909	146	4,684
Number of beneficiaries	1,232	7,692	1,624	248	10,796
Average age	47	32	31	35	34
Pensioner ratio	22.0%	4.9%	5.9%	10.8%	7.1%

Refer to note 1.15 for basis of allocation of income and expenses to benefit options.