

**TRANSMED MEDICAL FUND**

Registration number: 1582

**AUDITED ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 December 2024

**TRANSMED MEDICAL FUND**  
Registration number: 1582  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2024**

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**ANNUAL FINANCIAL STATEMENTS**

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

**for the year ended 31 December 2024**

The Trustees are responsible for the preparation, integrity and fair presentation of the annual financial statements of Transmed Medical Fund (the Fund) comprising the statement of financial position, statement of comprehensive income and cash flows and the notes to the annual financial statements. The annual financial statements presented on pages 20 to 57 have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act of South Africa. 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.

The Trustees are satisfied that the information contained in the annual financial statements fairly presents the results of operations, cash flows and financial position of the Fund at year-end. The Trustees also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review. The Trustees are responsible for such internal controls as the Trustees deem necessary to enable the preparation of the annual financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The going concern basis has been adopted in preparing the annual financial statements. The Trustees believe that the Fund will be a going concern in the foreseeable future, being at least 12 months from the date of issue of the annual financial statements, based on forecasts and available cash resources. These annual financial statements support the viability of the Fund.

The Fund's external auditor, Deloitte & Touche, is responsible for auditing the annual financial statements in terms of International Standards on Auditing and the auditor's report is presented on pages 15 to 19.

The annual financial statements, as identified in the first paragraph, were approved by the Board of Trustees on 24 April 2025 and are signed on its behalf:

.....  
B Jonker  
CHAIRPERSON

.....  
F Mackenzie  
VICE-CHAIRPERSON

.....  
PL Wassermann  
PRINCIPAL OFFICER

24 April 2025

**TRANSMED MEDICAL FUND**

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**ANNUAL FINANCIAL STATEMENTS**

**STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES  
for the year ended 31 December 2024**

The Fund is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Trustees are proposed and elected by the members of the Fund and the employers.

**BOARD OF TRUSTEES**

The Trustees meet regularly and monitor the performance of all its contracted service providers against their contractual obligations and service level agreements. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

The Trustees perform a self-evaluation to measure the performance of the Board and also evaluate the performance of the sub-committees against their terms of reference.

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

**INTERNAL CONTROL**

The Board of Trustees is accountable for the process of risk management and internal controls. Risks are reviewed and identified regularly and appropriate strategies are implemented.

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

A formal internal audit function exists within the administrator, with regular reporting to the Audit Committee. The administrators of the Fund have documented and tested disaster recovery procedures and the Board is satisfied that the procedures are in place and tested.

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

.....  
B Jonker  
CHAIRPERSON

.....  
F Mackenzie  
VICE-CHAIRPERSON

.....  
PL Wassermann  
PRINCIPAL OFFICER

24 April 2025

## **TRANSMED MEDICAL FUND**

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### **ANNUAL FINANCIAL STATEMENTS**

### **REPORT OF THE BOARD OF TRUSTEES**

**for the year ended 31 December 2024**

The Board of Trustees hereby presents its annual report for the year ended 31 December 2024.

## **1. DESCRIPTION OF THE MEDICAL FUND**

### **1.1 Terms of registration**

The Fund is a not for profit restricted medical fund registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended.

### **1.2 Benefit options within the Transmed Medical Fund**

The Fund offers the following benefit options to employees and pensioners of Transnet SOC Ltd and its subsidiaries:

- Guardian;
- Link;
- Select; and
- Prime.

## **2. MANAGEMENT**

### **2.1 Board of Trustees in office during the year under review and at the date of this report:**

#### **EMPLOYER AND LABOUR NOMINATED**

Mr HF Fourie  
Mr F Mackenzie            Vice-Chairperson  
Ms JM Phokane  
Mr V Ramlugaan  
Mr L Siwani  
Ms C Sophete

#### **MEMBER ELECTED TRUSTEES**

Mr C Beard  
Ms S Booysen  
Mr JJ Groenewald  
Mr B Jonker            Chairperson  
Mr F Mabaso  
Mr LJ Ngaka

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**ANNUAL FINANCIAL STATEMENTS****REPORT OF THE BOARD OF TRUSTEES (continued)  
for the year ended 31 December 2024****2.2 Principal Officer**

Mr PL Wassermann	
1st Floor Eagle Canyon Office Park	Private Bag 32043
Cnr Dolfyn and Christiaan de Wet Street	Braamfontein
Randpark Ridge	2017
Randburg	
2169	

**2.3 Registered Office address and postal address**

1st Floor Eagle Canyon Office Park	Private Bag 32043
Cnr Dolfyn and Christiaan de Wet Street	Braamfontein
Randpark Ridge	2017
Randburg	
2169	

**2.4 Fund Administrator**

Momentum Health Solutions (Pty) Ltd	
Parc du Cap	Parc du Cap
Mispel Road	Mispel Road
Bellville	Bellville
7530	7530

CMS accreditation no: 13

**2.5 Managed care providers**

Momentum Health Solutions (Pty) Ltd	
Parc du Cap	Parc du Cap
Mispel Road	Mispel Road
Bellville	Bellville
7530	7530

CMS accreditation no: 59

Universal Healthcare (Pty) Ltd	
Universal House	PO Box 1411
15 Tambach Road	Rivonia
Sunninghill Park	2128
Sandton	
2128	

CMS accreditation no: MCO 17

**2.6 Investment manager**

Ninety One SA Proprietary Limited  
36 Hans Strijdom Avenue  
Foreshore  
Cape Town  
8001  
FSP Number 587

## **TRANSMED MEDICAL FUND**

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### **ANNUAL FINANCIAL STATEMENTS**

#### **REPORT OF THE BOARD OF TRUSTEES (continued) for the year ended 31 December 2024**

##### **2.7 Actuaries**

NMG Consultants and Actuaries (Pty) Ltd  
Belvedere Office Park  
Block B  
Pasita Street  
Tygervalley  
7536

PO Box 3950  
Tygervalley  
7536

##### **2.8 Auditor**

Deloitte & Touche  
5 Magwa Crescent  
Waterfall City  
Midrand  
2066

Private Bag X6  
Gallo Manor  
2052

### **3. INVESTMENT STRATEGY OF THE FUND**

The Fund's investment objectives are to maximise the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees.

The Board of Trustees ensure that:

- The Fund remains solvent;
- Investments are placed at minimum risk and at the best possible rate of return;
- Investments made are in compliance with the Regulations of the Act; and
- A risk assessment is performed with feedback to the Board of Trustees with recommendations on the risks identified.

During 2024, the Fund invested in money market instruments, which included bonds and cash instruments. This was done mainly to ensure that the Fund had sufficient liquidity available.

The Fund's policy is reviewed annually, taking into consideration compliance with the Act, risk, returns of the various investment instruments and the surplus of funds available.

### **4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES**

#### **4.1 Results from operations**

##### **Working Members and Pensioner (WMP) risk pool**

The Trustees have implemented the actions stipulated in the business plan in order to increase the reserve ratio of the WMP risk pool in order to reach the required 25%.

The WMP risk pool consists of three options: Link Option, Select Option and the Prime Option. Both the Link and Select options exceeded budget expectations at year end.

The risk profile of the risk pool deteriorated further during the year, partially as a result of the implementation of a revised subsidy structure by the employer, which has an ongoing impact on the risk pool. The revised subsidy structure allows members to belong to other open medical schemes, as approved by the employer. The strategic plan of the Fund is to attract new members to the risk pool in order to improve the risk profile.

The reserve ratio for the WMP risk pool increased from 19.43% at 31 December 2023 to 22.92% at 31 December 2024.

The Trustees believe that the risk pool will remain solvent and build reserves during the 2025 benefit year.

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**ANNUAL FINANCIAL STATEMENTS****REPORT OF THE BOARD OF TRUSTEES (continued)****for the year ended 31 December 2024****4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (continued)****4.1 Results from operations (continued)****South African Transport Services (SATS) risk pool**

Transnet SOC Ltd will continue to fund this risk pool.

The SATS risk pool's reserve ratio increased from 34.20% at 31 December 2023 to 35.50% at 31 December 2024. The increase is mainly due to a favorable claims experience in comparison to budget.

Transnet SOC Ltd remains committed to fund the SATS risk pool to the reserve level required by the Act.

**The Fund**

The results of the Fund are set out in the annual financial statements. The reserve ratio increased from 23.79% at the end of December 2023 to 26.65% at the end of December 2024. Due to the fact that the Fund's reserve ratio remained below the required level of 25% for the first eleven months of the year, the Fund is currently under financial monitoring by the Council for Medical Schemes. The Fund has regular interactions with the Council for Medical Schemes, and constantly keeps the Council for Medical Schemes informed of developments in the Fund.

**4.2 Solvency ratio**

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Insurance contract liability to future members	132 122 471	126 926 295
Less:		
Unrealised gains on financial assets at fair value through Profit or Loss	(89 654)	(56 977)
Accumulated funds per Regulation 29	<u>132 032 817</u>	<u>126 869 318</u>
Annual insurance revenue	495 373 351	533 218 229
Accumulated funds ratio	<u>26,65%</u>	<u>23,79%</u>

**4.3 Going concern**

The Board of Trustees considers the Fund to be a going concern. The Board took the following into consideration in the evaluation of the Fund's going concern status:

- Available cash and investments at the end of the year amounted to R 163 422 375.
- Transnet SOC Ltd will be providing funding to ensure that the SATS risk pool maintains a reserve level of 25%.
- A business plan has been developed by the Trustees, with the assistance of the Fund's actuary, in order to get the Fund to a reserve level of 25%.
- It is expected that the Fund's reserve ratio will decrease from 26.65% at 31 December 2024 to 24.31% at 31 December 2025.
- An actuarial model was developed to assist the Trustees to consider the going concern status of the Fund. Even with the most negative assumptions on membership movements and membership risk profiles, the model indicated that the Fund will be a going concern.

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**ANNUAL FINANCIAL STATEMENTS****REPORT OF THE BOARD OF TRUSTEES (continued)**

for the year ended 31 December 2024

**4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (continued)****4.4 Operational statistics**

	<b>2024</b>				
	Link	Select	Prime	Guardian	Total
Number of members at the end of the accounting period	1 308	7 010	142	3 375	11 835
Average number of members for the accounting period	1 370	7 456	162	3 614	12 601
Number of beneficiaries at the end of the accounting period	2 216	10 760	162	3 858	16 996
Average number of beneficiaries for the accounting period	2 346	11 524	188	4 129	18 187
Beneficiaries per member at 31 December	1,7	1,5	1,1	1,1	1,4
Average age of beneficiaries for the accounting period	51	53	77	82	60
Pensioner ratio (beneficiaries > 65 years)	37,7%	42,0%	87,7%	97,7%	54,5%
Average insurance revenue per member per month	R 2 082,05	R 3 261,81	R 11 529,53	R 3 387,07	R 3 276,02
Average insurance revenue per beneficiary per month	R 1 215,86	R 2 110,38	R 9 935,02	R 2 964,61	R 2 269,81
Average insurance service expenses per member per month	R 1 847,53	R 3 125,49	R 16 090,31	R 3 351,02	R 3 218,15
Average insurance service expenses per beneficiary per month	R 1 078,91	R 2 022,18	R 13 865,06	R 2 933,05	R 2 229,72
Average managed care services per member per month	R 104,95	R 76,79	R 275,16	R 133,03	R 98,54
Average managed care services per beneficiary per month	R 61,29	R 49,68	R 237,11	R 116,44	R 68,27
Average attributable, administration and other expenses per member per month	R 191,37	R 192,49	R 1 037,29	R 647,81	R 333,83
Average attributable, administration and other expenses per beneficiary per month	R 111,75	R 124,54	R 893,83	R 567,01	R 231,30
Managed care services as a percentage of insurance revenue	5%	2%	2%	4%	3%
Insurance service expenses as a percentage of insurance revenue	89%	96%	140%	99%	98%
Average attributable, administration and other expenses as a percentage of insurance revenue	9%	6%	9%	19%	10%
Average accumulated funds per member at 31 December *	WMP = R 9,449			R 15 462	R 11 164
Return on investments					9,51%

\* Accumulated funds are measured for the two risk pools, WMP and SATS, and for the Fund as a whole, but not per benefit option.

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**ANNUAL FINANCIAL STATEMENTS****REPORT OF THE BOARD OF TRUSTEES (continued)**

for the year ended 31 December 2024

**4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (continued)****4.4 Operational statistics**

	<b>2023</b>				
	Link	Select	Prime	Guardian	Total
Number of members at the end of the accounting period	1 443	8 067	197	3 859	13 566
Average number of members for the accounting period	1 505	8 476	233	4 137	14 352
Number of beneficiaries at the end of the accounting period	2 507	12 646	237	4 420	19 810
Average number of beneficiaries for the accounting period	2 635	13 430	282	4 739	24 118
Beneficiaries per member at 31 December	1,7	1,6	1,2	1,1	1,5
Average age of beneficiaries for the accounting period	49	51	75	80	58
Pensioner ratio (beneficiaries > 65 years)	36,5%	40,3%	85,2%	97,2%	53,0%
Average insurance revenue per member per month	R 1 979,03	R 3 057,37	R 10 377,37	R 3 172,27	R 3 096,18
Average insurance revenue per beneficiary per month	R 1 130,48	R 1 929,75	R 8 566,08	R 2 769,18	R 1 842,42
Average insurance service expenses per member per month	R 1 586,02	R 2 729,50	R 13 125,28	R 3 060,82	R 2 873,78
Average insurance service expenses per beneficiary per month	R 905,98	R 1 722,80	R 10 834,36	R 2 671,89	R 1 710,08
Average managed care services per member per month	R 98,46	R 72,19	R 270,91	R 125,53	R 93,55
Average managed care services per beneficiary per month	R 56,24	R 45,57	R 223,63	R 109,58	R 55,67
Average attributable, administration and other expenses per member per month	R 180,52	R 175,72	R 752,20	R 587,19	R 304,19
Average attributable, administration and other expenses per beneficiary per month	R 103,12	R 110,91	R 620,91	R 512,58	R 181,01
Managed care services as a percentage of insurance revenue	5%	2%	3%	4%	3%
Insurance service expenses as a percentage of insurance revenue	80%	89%	126%	96%	93%
Average attributable, administration and other expenses as a percentage of insurance revenue	9%	6%	7%	19%	10%
Average accumulated funds per member at 31 December *	WMP = R 7,525			R 13 964	R 9 356
Return on investments					9,10%

\* Accumulated funds are measured for the two risk pools, WMP and SATS, and for the Fund as a whole, but not per benefit option.

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**ANNUAL FINANCIAL STATEMENTS****REPORT OF THE BOARD OF TRUSTEES (continued)  
for the year ended 31 December 2024****4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (continued)****4.5 Liability for incurred claims (LIC)**

The basis of calculation of the LIC is discussed in note 7 of the annual financial statements and is consistent with the prior year. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Fund.

**5. ACTUARIAL SERVICES**

The Fund's actuaries have been consulted in the determination of the contribution and benefit levels and provide regular reports to the Fund. Reporting also include the LIC and risk adjustment (RA) calculation.

**6. GUARANTEES RECEIVED BY THE FUND FROM A THIRD PARTY**

No guarantees have been received by the Fund for the year ended 31 December 2024.

**7. EVENTS AFTER REPORTING DATE**

There have been no events that have occurred between the end of the accounting period and the date of the approval of these annual financial statements that the Trustees consider should be brought to the attention of the members of the Fund.

**8. INVESTMENTS IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE MEDICAL FUND AND TO OTHER RELATED PARTIES**

- The Fund holds no investments in participating employers of the Fund's members;
- Refer to the related party disclosure in note 18 of the annual financial statements; and
- Trustee remuneration is disclosed in note 15.1 of the annual financial statements.

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**ANNUAL FINANCIAL STATEMENTS****REPORT OF THE BOARD OF TRUSTEES (continued)****for the year ended 31 December 2024****9. MANAGEMENT OF INSURANCE RISK**

The primary insurance activity carried by the Fund assumes the risk of loss from members and their dependants that are directly subject to the risk. The risk relates to the health of the Fund members. As such the Fund is exposed to the uncertainty surrounding the timing and severity of claims under contract.

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

The Fund uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. The theory of probability is applied to pricing and provision for portfolio of insurance contracts. The principal risk is that the frequency and severity of risk claims are 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 with established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the annual financial statements and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Fund's cash flows.

**10. AUDIT COMMITTEE**

The Audit Committee was established in accordance with the provisions of the Act. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of five members of which two are members of the Board of Trustees. The majority of the members, including the Chairperson, are not officers of the Fund or its third party administrator. The Committee met on two occasions during the course of the year.

The Principal Officer of the Fund, Momentum Health Solutions management, the external auditors and the internal auditors attend all Audit Committee meetings and have unrestricted access to the Chairperson of the Committee.

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

The Committee presently comprises:

Mr K Buthelezi (Chairperson)  
Mr G Hauptfleisch  
Mr V Ramlugaan  
Ms C Sophete  
Ms S Thomas

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**ANNUAL FINANCIAL STATEMENTS****REPORT OF THE BOARD OF TRUSTEES (continued)****for the year ended 31 December 2024****11. TRUSTEE MEETING ATTENDANCE**

The following schedule sets out Board of Trustees meeting attendances. Trustee remuneration is disclosed in note 15.1 to the financial statements.

Trustee/Sub-Committee member	Board Meetings		Audit Committee		Benefits Committee		Ex-Gratia Committee		Management Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
B Jonker	7	7					9	9	6	6	2	2
F Mackenzie	7	7			4	4			6	6	2	2
C Beard	7	7					9	9	6	6		
S Booysen	7	7					9	8	6	5		
HF Fourie	7	7			4	4	9	9				
JJ Groenewald	7	7			4	4						
F Mabaso	7	6			4	4						
LJ Ngake	7	7							6	6		
JM Phokane	7	7			4	4	8	8	6	6		
V Ramlugaan	7	6	3	3							2	2
L Siwani	7	7					9	9	6	6		
C Sophete	7	6	3	2	4	4						

A - Is the number of meetings held during the year

B - Is the number of meetings attended

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### **ANNUAL FINANCIAL STATEMENTS**

#### **REPORT OF THE BOARD OF TRUSTEES (continued) for the year ended 31 December 2024**

## **12. BOARD OF TRUSTEE COMMITTEE MEETINGS**

### **12.1 Management Committee**

The Management Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties.

The Management Committee incorporates the functions and responsibilities in the following areas:

- Financial and investment management;
- Suppliers' management;
- Marketing management; and
- Managed care management.

### **12.2 Benefits Committee**

The mandate of the Benefits Committee is:

- To make recommendations to the Board on the benefits that are offered to members; and
- To ensure long-term viability of the benefit options.

### **12.3 Remuneration Committee**

The mandate of the Remuneration Committee is to:

- Do annual performance appraisals for the employee of the Fund; and
- Decide on annual increases in the remuneration for the employee of the Fund.

### **12.4 Ex-gratia Committee**

The Ex-gratia Committee approved applications to the value of R193 232 (2023: R131 078), for ex-gratia assistance to members. Applications for assistance from members are evaluated against criteria as approved by the Board from time to time.

## **13. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998**

### **13.1 Self-supporting options**

#### **Nature and impact**

In terms of Section 33(2) benefit options shall be self-supporting in terms of membership and financial performance. The Guardian and Prime options recorded losses for the year ended 31 December 2024.

#### **Causes for the failure**

The loss on the Guardian Option is mainly due to the reduced Transnet subsidy, which is intended to bring the option closer to the 25% solvency requirement, while the Prime Option had an adverse high cost case experience in comparison with the prior year.

#### **Corrective action**

The Prime Plan is not sustainable in the longer term on account of the following:

- the small and declining membership;
- the poor and rapidly deteriorating risk profile as a result of anti-selection;
- the poor value proposition that it offers;
- the substantial operating losses being experienced on the plan.

In consultation with the CMS, it was agreed that consideration should be given to closing the plan once the plan membership falls below 500 lives and closure of the plan would not threaten the financial sustainability of the WMP risk pool. The Prime Plan membership fell below 500 in November 2021. However impact analyses carried out at part of the 2025 benefit review process for closing the Prime Plan indicated that closing of the Prime Plan as at this time would result in the members of the WMP risk pool being substantially worse off. Taking this into account, the Trustees decided to (1) continue with the Prime Plan for 2025 even though on a loss-making basis, and (2) to continue to monitor the plan closely with a view to closure when it makes financial sense to do so.

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**ANNUAL FINANCIAL STATEMENTS****REPORT OF THE BOARD OF TRUSTEES (continued)  
for the year ended 31 December 2024****13. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998 (continued)****13,2 Payment of claims within 30 days****Nature and impact**

In terms of Section 59(2) a member or provider claim should be settled within 30 days of submission. Instances were noted during sample testing where settlements took more than 30 days.

**Causes of failure**

Delays can occur when accounts are referred for clinical audit or other investigations. These are however the exceptions, and claims are generally paid within the prescribed time.

**Corrective action**

The administrator is aware of the requirements and comply as far as possible. It is however an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.

**13,3 Outstanding contributions****Nature and impact**

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the Fund. Per the Fund rules, contributions are required to be received at least three days after their due date. Instances were noted where contributions were received late.

**Causes for the failure**

The reason for this is due to the inherent nature of the business.

**Corrective action**

On-going communication to employer groups has occurred and will continue.

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**ANNUAL FINANCIAL STATEMENTS****STATEMENT OF FINANCIAL POSITION**

as at 31 December 2024

	Notes	2024 R	2023 R
<b>ASSETS</b>			
<b>Non-current assets</b>		90 921 578	73 794 491
Equipment	2	24 398	32 644
Financial assets at fair value through Profit or Loss	3	90 897 180	73 761 847
<b>Current assets</b>		72 813 989	88 063 877
Financial assets at fair value through Profit or Loss	3	69 739 922	83 329 740
Cash and cash equivalents	4	2 785 273	4 313 403
Trade and other receivables	6	288 794	420 734
<b>Total assets</b>		<u>163 735 567</u>	<u>161 858 368</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Insurance contract liability to future members	5,1	111 575 344	124 334 322
<b>Current liabilities</b>		52 160 222	37 524 046
Insurance contract liability to current members	5,2	29 432 858	32 622 671
Insurance contract liability to future members	5,1	20 547 127	2 591 973
Trade and other payables	8	2 180 238	2 309 402
<b>Total liabilities</b>		<u>163 735 567</u>	<u>161 858 368</u>

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**ANNUAL FINANCIAL STATEMENTS****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****For the year ended 31 December 2024**

	Notes	2024 R	Restated 2023 R
Insurance revenue	9	495 373 351	533 218 229
Insurance service expenses		(486 623 346)	(494 952 535)
Claims incurred	10	(448 081 115)	(450 029 944)
Third party claims recoveries		13 709	21 445
Accredited managed healthcare services (no transfer of risk)	11	(14 900 032)	(16 110 622)
Attributables expenses incurred	12	(31 455 775)	(33 969 548)
Changes that relate to past service - adjustments to the LIC	7	7 975 818	5 172 185
Net impairment loss on healthcare receivables*	16	(175 951)	(36 051)
Losses on onerous contracts and reversal of these losses		-	-
<b>Insurance service result</b>		<b>8 750 005</b>	<b>38 265 694</b>
<b>Other income</b>		<b>15 465 775</b>	<b>13 089 961</b>
Investment income	13	15 241 486	13 003 714
Sundry income	14	191 612	44 626
Unrealised gains on investments at fair value through Profit or Loss		32 677	41 621
<b>Other expenditure</b>		<b>(19 019 604)</b>	<b>(20 144 122)</b>
Administration fees and other operating expenses	15	(18 847 521)	(19 983 595)
Asset management fees		(172 083)	(150 127)
Sundry expenses	17	-	(10 400)
<b>Profit for the year</b>		<b>5 196 176</b>	<b>31 211 533</b>
Transfer to amounts attributable to future members**		(5 196 176)	(31 211 533)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

\*During their review of the 2023 Annual Financial Statements, the Council for Medical Schemes (CMS) directed the Fund to reallocate 'net impairment loss on healthcare receivables' to insurance service expenses. This resulted in a representation of the prior year affected line item as follows: 'Net impairment loss on healthcare receivables' to the value of R175 951 (2023: R36 051), is now being disclosed as a separate line item under insurance service expenses.

\*\*Circular 6 of 2025 issued by the CMS requires medical schemes to present 'Amounts attributable to future members' separate from the "Insurance service expenses" and the "Insurance service result". This resulted in a representation of the prior year affected line items as follows: "Amounts attributable to future members" to the value of R5 196 176 (2023: R31 211 533), are now being disclosed as a separate line item on the Statement of comprehensive income before the "Total comprehensive income for the year". Insurance service expenses in accordance with IFRS 17 includes amounts attributable to future members. Total insurance service result after adjusting for amounts attributable to future members amount to R3 553 829 (2023: R7 054 161).

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**ANNUAL FINANCIAL STATEMENTS****STATEMENT OF CASH FLOWS****For the year ended 31 December 2024**

		<b>2024</b>	<b>Restated 2023</b>
	<b>Notes</b>	<b>R</b>	<b>R</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from members and providers		440 469	72 079
Cash receipts from members - contributions		495 661 090	542 340 890
Cash paid to providers, employees and members - claims		(459 943 636)	(459 697 010)
Cash paid to providers, employees and members - non-healthcare expenditure		(49 413 776)	(51 950 179)
Management fees and transaction costs*	3	<u>39 146</u>	<u>36 943</u>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>(13 216 707)</b>	<b>30 802 723</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to equipment	2	(924)	(26 158)
Additions to financial assets at fair value through Profit or Loss	3	(301 060 000)	(295 895 000)
Proceeds on disposal of financial assets at fair value through Profit or Loss	3	312 290 000	266 055 000
Interest received		459 501	564 030
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b><u>11 688 577</u></b>	<b><u>(29 302 128)</u></b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1 528 130)</b>	<b>1 500 595</b>
Cash and cash equivalents at beginning of year		4 313 403	2 812 808
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	5	<b><u><u>2 785 273</u></u></b>	<b><u><u>4 313 403</u></u></b>

\*'Management fees and transaction costs' were previously disclosed as part of "Cash flows from investing activities". As these costs relate to the operating activities of the Fund, 'Management fees and transaction costs' were reallocated to "Cash flows from operating activities" in the current year. This resulted in a representation of the prior year affected line item as follows: 'Management fees and transaction costs' to the value of R39 146 (2023: R36 943), is now being disclosed as a separate line item under "Cash flows from operating activities".

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2024

**1. PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the annual financial statements are set out below and are in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board. These policies have been consistently applied to all years presented, except for changes required by the mandatory adoption of new, revised IFRS® Accounting Standards and changes in accounting policy.

**1.1 Basis of preparation****Compliance with IFRS**

The annual financial statements are prepared in accordance with IFRS® Accounting Standards and in accordance with the requirements of the Medical Schemes Act of South Africa. IFRS® Accounting Standards comprise International Financial Reporting Standards, International Accounting Standards (IAS) and the interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The standards referred to are set by the International Accounting Standards Board (IASB).

**Historical cost**

The annual financial statements are prepared on a going concern basis using the historical cost convention, except for the following:

- Certain financial assets and liabilities (including derivative instruments) – measured at fair value.
- Insurance assets and liabilities – measured in terms of IFRS 17 current estimates.

**Use of estimates**

The preparation of the financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amount of assets, liabilities and contingent liabilities at the reporting date as well as affecting the reported income and expenditure for the year. The actual outcome may differ from these estimates. For further information on critical estimates and judgements refer to note 22.

**Implementation of new standards**

The following new standards were adopted by the Fund effective 1 January 2024.

Standard	Summary of requirements	Effective date
IAS 1 Presentation of Financial Statements	<p><i>Classification of Liabilities as Current or Non-current :</i></p> <p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.</p> <p>There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.</p> <p>The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.</p> <p><i>Disclosure of Accounting Policies :</i></p> <p>The amendments require schemes to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.</p>	Annual periods commencing on or after 1 January 2024

**New standards, amendments and interpretations issued and not yet effective in 2024 and relevant to the Fund**

Standard	Summary of requirements	Effective date
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments	<p><i>These amendments:</i></p> <ul style="list-style-type: none"> <li>• clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;</li> <li>• clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;</li> <li>• add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and</li> <li>• make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).</li> </ul>	Annual periods commencing on or after 1 January 2026

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2024

**1. PRINCIPAL ACCOUNTING POLICIES (continued)****New standards, amendments and interpretations issued and not yet effective in 2024 and relevant to the Fund (continued)**

IFRS 18 Presentation and Disclosure in Financial Statements	<p><i>IFRS 18 Presentation and Disclosure in Financial Statements:</i></p> <p>The new IFRS Accounting Standard IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 Presentation of Financial Statements. IAS 1 Presentation of Financial Statements did not have detailed requirements on:</p> <ul style="list-style-type: none"> <li>• classification of income and expenses in the statement of profit or loss.</li> <li>• presentation of subtotals above 'profit or loss' in the statement of profit or loss; or</li> <li>• aggregation and disaggregation of information presented in the primary financial statements or disclosed in the notes.</li> </ul> <p>This lack of detailed requirements led to diversity in practice as entities defined their own subtotals and performance measures. Investors found it difficult to analyse and compare companies' financial performance.</p> <p>IFRS 18 Presentation and Disclosure in Financial Statements, issued by the IASB on 9 April 2024, will improve the quality of financial reporting by:</p> <ul style="list-style-type: none"> <li>• requiring defined subtotals in the statement of profit or loss;</li> <li>• requiring disclosure about management-defined performance measures; and</li> <li>• adding new principles for aggregation and disaggregation of information.</li> </ul> <p>The IASB expects these improvements will enable investors to make more informed decisions leading to better allocations of capital that will contribute to long-term financial stability.</p>	Annual periods commencing on or after 1 January 2027
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**1.2 Financial instruments****Classification**

The Fund classifies its financial assets into the following categories: at fair value through profit or loss, at fair value through other comprehensive income and amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

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

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

**(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Fund's loans and receivables comprise 'trade and other receivables' in the statement of financial position. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Fund holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

**(c) Amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.

**Recognition and initial measurement**

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

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****1. PRINCIPAL ACCOUNTING POLICIES (continued)****1,2 Financial instruments (continued)****Subsequent measurement**

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

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

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

**Derecognition**

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

**Debt instruments**

Subsequent measurement of debt instruments depends on the Fund's business model for managing the asset and the cash flow characteristics of the asset.

**Trade and other receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as current assets. The Fund's financial instruments at amortised cost comprises 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Fund holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

**Cash and cash equivalents**

Cash and cash equivalents comprise current accounts and deposits held on call with banks. Cash and cash equivalents are subsequently measured at amortised cost.

**Impairment of financial assets**

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

The Fund recognises a loss allowance for expected credit losses on:

- (1) Debt investments measured subsequently at amortised cost;
- (2) Trade receivables and contract assets; and
- (3) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

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

IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

## TRANSMED MEDICAL FUND

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### ANNUAL FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### 1.2 Financial instruments (continued)

#### **Derecognition of assets or financial liabilities**

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

Where the Fund neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Fund determines whether it has retained control of the financial asset. In this case:

- (i) If the Fund has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; and
- (ii) If the Fund has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

#### **Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a current legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 1.3 Equipment

Equipment is reflected at historical cost less accumulated depreciation and accumulated impairments. Depreciation is charged on the straight-line basis over the estimated useful lives of the assets after taking into consideration the assets' residual value.

The estimated useful lives of equipment are as follows:

Computer equipment

- Hardware 3 years
- Software 2 years
- Electronic equipment 6 years
- Furniture and fittings 6 years

The useful lives, depreciation methods and residual values are reviewed annually at the reporting date and adjusted if appropriate.

Maintenance and repairs are expensed as incurred. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Fund.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with its carrying amount. Gains and losses on the disposal of equipment is recognised in profit or loss.

Where components of an item of equipment have different useful lives they are accounted for as separate items.

### 1.4 Significant judgements

The Fund used the confidence level to determine the risk adjustment.

#### 1.4.1 Mutual entity assessment

Based on the requirements of IFRS 17, the Fund was recognised as a mutual entity, therefore it is expected that the remaining assets of the Fund will be used to pay the claims of current and future members. The Fund recognised a liability in its statement of financial position to provide coverage to future members.

#### 1.4.2 Unit of account (Level of aggregation)

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

The above is demonstrated by the following:

- Hospital claims are managed on a Fund level.
- Chronic conditions are managed on a Fund level, i.e. no matter the option the member will have access to the chronic condition management benefit.
- Pricing and benefit option changes are determined at a Fund level to manage member migration between different benefit options to ensure each option is sustainable.
- Risk (utilisation and concentration) is managed holistically.

## **TRANSMED MEDICAL FUND**

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### **ANNUAL FINANCIAL STATEMENTS**

#### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2024

## **1. PRINCIPAL ACCOUNTING POLICIES (continued)**

### **1.4 Significant judgements (continued)**

#### **1.4.3 Risk adjustment – liability for incurred claims (LIC)**

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

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

### **1.5 Significant estimates**

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

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios.

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

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

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

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

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

#### **1.5.2 Methods used to measure the insurance contracts**

The Fund 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 LIC:

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

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2024

**1. PRINCIPAL ACCOUNTING POLICIES (continued)****1.6 Insurance contracts****1.6.1 Insurance contract**

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

**1.6.2 Unit of account**

The Fund has assessed their portfolio to be at a Fund level as a whole.

Please refer to note 1.4.1 for the assessment.

The Fund has applied the exemption not to perform profitability groupings as allowed by IFRS 17.20 and included all contracts in the same group. The Fund has further assessed that there are no facts and circumstances to indicate that the group was onerous at inception date.

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

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

The Fund applies IFRS 17 to all remaining components of the contract.

Transmed Medical Fund does not have any contracts that require separation or combination of insurance contracts.

**1.6.3 Contract boundary**

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

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the member is obligated to pay contributions or the Fund 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 Fund 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 Transmed Medical Fund 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 Fund has assessed all its contracts and determined all contracts have a boundary of one year.

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2024

**1. PRINCIPAL ACCOUNTING POLICIES (continued)****1.6 Insurance contracts (continued)****1.6.4 Recognition and derecognition**

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

- the beginning of the coverage period;
- the date when the first payment from the member is due or actually received, if there is no due date; and
- when the Fund 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 Fund and its member or by regulation and the modification terms meet the requirement in IFRS 17.72.

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

**1.6.5 Initial and subsequent measurement**

The criteria in IFRS 17.53 should be considered to determine if a scheme would be able to use the Premium Allocation Approach (PAA). Transmed Medical Fund contracts all have a coverage period of one year or less and are therefore eligible to apply the PAA model.

The Fund uses the PAA for measuring contracts with a coverage period of one year or less. This approach is used for all healthcare insurance contracts as each of these contracts has a coverage period of one year or less.

For insurance contracts issued, on initial recognition, Transmed Medical Fund measures the Liability for remaining coverage (LFRC) at the amount of contributions received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

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

- a. the LFRC; and
- b. the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

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

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

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

- a. best estimate of fulfilment cash and
- b. risk adjustment.

Refer to notes 1.4.2 and 1.5.1 for the significant judgements and estimates used to determine the LIC and the estimates to determine the fulfilment cash flow.

Discounting in the PAA

IFRS 17.59(b) allows a policy choice whether to adjust the measurement for the impact of the time value of money and other financial risks, if the settlement of the claims is expected within 12 months.

Transmed Medical Fund has made the choice not to discount the group of contracts.

If the group of contracts becomes onerous, the Fund increases the carrying amount of the LFRC to the amounts of the FCF determined under the general measurement model (GMM) (as described for the LIC above) with the amount of such an increase recognised in insurance service expenses. Subsequently, the Fund amortises the amount of the loss component within the LFRC 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.

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2024

**1. PRINCIPAL ACCOUNTING POLICIES (continued)****1.6 Insurance contracts (continued)****1.6.6 Onerous contract assessment**

In the consideration of whether facts and circumstances indicate that a group of insurance contracts is onerous, the Fund 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.

**1.6.7 Insurance revenue**

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

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

**1.6.8 Expenses**

Insurance service expenses

Insurance service expenses include:

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

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

**1.7 Investment income**

Interest income is recognised using the effective interest rate method, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Fund.

Realised gains or losses on disposal of financial assets at FVTPL are recognised in surplus or deficit as investment income.

**1.8 Liabilities and related assets under the liability adequacy test**

The liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows, and comparing this amount to the carrying value of the liability net of any related assets. Where a shortfall is identified, an additional provision is made and the Fund recognises the deficiency in surplus or deficit for the year.

**1.9 Allocation of income and expenditure to benefit options**

The following items are directly allocated to benefit options:

- Insurance revenue; and
- Claims incurred.

The remaining items are apportioned based on a percentage split calculated by the Fund's management, which has historically been based on the anticipated workload due to the disease burden of each option.

- Accredited managed healthcare services (no transfer of risk);
- Attributable expenses incurred
- Other income
- Other expenditure

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**2. EQUIPMENT**

<b>Year ended 31 December 2024</b>	<b>Computer equipment R</b>	<b>Electronic equipment R</b>	<b>Furniture &amp; fittings R</b>	<b>Total R</b>
<b>Cost</b>				
At the beginning of the year	237 836	144 792	22 800	405 428
Additions	924	-	-	924
Disposals	-	-	-	-
At the end of the year	<u>238 760</u>	<u>144 792</u>	<u>22 800</u>	<u>406 352</u>
<b>Accumulated depreciation</b>				
At the beginning of the year	(236 267)	(113 717)	(22 800)	(372 784)
Depreciation charge	(1 652)	(7 518)	-	(9 170)
Disposals reversed	-	-	-	-
At the end of the year	<u>(237 919)</u>	<u>(121 235)</u>	<u>(22 800)</u>	<u>(381 954)</u>
<b>Carrying amount at the end of the year</b>	<u>841</u>	<u>23 557</u>	<u>-</u>	<u>24 398</u>

<b>Year ended 31 December 2023</b>	<b>Computer equipment R</b>	<b>Electronic equipment R</b>	<b>Furniture &amp; fittings R</b>	<b>Total R</b>
<b>Cost</b>				
At the beginning of the year	237 836	141 869	22 800	402 505
Additions	-	26 158	-	26 158
Disposals	-	(23 235)	-	(23 235)
At the end of the year	<u>237 836</u>	<u>144 792</u>	<u>22 800</u>	<u>405 428</u>
<b>Accumulated depreciation</b>				
At the beginning of the year	(224 004)	(119 444)	(22 112)	(365 560)
Depreciation charge	(12 263)	(7 109)	(688)	(20 060)
Disposals reversed	-	12 836	-	12 836
At the end of the year	<u>(236 267)</u>	<u>(113 717)</u>	<u>(22 800)</u>	<u>(372 784)</u>
<b>Carrying amount at the end of the year</b>	<u>1 569</u>	<u>31 075</u>	<u>-</u>	<u>32 644</u>

The carrying amounts of equipment can be reconciled as follows:

	<b>Computer equipment R</b>	<b>Electronic equipment R</b>	<b>Furniture &amp; fittings R</b>	<b>Total R</b>
<b>2024</b>				
<b>Net carrying value at beginning of the year</b>	1 569	31 075	-	32 644
Additions	924	-	-	924
Disposals	-	-	-	-
Depreciation	(1 652)	(7 518)	-	(9 170)
<b>Net carrying value at the end of the year</b>	<u>841</u>	<u>23 557</u>	<u>-</u>	<u>24 398</u>
<b>2023</b>				
<b>Net carrying value at beginning of the year</b>	13 832	22 425	688	36 945
Additions	-	26 158	-	26 158
Disposals	-	(10 400)	-	(10 400)
Depreciation	(12 263)	(7 109)	(688)	(20 060)
<b>Net carrying value at the end of the year</b>	<u>1 569</u>	<u>31 075</u>	<u>-</u>	<u>32 644</u>

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Fair value of investments at the beginning of the year	157 091 587	114 807 226
Additions	301 060 000	295 895 000
Disposals	(312 290 000)	(266 055 000)
Capitalised interest	14 861 429	12 464 714
Realised and unrealised gain on financial assets at fair value through Profit or Loss	(46 768)	16 591
Management fees and transaction costs	(39 146)	(36 943)
	<u>160 637 102</u>	<u>157 091 587</u>
Fair value of investments at the end of the year	<u>160 637 102</u>	<u>157 091 587</u>
Total financial assets at fair value through profit or loss		
Non-current	90 897 180	73 761 847
Current	<u>69 739 922</u>	<u>83 329 740</u>
	<u>160 637 102</u>	<u>157 091 587</u>
Investments are summarised as follows:		
Money market instruments	134 647 203	131 098 914
Bonds	<u>25 989 899</u>	<u>25 992 673</u>
	<u>160 637 102</u>	<u>157 091 587</u>

Financial assets at fair value through Profit or Loss consists of money market instruments and bonds. A detailed register of investments is available for inspection at the registered office of the Fund. The maturity of the underlying instruments are disclosed in note 23 of the financial statements.

The weighted average interest rate received on the money market portfolio was 9.51% (2023: 9.10%).

**4. CASH AND CASH EQUIVALENTS**

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Current accounts	<u>2 785 273</u>	<u>4 313 403</u>
	<u>2 785 273</u>	<u>4 313 403</u>

The weighted average effective interest rate on the Fund's current accounts was 5.16% (2023: 5.13%).

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

**5. INSURANCE CONTRACT LIABILITY**

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Insurance contract liability to future members	132 122 471	126 926 295
Insurance contract liability to current members	<u>29 432 858</u>	<u>32 622 671</u>
	<u>161 555 329</u>	<u>159 548 966</u>

**5.1 INSURANCE CONTRACT LIABILITY TO FUTURE MEMBERS**

Opening balance	126 926 295	95 714 762
Transfer to amounts attributable to future members	<u>5 196 176</u>	<u>31 211 533</u>
Closing balance	<u>132 122 471</u>	<u>126 926 295</u>

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**5.2 INSURANCE CONTRACT LIABILITY TO CURRENT MEMBERS**

	R LRC*	R LIC** BEL***	R RA****	2024 R Total
Opening asset	-	-	-	-
Opening liability	-	31 495 861	1 126 810	32 622 671
<b>Net opening balance</b>	<b>-</b>	<b>31 495 861</b>	<b>1 126 810</b>	<b>32 622 671</b>
<b>Insurance revenue</b>	(495 373 351)	-	-	(495 373 351)
<b>Insurance service expenses</b>				
Incurred claims and other insurance service expenses	-	486 364 493	96 611	486 461 104
Third party claims recoveries	-	(13 709)	-	(13 709)
Losses and reversals of losses on onerous contracts	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	-	-
<b>Insurance service result</b>	<b>(495 373 351)</b>	<b>486 350 784</b>	<b>96 611</b>	<b>(8 925 956)</b>
Premium debtors to LIC	5 619 528	(5 619 528)	-	-
<b>Cash flows</b>				
Premiums received	489 753 823	5 903 379	-	495 657 202
Incurred claims and other insurance service expenses paid	-	(489 921 059)	-	(489 921 059)
<b>Total cash flows</b>	<b>489 753 823</b>	<b>(484 017 680)</b>	<b>-</b>	<b>5 736 143</b>
<b>Net closing balance</b>	<b>-</b>	<b>28 209 437</b>	<b>1 223 421</b>	<b>29 432 858</b>
Closing asset	-	-	-	-
Closing liability	-	28 209 437	1 223 421	29 432 858
<b>Net closing balance</b>	<b>-</b>	<b>28 209 437</b>	<b>1 223 421</b>	<b>29 432 858</b>
<b>Closing liabilities</b>				
Liability for incurred claims (note 7)				21 540 103
Insurance payables				13 796 806
Insurance receivables				( 5 904 052)
				<u>29 432 858</u>

\* LRC - Liability for Remaining Coverage

\*\* LIC - Liability for Incurred Claims

\*\*\* BEL - Best estimate Liability

\*\*\*\*RA - Risk adjustment

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**5.2 INSURANCE CONTRACT LIABILITIES - LIABILITY ATTRIBUTABLE TO CURRENT MEMBERS**

	R LRC	R BEL	LIC RA	2023 R Total
Opening asset	-	-	-	-
Opening liability	-	18 995 173	1 435 592	20 430 765
<b>Net opening balance</b>	<b>-</b>	<b>18 995 173</b>	<b>1 435 592</b>	<b>20 430 765</b>
<b>Insurance revenue</b>	(533 218 229)	-	-	(533 218 229)
<b>Insurance service expenses</b>				
Incurred claims and other insurance service expenses	-	495 246 711	(308 782)	494 937 929
Third party claims recoveries	-	(21 445)	-	(21 445)
Losses and reversals of losses on onerous contracts	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	-	-
<b>Insurance service result</b>	<b>(533 218 229)</b>	<b>495 225 266</b>	<b>(308 782)</b>	<b>(38 301 745)</b>
Premium debtors to LIC	5 903 379	(5 903 379)	-	-
<b>Cash flows</b>				
Premiums received	527 314 850	15 026 040	-	542 340 890
Incurred claims and other insurance service expenses paid	-	(491 847 238)	-	(491 847 238)
<b>Total cash flows</b>	<b>527 314 850</b>	<b>(476 821 198)</b>	<b>-</b>	<b>50 493 652</b>
<b>Net closing balance</b>	<b>-</b>	<b>31 495 861</b>	<b>1 126 810</b>	<b>32 622 671</b>
Closing asset	-	-	-	-
Closing liability	-	31 495 861	1 126 810	32 622 671
<b>Net closing balance</b>	<b>-</b>	<b>31 495 861</b>	<b>1 126 810</b>	<b>32 622 671</b>
<b>Closing liabilities</b>				
Liability for incurred claims (note 7)				21 764 355
Insurance payables				17 019 825
Insurance receivables				( 6 161 509)
				<u>32 622 671</u>

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****6. TRADE AND OTHER RECEIVABLES**

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
<i>Loans and receivables</i>		
Sundry accounts receivable	191 227	195 620
Prepaid expenses	97 567	225 114
	<u>288 794</u>	<u>420 734</u>

The carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets. The estimated future cash flow receipts have not been discounted as the effect would be immaterial.

**7. LIABILITY FOR INCURRED CLAIMS**

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Provision for outstanding risk claims	<u>21 540 103</u>	<u>21 764 355</u>
<b>Analysis of movements in outstanding risk claims</b>		
Balance at beginning of year	21 764 355	22 393 138
Payments in respect of prior year	<u>(13 788 537)</u>	<u>(17 220 953)</u>
Over provision in respect of prior years (note 10)	7 975 818	5 172 185
Adjustment for current year (note 10)	13 564 285	16 592 170
Balance at end of year	<u>21 540 103</u>	<u>21 764 355</u>

**Process used to determine the assumptions**

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out monthly. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

Each notified risk claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from managed care: management services and historical evidence of the size of similar risk claims. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provision estimation difficulties are further complicated by risk claims complexity, volume of risk claims, the severity of risk claims, determining the occurrence date of claim and reporting lags.

The cost of outstanding risk claims is estimated using run-off triangles. Such methods extrapolate the development of paid and incurred risk claims, average cost per risk claims and ultimate risk claim numbers for each year based upon observed development of earlier years and expected loss ratios. Run-off triangles are used in situations where it takes time after the treatment date until the full extent of the risk claims to be paid is known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in the known cumulative payments from one development month to the next can then be used to calculate payments for future development months. The Fund's actuarial consultant also calculated the provision using the Bornhuetter-Ferguson (BF) Method to confirm the accuracy of the provision.

The method used is consistent with prior years and considered and observed historical risk claims development. To the extent that these methods use historical risk claims development information they assume that the historical risk claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the method. Such reasons include:

- Economic, legal, political and social trends (resulting in different than expected levels of inflation and/or minimum medical benefits to be provided);
- Changes in composition of members and their dependants; and
- Random fluctuations, including the impact of large losses.

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**7. LIABILITY FOR INCURRED CLAIMS (continued)**

**Assumptions**

The assumptions that have the greatest effect on the measurement of the outstanding risk claims provision are the expected percentages of risk claims settled after each of the first four months of the risk claims run-off period, before the risk claims turn stale.

The percentages used as assumptions are listed in the table below. The table also outlines the sensitivity of these percentages, and the impact on the Fund's liabilities if an incorrect assumption is used.

**Other assumptions:**

- The actual demographics of the Fund were used including all membership movements for the period.
- The effect of ageing of the population on the utilisation of health services is automatically incorporated.
- The impact on new technology and the depreciation of the Rand were taken into account.

The assumed percentages of risk claims settled at the end of the period:

Risk claims settled for services rendered in:	<b>2024</b>	<b>2023</b>
	<b>%</b>	<b>%</b>
December	25,8%	31,4%
November	86,2%	83,5%
October	95,8%	94,1%
September	98,2%	97,1%
August and prior	99,7%	99,6%

The impact on profit or loss of the sensitivity of these percentages are illustrated below:	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Effect of a 1% point change in assumptions used	2 048 844	1 965 256
Effect of a 2% point change in assumptions used	4 153 776	3 978 010
Effect of a 3% point change in assumptions used	6 317 438	6 040 083

This analysis is prepared for a change in a specific variable, namely risk claims outstanding at the end of each month, with other assumptions remaining constant.

The Fund believes that the liability for risk claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when risk claims arise.

**8. TRADE AND OTHER PAYABLES**

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
<b>Financial liabilities</b>		
Other payables and accrued expenses	2 180 238	2 309 402
	<u>2 180 238</u>	<u>2 309 402</u>

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

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**9. INSURANCE REVENUE**

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Gross insurance revenue	495 373 351	533 218 229
	<u>495 373 351</u>	<u>533 218 229</u>

**10. CLAIMS INCURRED**

Current year risk claims	426 541 012	428 265 589
Movement in outstanding risk claims provisions:		
- Adjustment for current year (note 7)	21 540 103	21 764 355
	<u>448 081 115</u>	<u>450 029 944</u>

**11. ACCREDITED MANAGED HEALTHCARE SERVICES (NO TRANSFER OF RISK)**

Active disease risk management services	2 621 399	2 841 416
Disease risk management support services	654 334	709 579
Hospital benefit management services	4 363 579	4 730 012
Network management services	3 313 043	3 550 448
Pharmacy benefit management services	3 947 677	4 279 167
	<u>14 900 032</u>	<u>16 110 622</u>

**12. ATTRIBUTABLE EXPENSES INCURRED**

Actuarial fees		
- IBNR calculation	308 051	328 617
- Pricing and benefit design	2 310 379	2 464 625
Administration fees paid in respect of accredited services:		
- Administrator	26 589 738	28 711 571
- Administration expenditure: benefit management services (not accredited managed care)	2 039 614	2 241 827
Third party claims recovery administration fees	207 993	222 908
	<u>31 455 775</u>	<u>33 969 548</u>

**13. INVESTMENT INCOME**

Realised (loss)/gain on disposal of financial assets at fair value through Profit or Loss	(79 444)	(25 030)
Interest on cash and cash equivalents	459 501	564 030
Interest on financial assets at fair value through other Profit or Loss	14 861 429	12 464 714
	<u>15 241 486</u>	<u>13 003 714</u>

**14. SUNDRY INCOME**

Old and unidentified credit balances written back to income	191 612	44 626
	<u>191 612</u>	<u>44 626</u>

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****15. ADMINISTRATION FEES AND OTHER OPERATING EXPENSES**

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Actuarial fees		
- Monthly actuarial reporting	462 075	492 925
Association fees	220 269	271 405
Audit expense:		
- Audit services	1 626 363	2 260 979
Audit expense (internal)	253 437	274 654
Bank charges	313 166	312 686
Board: sub-committees (i.e. non trustee members)		
- Audit committee	289 659	255 053
Call centre fees	213 028	224 315
Compliance and governance services	1 676 178	1 809 135
Consulting fees	470 479	-
Council for Medical Schemes expenses	662 684	713 832
Debt collection fees	819	-
Depreciation on PPE	9 170	20 059
Fidelity guarantee insurance premiums	168 658	162 571
Investigation fees (including forensic services)		
- Fraud	320 959	347 451
Legal fees	-	30 315
Marketing expenditure (including advertising)	1 945 932	2 914 643
Operating leases and other rentals (including property rentals)	956 430	865 406
- Property rentals - occupied	739 396	662 121
- Equipment rental	217 034	203 285
Principal Officer fees & remuneration	4 790 109	4 916 634
Printing, stationery and postage	254 833	487 240
Staff remuneration and employment costs	993 644	945 459
Telephone and fax	25 887	56 094
Travel, accommodation and conferences	219 838	164 439
Trustees' remuneration and considerations (note 15.1)	2 673 447	2 232 127
- Trustees' remuneration: Board	1 564 815	1 312 702
- Reimbursements and other expenditure	1 108 632	919 425
Functions and sundries	300 457	226 173
	<b>18 847 521</b>	<b>19 983 595</b>

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****15. ADMINISTRATION FEES AND OTHER OPERATING EXPENSES (Continued)****15.1 Trustees' remuneration and considerations - 2024**

Name	Fees for meeting attendance R	Fees for holding office R	Travel and accommodation R	Conference fees R	Telephone allowance R	Total R
Mr C Beard	113 525	32 173	38 471	-	-	184 168
Ms S Booysen	122 248	32 173	104 225	-	5 400	264 045
Mr HF Fourie	108 623	32 173	56 402	-	-	197 198
Mr JJ Groenewald	84 586	32 173	81 041	-	-	197 799
Mr B Jonker	160 110	50 455	209 236	-	5 400	425 201
Mr F Mabaso	69 584	32 173	104 220	-	-	205 976
Mr F Mackenzie	127 435	32 173	178 866	-	5 400	343 873
Mr LJ Ngaka	89 487	32 173	87 798	-	4 950	214 407
Ms J Phokane	125 885	32 173	37 926	-	5 400	201 384
Mr V Ramlugaan	-	-	19 156	-	-	19 156
Mr L Siwani	113 525	32 173	116 720	-	5 400	267 818
Ms C Sophete	77 627	32 173	37 221	-	5 400	152 421
				-		-
Total	1 192 635	372 180	1 071 282	-	37 350	2 673 447

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****15. ADMINISTRATION FEES AND OTHER OPERATING EXPENSES (Continued)****15.1 Trustees' remuneration and considerations - 2023**

Name	Fees for meeting attendance R	Fees for holding office R	Travel and accommodation R	Conference fees R	Telephone allowance R	Total R
Mr C Beard	113 415	30 640	30 447	-	-	174 502
Ms S Booysen	113 415	30 640	111 835	-	5 400	261 290
Mr HF Fourie	84 453	30 640	38 609	-	-	153 702
Mr JJ Groenewald	19 620	15 694	34 326	-	-	69 640
Mr B Jonker	158 992	46 936	196 833	-	5 400	408 161
Mr F Mabaso	60 353	30 640	99 590	-	-	190 583
Mr F Mackenzie	149 647	30 640	157 233	9 450	5 400	352 370
Mr LJ Ngaka	19 620	15 694	27 266	-	-	62 580
Ms J Phokane	94 544	30 640	26 054	-	5 400	156 638
Mr V Ramlugaan	-	-	24 492	-	-	24 492
Mr L Siwani	113 415	30 640	107 295	-	5 400	256 750
Ms C Sophete	61 784	30 640	23 595	-	5 400	121 419
Total	989 258	323 444	877 575	9 450	32 400	2 232 127

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****16. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES**

	2024 R	2023 R
<b>Trade and other receivables</b>		
Debt not collectable:		
Movement in allowance for expected credit losses	27 874	(73 434)
Written off during the year	160 121	121 733
Previously written off receivables recovered	(12 044)	(12 248)
	<u>175 951</u>	<u>36 051</u>

Trade and other receivables are considered to be impaired when four months have elapsed and the outstanding amount has not been collected.

**17. SUNDRY EXPENSES**

Loss with disposal of electronic equipment	<u>-</u>	<u>10 400</u>
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**18. RELATED PARTY TRANSACTIONS****Employer**

Transnet SOC Ltd is providing additional funding for the SATS risk pool (Guardian option) in order to cover the shortfall between member contributions and claims, and to keep the risk pool at the statutory required reserve ratio level of 25%.

**Administrators and their associates**

The administrators and their associates do not fall within the definition of a related party. The information below has been included due to the significance of the outsourcing relationships.

The administrator Momentum Health Solutions (Pty) Ltd has significant influence over the Fund, as Momentum Health Solutions provides financial and operational information as well as managed care services, but does not control the Fund. Momentum Health Solutions provides administration and managed care services.

Universal Health (Pty) Ltd provides administration and managed care functions on the Link Option but does not control the Fund.

Actuarial and Consultancy services company NMG Consultants and Actuaries (Pty) Ltd has significant influence over the Fund, as it provides actuarial and consultancy services but does not control the Fund.

Transactions with administrators and their associates are governed by contracts and service level agreements.

**Key management personnel**

The key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Fund. Key management personnel include the Board of Trustees, Principal Officer, sub-committee members, their dependants and close family members.

**Transaction with related parties**

The following table provides the total amount of transactions which have been entered into with related parties for the relevant year.

**Key management personnel (Board of Trustees, Principal Officer and sub-committee members)**

	2024 R	2023 R
<b>Statement of comprehensive income</b>		
Insurance revenue	332 004	294 840
Claims incurred	(351 665)	(1 330 966)
Principal Officer's fees and expenses	(4 790 109)	(4 916 634)
Board of Trustee's fees and expenses	(2 673 447)	(2 232 127)
Audit committee fees	(289 659)	(255 053)

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****18. RELATED PARTY TRANSACTIONS (continued)**

Details regarding trustee remuneration is disclosed in note 15.1.

There were no ex-gratia payments made to key management during the 2024 and 2023 financial years.

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

<b>Transaction</b>	<b>Nature of transactions and conditions thereof.</b>
Contributions received	This constitutes the contributions paid by the party as a member of the Fund, in their individual capacity. All contributions were at the same terms as applicable to third parties.
Claims incurred	This constitutes the amounts claimed by related parties, in their individual capacity as members of the Fund.

<b>Transaction with entities that have significant influence</b>	<b>2024 R</b>	<b>2023 R</b>
<b>Statement of comprehensive income</b>		
Transnet SOC Ltd - funding for SATS pensioners	126 278 905	134 880 820
Momentum Health Solutions - Administration fee	29 962 880	32 352 967
Momentum Health Solutions - Managed care services	13 516 123	14 651 729
NMG Consultants and Actuaries - Actuarial services	3 080 505	2 919 892
Universal Health - Managed care services	1 383 909	1 458 893
<b>Statement of financial position</b>		
Momentum Health Solutions - reimbursement due	227 468	307 958

**Terms and conditions of the administration agreement (Momentum Health Solutions)**

The administration agreement is in terms of the rules of the Fund and in accordance with instruction given by the Board of Trustees of the Fund. The Board of Trustees reviews the performance of the service provider and renew the contract on an annual basis. The Fund has the right to terminate the agreement on 180 days notice.

**Terms and conditions of the managed care agreement (Momentum Health Solutions)**

The managed care agreement is in accordance with instruction given by the Trustees of the Fund. The Board of Trustees reviews the performance of the service provider and renew the contract on an annual basis. The Fund has the right to terminate the agreement on 90 days notice.

**Terms and conditions of the administration and managed care agreement (Universal Health)**

The Universal Health agreement is in accordance with the instruction given by the Board of Trustees of the Fund. The Board of Trustees reviews the performance of the service provider and renew the contract on an annual basis. The Fund has the right to terminate the agreement on 180 days' notice.

**Terms and conditions of actuarial and consultancy contracts (NMG Consultants and Actuaries)**

The actuarial and consultancy contract is in accordance with the instruction given by the Board of Trustees of the Fund. The Board of Trustees reviews the performance of the service provider and renew the contract on an annual basis. The Fund has the right to terminate the agreement on 90 days notice.

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

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**19. NET PROFIT/(LOSS) PER BENEFIT OPTION**

<b>2024</b>	<b>Link R</b>	<b>Select R</b>	<b>Prime R</b>	<b>Guardian R</b>	<b>Total R</b>
<b>Insurance revenue</b>	34 228 929	291 840 653	22 413 406	146 890 363	495 373 351
<b>Insurance service expenses</b>	(30 373 352)	(279 643 541)	(31 279 567)	(145 326 887)	(486 623 346)
Claims incurred	(26 289 339)	(265 928 565)	(29 813 780)	(126 049 431)	(448 081 115)
Third party claims recoveries	1 495	8 110	172	3 932	13 709
Accredited managed healthcare services (no transfer of risk)	(1 725 424)	(6 870 405)	(534 911)	(5 769 292)	(14 900 032)
Attributables expenses incurred	(2 054 062)	(10 691 818)	(893 344)	(17 816 551)	(31 455 775)
Changes that relate to past service - adjustments to the LIC	(293 987)	3 899 594	(33 903)	4 404 114	7 975 818
Net impairment loss on healthcare receivables	(12 035)	(60 457)	(3 801)	(99 659)	(175 951)
Losses on onerous contracts and reversal of these losses	-	-	-	-	-
<b>Insurance service result</b>	3 855 577	12 197 112	(8 866 161)	1 563 476	8 750 005
<b>Other income</b>	884 328	7 474 443	567 238	6 539 767	15 465 775
Investment income	861 528	7 345 295	563 683	6 470 981	15 241 486
Sundry income	20 928	113 365	2 407	54 913	191 612
Unrealised gains on investments at fair value through Profit or Loss	1 872	15 783	1 148	13 873	32 677
<b>Other expenditure</b>	(1 089 691)	(6 553 286)	(1 125 702)	(10 250 926)	(19 019 604)
Administration fees and other operating expenses	(1 079 963)	(6 470 354)	(1 119 338)	(10 177 866)	(18 847 521)
Asset management fees	(9 728)	(82 932)	(6 364)	(73 060)	(172 083)
<b>Profit/(loss) for the year</b>	3 650 214	13 118 270	(9 424 625)	(2 147 683)	5 196 176
 Number of members at the end of the year	 1 308	 7 010	 142	 3 375	 11 835

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**19. NET PROFIT/(LOSS) PER BENEFIT OPTION**

<b>2023</b>	<b>Link R</b>	<b>Select R</b>	<b>Prime R</b>	<b>Guardian R</b>	<b>Total R</b>
<b>Insurance revenue</b>	35 749 284	310 986 551	29 004 737	157 477 657	533 218 229
<b>Insurance service expenses</b>	(28 652 150)	(277 648 728)	(36 686 500)	(151 965 158)	(494 952 535)
Claims incurred	(25 264 931)	(261 158 785)	(35 165 242)	(128 440 987)	(450 029 944)
Third party claims recoveries	2 266	12 736	322	6 121	21 445
Accredited managed healthcare services (no transfer of risk)	(1 778 613)	(7 343 221)	(757 199)	(6 231 589)	(16 110 622)
Attributables expenses incurred	(2 113 561)	(12 077 888)	(919 221)	(18 858 878)	(33 969 548)
Changes that relate to past service - adjustments to the LIC	504 946	2 930 727	156 196	1 580 316	5 172 185
Net impairment loss on healthcare receivables	(2 257)	(12 297)	(1 356)	(20 141)	(36 051)
Losses on onerous contracts and reversal of these losses	-	-	-	-	-
<b>Insurance service result</b>	7 097 134	33 337 823	(7 681 763)	5 512 499	38 265 694
<b>Other income</b>	573 967	4 974 511	457 161	7 084 322	13 089 961
Investment income	567 461	4 932 413	454 910	7 048 930	13 003 714
Sundry income	4 704	26 393	699	12 830	44 626
Unrealised gains on investments at fair value through Profit or Loss	1 802	15 705	1 552	22 562	41 621
<b>Other expenditure</b>	(1 152 709)	(6 923 469)	(1 187 247)	(10 880 697)	(20 144 122)
Administration fees and other operating expenses	(1 145 060)	(6 860 368)	(1 181 822)	(10 796 345)	(19 983 595)
Asset management fees	(6 548)	(56 932)	(5 268)	(81 379)	(150 127)
Sundry expenses	(1 101)	(6 169)	(157)	(2 973)	(10 400)
Unrealised loss on investments at fair value through Profit or Loss	-	-	-	-	-
<b>Profit/(loss) for the year</b>	<u>6 518 392</u>	<u>31 388 865</u>	<u>(8 411 849)</u>	<u>1 716 124</u>	<u>31 211 533</u>
Number of members at the end of the year	<u>1 443</u>	<u>8 067</u>	<u>197</u>	<u>3 859</u>	<u>13 566</u>

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### **ANNUAL FINANCIAL STATEMENTS**

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**For the year ended 31 December 2024**

## **20. INSURANCE RISK MANAGEMENT**

### **NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS**

The Fund issues contracts that transfer insurance risk. This section summarises these risks and the manner in which the Fund manages them.

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

The types of benefits offered by the Fund in return for monthly contributions are indicated below:

#### **Description of health benefits provided**

##### **Link**

Hospitalisation: This option provides hospital benefits for PMB conditions at State facilities. Admissions in Private facilities are covered through Universal Healthcare network for emergency treatment in cases of an accident or trauma and for selected procedures.

Chronic benefits: Benefits are provided through Universal network pharmacies.

Day-to-day cover: Benefits are provided through Universal Healthcare networks and contracted providers.

##### **Select**

Hospitalisation: This option provides hospital benefits for PMB and non-PMB conditions at State facilities. Admissions in Private facilities are covered through the Transmed private hospital network for emergency treatment (medical, accidents and trauma), psychiatric treatment, cancer surgery and for selected procedures.

Chronic benefits: Benefits are provided through Transmed pharmacy network.

Day-to-day cover: Benefits are provided through the member's own choice of healthcare or service provider, subject to the day-to-day limit.

Optical and dental services which are managed by the contracted providers.

##### **Prime**

Hospitalisation: This option provides private hospital benefits for PMB conditions through Transmed private hospital network.

Chronic benefits: Benefits are provided through Transmed pharmacy network.

Day-to-day cover: No day-to-day cover is provided other than out-patient care for chronic conditions.

##### **Guardian**

Hospitalisation: This option provides hospital benefits for PMB and non-PMB conditions at State facilities and for selected procedures at private facilities.

Chronic benefits: Benefits are provided through Transmed pharmacy network.

Day-to-day cover: Benefits are provided through the member's own choice of healthcare or service provider, subject to the day-to-day limit.

Optical and dental services which are managed by the contracted providers.

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****20. INSURANCE RISK MANAGEMENT (continued)***Risk management objectives and policies for mitigating insurance risk*

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

The Board of Trustees has developed and approved a documented policy for the acceptance and management of insurance risk to which the Fund is exposed. Reference has also been made to the requirements of the Medical Schemes Act in compiling the insurance risk management policy. This policy is reviewed annually and the benefit options provided to members are structured to fall within the acceptable insurance risk level specified. The Board of Trustees also determines the policy for entering into alternative risk transfer arrangements and/or commercial re-insurance contracts. The annual business plan is structured around the insurance risk management policy.

The Fund manages its insurance risk through:

- benefit limits and sub-limits on different categories of risk claims;
- approval procedures for transactions that involve pricing guidelines;
- pre-authorisation for procedures and hospitalisation in order to monitor and manage cost;
- case management to ensure effective and cost effective treatment;
- disease risk management, which focus on high cost individuals;
- medicine risk management programme;
- HIV and AIDS programme; and
- Home-based care services

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

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

**Frequency and severity of risk claims**

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

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****20. INSURANCE RISK MANAGEMENT (continued)****Source of uncertainty in the estimation of future risk claims payments**

The Fund re-rates its benefits annually, to ensure that the necessary underwriting surplus is maintained relative to the risk exposure. It is relatively easy to assess the future risk claim payments since the large majority is lodged soon after year-end before the four month expiration of claims period comes into effect.

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

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

All the contracts are annual in nature and the Fund has the right to change the terms and conditions of the contract at renewal. Monthly management reports are reviewed which has certain management information including risk contribution income and loss ratios by option.

**Concentration of insurance risk**

The following table summarises the concentration of insurance risk, with reference to the number of beneficiaries per option, by age group.

**2024**

Age grouping (in years)	Link	Select	Prime	Guardian	Total
< 26	485	2 111	-	24	2 620
26 - 35	59	243	-	1	303
36 - 50	519	2 355	2	24	2 900
51 - 64	366	1 706	19	155	2 246
> 65	787	4 345	141	3 654	8 927
Total	2 216	10 760	162	3 858	16 996

**2023**

Age grouping (in years)	Link	Select	Prime	Guardian	Total
< 26	574	2 548	-	26	3 148
26 - 35	59	342	-	1	402
36 - 50	561	2 806	3	28	3 398
51 - 64	464	2 084	36	187	2 771
> 65	849	4 866	198	4 178	10 091
Total	2 507	12 646	237	4 420	19 810

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****20. INSURANCE RISK MANAGEMENT (continued)**

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

**2024**

Age grouping (in years)	Medical specialists	General practitioner including Optical and Dental	Supplementary Health Services	Medicines	Private Hospital	Provincial Hospital	Total
	R	R	R	R	R	R	R
<26	4 003 731	862 822	1 231 911	3 440 966	1 947 803	61 431	11 548 663
26 - 35	1 265 526	669 946	463 844	1 220 626	1 420 371	412 490	5 452 802
36 - 50	8 591 526	3 143 297	2 164 554	8 996 991	9 622 149	3 088 886	35 607 403
51 - 65	11 145 317	2 227 305	4 394 560	11 586 221	8 336 042	608 936	38 298 381
>65	73 614 698	16 407 524	31 017 141	77 392 206	79 091 277	17 783 876	295 306 722
Link Optical & Dental IBNR adjustment							24 858 719 15 468 322 21 540 103
Total	98 620 797	23 310 893	39 272 010	102 637 009	100 417 643	21 955 618	448 081 115

**2023**

Age grouping (in years)	Medical specialists	General practitioner including Optical and Dental	Supplementary Health Services	Medicines	Private Hospital	Provincial Hospital	Total
	R	R	R	R	R	R	R
<26	2 457 606	512 291	529 712	551 254	2 535 273	75 725	6 661 861
26 - 35	979 895	358 538	244 801	1 161 360	1 018 761	22 322	3 785 677
36 - 50	7 158 175	2 667 140	3 180 423	6 542 469	6 344 006	3 152 456	29 044 669
51 - 65	13 774 623	3 485 223	3 248 540	12 202 302	10 398 286	1 634 830	44 743 805
>65	74 160 874	17 701 489	31 299 210	92 530 167	66 020 700	21 838 763	303 551 203
Link Optical & Dental IBNR adjustment							24 031 556 16 446 818 21 764 355
Total	98 531 174	24 724 681	38 502 687	112 987 552	86 317 025	26 724 096	450 029 944

The sensitivity analysis for insurance risk illustrates the effect of an ageing membership profile on the insured benefit payment.

An average increase of one year in the age profile of the Fund will increase insured benefits costs with 1.18% (2023:1.31%).

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**20. INSURANCE RISK MANAGEMENT (continued)****Risk claims development**

Disclosure pertaining to risk claims development is not required as the uncertainty regarding the amounts and timing of risk claim payments is typically resolved within one year. At year-end the provision is made for those risk claims outstanding that are not yet reported at that date. Details regarding the provision is disclosed in note 7.

**21. CAPITAL MANAGEMENT**

Capital adequacy risk is the risk that there may be insufficient reserves to provide for adverse variations on actual and future experience.

The Fund monitors capital using a solvency ratio, which is accumulated funds divided by annual contributions.

The Medical Schemes Act requires the Fund to maintain a solvency ratio of 25% of contributions. The Fund's solvency ratio is 26.65% (2023: 23.79%) (Refer note 29).

The Trustees have implemented the actions stipulated in the business plan in order to increase the reserve ratio of the Working Members and Pensioner (WMP) risk pool in order to reach the required 25% level.

The SATS risk pool's reserve ratio was 35.50% at the end of the year. The funding from Transnet SOC Ltd for the 2023 year will be enough to maintain reserves of 25%.

This measure of capital is consistent with prior years. The Fund's objective is to return to a solvency level of 25%.

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

In the process of applying the Fund's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

A key assumption concerning the future that has a significant risk of causing a material adjustment to the carrying amounts of liabilities in the next financial year is that used to determine the liability for incurred claims (refer note 7).

When arriving at this provision, it is assumed that the reporting and settlement trend of risk claims incurred but not reported will be similar to that of the previous and current financial period. The provision is calculated based on percentages derived from the previous and current financial period and is adjusted as the claims are reported and settled.

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****23. FINANCIAL RISK MANAGEMENT**

The Management Committee makes risk management and investment decisions, under the guidance and policies approved by the Board of Trustees. The Management Committee identifies and evaluates financial risks associated with the Fund's investment portfolio.

The Management Committee provides written principles for overall risk management, as well as written policies covering specific areas, market risk, credit risk, and investing excess liquidity. The Board of Trustees approves all of these written policies.

The Fund appointed a professional asset management company to manage the Fund's investment portfolio. The approach of the asset manager is to construct a portfolio of diversified asset classes in order to obtain an optimal risk/return mix. The strategy is to focus on strategic asset allocation rather than on timing the market. This will mitigate the risk in volatile markets.

The following summary represents the major asset classifications held by the Fund which are exposed to the financial risks as discussed:

Asset allocation summary	<b>2024</b> <b>R</b>	<b>2023</b> <b>R</b>
Financial assets at fair value through Profit or Loss (note 3)	160 637 102	157 091 587
Cash and cash equivalents (note 4)	2 785 273	4 313 403
Trade and other receivables (note 6)	288 794	420 734
	<u>163 711 169</u>	<u>161 825 724</u>

The following summary represents the major liabilities in the Fund.	<b>2024</b> <b>R</b>	<b>2023</b> <b>R</b>
Insurance contract liability to current members (note 5.2)	29 432 858	32 622 671
Insurance contract liability to future members (note 5.1)	20 547 127	2 591 973
Trade and other payables (note 8)	2 180 238	2 309 402
	<u>52 160 222</u>	<u>37 524 046</u>

The Fund does not pay any interest on these liabilities.

The Fund's activities expose it to market risk. Market risk is defined as the risk that the fair value of future cash flow of financial instruments will fluctuate because of changes in market prices. Market price risk comprises three types of risk: currency risk, interest rate risk and other price risk. These risks arise from open positions in interest rates which are exposed to general and specific market movements. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Fund holds to meet its obligations to its members.

**Financial Risk Factors*****Currency risk***

The Fund operates in South Africa and therefore its cash flows are denominated in South African Rand (ZAR). The Fund therefore is not exposed to currency risk.

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**23. FINANCIAL RISK MANAGEMENT (continued)*****Interest rate risk***

The Fund is exposed to interest rate risk through its investments in interest bearing investments.

The table below summarises the Fund's exposure to interest rate risk. Included in the table are the Fund's investments at carrying amounts, categorised by the maturity dates.

<b>2024</b>	<b>Up to 1 Month R</b>	<b>1 – 3 months R</b>	<b>More than 3 months R</b>	<b>More than 1 year</b>	<b>Total R</b>
Cash and cash equivalents	2 785 273	-	-	-	2 785 273
Financial assets at fair value through Profit or Loss	42 223 857	3 088 748	24 427 317	90 897 180	160 637 102
	45 009 130	3 088 748	24 427 317	90 897 180	163 422 375
<b>2023</b>	<b>Up to 1 Month R</b>	<b>1 – 3 months R</b>	<b>More than 3 months R</b>	<b>More than 1 year</b>	<b>Total R</b>
Cash and cash equivalents	4 313 403	-	-	-	4 313 403
Financial assets at fair value through Profit or Loss	27 448 907	17 490 403	38 390 430	73 761 847	157 091 587
	31 762 310	17 490 403	38 390 430	73 761 847	161 404 990

***Sensitivity analysis – interest rate risk***

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

A decrease/increase of 100 basis points in interest yields would result in an increase/decrease in members' funds of R 1 634 224 (2023: R 1 614 050).

This sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. Management monitors the reported interest rate movements on a monthly basis.

***Other price risk***

The Fund was not exposed to equity risk during the year.

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****23. FINANCIAL RISK MANAGEMENT (continued)*****Credit risk***

Credit risk is the risk of financial loss to the Fund if a counterparty to a financial instrument fails to meet its contractual obligations. The Fund's principal financial assets are cash and cash equivalents, available-for-sale investments and trade and other receivables. The Fund'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. The Fund has a policy of limiting the amount of credit exposure to any one financial institution.

***Trade and other receivables***

The Fund's exposure to credit risk is influenced by the characteristics of each member and the demographics of the membership base. Geographically there is no concentration of credit risk.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtor's ability to pay all amounts due according to the contractual terms (for example on the basis of a credit risk evaluation or grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Contribution debtors are collected in arrears within 30 days of raising. In monitoring member credit risk, members are grouped according to their credit characteristics, including whether they are an individual, group or government member, whether the risk arises from contributions or member shortfalls. The Board has approved a credit control policy, thereby managing the credit risk to the Fund.

The table below illustrates the quality of the Fund's receivables in order to assess the risk:

**As at 31 December 2024**

	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Insurance revenue outstanding	5 559 707	59 821	-	5 619 528
Member and provider debt	225 416	59 108	36 985	321 509
Other receivables	288 794	-	-	288 794
	<b>6 073 917</b>	<b>118 929</b>	<b>36 985</b>	<b>6 229 831</b>

**As at 31 December 2023**

	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Insurance revenue outstanding	5 743 569	159 810	-	5 903 379
Member and provider debt	168 330	89 800	9 111	267 241
Other receivables	420 734	-	-	420 734
	<b>6 332 633</b>	<b>249 610</b>	<b>9 111</b>	<b>6 591 354</b>

The table above illustrates the Fund's maximum exposure to credit risk.

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**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****23. FINANCIAL RISK MANAGEMENT (continued)**

The table below provides an age analysis of the credit that is past due, but not yet impaired.

**As at 31 December 2024**

	<b>30 - 60 days</b>	<b>60 - 90 days</b>	<b>90 - 120 days</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Insurance revenue outstanding	59 821	-	-	59 821
Member and provider debt	12 738	14 036	32 335	59 108
	<b>72 559</b>	<b>14 036</b>	<b>32 335</b>	<b>118 929</b>

**As at 31 December 2023**

	<b>30 - 60 days</b>	<b>60 - 90 days</b>	<b>90 - 120 days</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Insurance revenue outstanding	105 708	54 102	-	159 810
Member and provider debt	27 607	44 788	17 405	89 800
	<b>133 315</b>	<b>98 890</b>	<b>17 405</b>	<b>249 610</b>

**Contribution debtors**

On analysing the credit quality of contribution debtors, the Fund collected 99% of these amounts in January 2025. This indicates a high credit quality relating to debtors. Consequently no additional disclosure of credit quality is provided.

**Active member claim debtors**

These debtors are members of the Fund and therefore are expected to have similar credit quality to the contribution debtors. This does not imply that all amounts were collected in January 2025.

**Cash and cash equivalents**

The credit risk on liquid funds is limited because the counter parties are financial institutions with high credit ratings. The Fund has no significant concentration of credit risk, with exposure spread over a large number of counter parties and members.

<b>Moody's deposit ratings</b>	<b>Deposit rating</b>		<b>2024</b>	<b>2023</b>
<b>Financial institution</b>	<b>2024</b>	<b>2023</b>	<b>R</b>	<b>R</b>
ABSA	Ba2	Ba2	627 544	705 234
Citibank	Aa3	Aa3	34 259	2 513
Standard Bank	Ba2	Ba2	1 660 293	2 549 206
Nedbank	Ba2	Ba2	463 176	1 056 450

**Financial assets at fair value through Profit or Loss**

The Fund limits its exposure to credit risk by investing in liquid securities and only with counterparties that have a high credit rating. The Trustees do not expect any counterparty to fail to meet its obligations. Annexure B to Regulation 30 to the Medical Schemes Act, of South Africa, as amended, prescribes the credit limits per institution which reduces the individual risk per institution. The utilisation of these limits are regularly monitored.

**Fair value estimation**

The carrying value of financial assets (less allowance for expected credit losses) and financial liabilities with a maturity date of less than one year, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

**TRANSMED MEDICAL FUND**

Registration number: 1582

**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2024****23. FINANCIAL RISK MANAGEMENT (continued)*****Fair value of financial instruments***

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

The hierarchy levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. These are readily available in the market and are normally obtainable from multiple sources.

Level 2: 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 (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Fund's financial instruments totalling R 160 637 102 (2023: R 157 091 587), measured at fair value at reporting date are all categorised as level 1 instruments.

***Liquidity risk***

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund applies prudent liquidity risk management by maintaining sufficient cash and marketable securities so that the availability of funding through liquid holding cash positions with various financial institutions to ensure that the Fund has the ability to fund its day-to-day operations.

Management monitors rolling forecasts of the Fund's liquidity reserve which comprises of cash and cash equivalents (note 5) on the basis of expected cash flow. In addition, the Fund's liquidity management policy involves projecting cash flows for seasonal variances and considers the level of liquid assets necessary to meet these and monitoring statement of financial position liquidity ratios against external regulatory requirements.

At year-end 100% (2023: 100%) of the Fund's assets was invested in money market instruments to ensure that the Fund can meet its short-term liabilities.

The table below analyses the assets and liabilities of the Fund into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date:

<b>2024</b>	<b>Up to 1 Month R</b>	<b>1 – 3 months R</b>	<b>More than 3 months R</b>	<b>More than 1 year</b>	<b>Total R</b>
<b>Non-current assets</b>					
Equipment	-	-	-	24 398	24 398
Financial assets at fair value through Profit or Loss	-	-	-	90 897 180	90 897 180
<b>Current assets</b>					
Financial assets at fair value through Profit or Loss	42 223 857	3 088 748	24 427 317	-	69 739 922
Cash and cash equivalents	2 785 273	-	-	-	2 785 273
Trade and other receivables	288 794	-	-	-	288 794
<b>Total assets</b>	<b>45 297 924</b>	<b>3 088 748</b>	<b>24 427 317</b>	<b>90 921 578</b>	<b>163 735 567</b>
<b>Non-current liabilities</b>					
Insurance contract liability to future members	-	-	-	111 575 344	111 575 344
<b>Current liabilities</b>					
Insurance contract liability to current members	24 468 758	3 810 778	1 153 322	-	29 432 858
Insurance contract liability to future members	-	-	20 547 127	-	20 547 127
Trade and other payables	2 180 238	-	-	-	2 180 238
<b>Total liabilities</b>	<b>26 648 995</b>	<b>3 810 778</b>	<b>21 700 449</b>	<b>111 575 344</b>	<b>163 735 567</b>

**TRANSMED MEDICAL FUND**

Registration number: 1582

**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2024

**23. FINANCIAL RISK MANAGEMENT (continued)**

2023	Up to 1 Month R	1 – 3 months R	More than 3 months R	More than 1 year	Total R
<b>Non-current assets</b>					
Equipment	-	-	-	32 644	32 644
Financial assets at fair value through Profit or Loss	-	-	-	73 761 847	73 761 847
<b>Current assets</b>					
Financial assets at fair value through Profit or Loss	27 448 907	17 490 403	38 390 430	-	83 329 740
Cash and cash equivalents	4 313 403	-	-	-	4 313 403
Trade and other receivables	420 734	-	-	-	420 734
<b>Total assets</b>	<u>32 183 044</u>	<u>17 490 403</u>	<u>38 390 430</u>	<u>73 794 491</u>	<u>161 858 368</u>
<b>Non-current liabilities</b>					
Insurance contract liability to future members	-	-	-	124 334 322	124 334 322
<b>Current liabilities</b>					
Insurance contract liability to current members	23 832 760	4 927 074	3 862 837	-	32 622 671
Insurance contract liability to future members	-	-	2 591 973	-	2 591 973
Trade and other payables	2 309 402	-	-	-	2 309 402
<b>Total liabilities</b>	<u>26 142 162</u>	<u>4 927 074</u>	<u>6 454 810</u>	<u>124 334 322</u>	<u>161 858 368</u>

**24. LEGAL RISK**

Legal risk is the risk that the Fund will be exposed to in respect of contractual obligations which have not been provided for. At 31 December 2024 the Fund did not consider there to be any significant concentration of legal risk that had not been provided for.

**25. CONTINGENT ASSET**

Road Accident Fund (RAF)

The Fund grants assistance to its members in defraying expenditure incurred in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Fund Act No. 56 of 1996. If a member is re-imbursed by the RAF, they are legally obliged to cede that payment to the Fund to the extent that they have already been compensated.

Due to the uncertainty over the recoverability of the risk claims lodged by the members with the RAF a contingent asset has arisen to the value of R 7 688 741 (2023: R 7 694 705). The net recoveries from RAF for the year was R 13 709 (2023: R 21 445).

**26. PROFESSIONAL INDEMNITY AND FIDELITY GUARANTEE INSURANCE**

The Fund was covered under a professional indemnity and fidelity guarantee insurance policy throughout the reporting year. The cover amounted to R 80 000 000 as at 31 December 2024 (2023: R 80 000 000).

**27. EVENTS AFTER REPORTING DATE**

There have been no events that have occurred between the end of the accounting period and the date of the approval of these annual financial statements that the Trustees consider should be brought to the attention of the members of the Fund.

**28. GOING CONCERN**

The Board of Trustees considers the Fund to be a going concern. The Board took the following into consideration in the evaluation of the Fund's going concern status:

- Available cash and investments at the end of the year amounted to R 163 422 375.
- Transnet SOC Ltd will be providing funding to ensure that the SATS risk pool maintains a reserve level of 25%.
- A business plan has been developed by the Trustees, with the assistance of the Fund's actuary, in order to get the Fund to a reserve level of 25%.
- It is expected that the Fund's reserve ratio will decrease from 26.65% at 31 December 2024 to 24.31% at 31 December 2025.
- An actuarial model was developed to assist the Trustees to consider the going concern status of the Fund. Even with the most negative assumptions on membership movements and membership risk profiles, the model indicated that the Fund will be a going concern.

## **29. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998**

### **29,1 Self-supporting options**

#### **Nature and impact**

In terms of Section 33(2) benefit options shall be self-supporting in terms of membership and financial performance. The Guardian and Prime options recorded losses for the year ended 31 December 2024.

#### **Causes for the failure**

The loss on the Guardian Option is mainly due to the reduced Transnet subsidy, which is intended to bring the option closer to the 25% solvency requirement, while the Prime Option had an adverse high cost case experience in comparison with the prior year.

#### **Corrective action**

The Prime Plan is not sustainable in the longer term on account of the following:

- the small and declining membership;
- the poor and rapidly deteriorating risk profile as a result of anti-selection;
- the poor value proposition that it offers;
- the substantial operating losses being experienced on the plan.

In consultation with the CMS, it was agreed that consideration should be given to closing the plan once the plan membership falls below 500 lives and closure of the plan would not threaten the financial sustainability of the WMP risk pool. The Prime Plan membership fell below 500 in November 2021. However impact analyses carried out at part of the 2025 benefit review process for closing the Prime Plan indicated that closing of the Prime Plan as at this time would result in the members of the WMP risk pool being substantially worse off. Taking this into account, the Trustees decided to (1) continue with the Prime Plan for 2025 even though on a loss-making basis, and (2) to continue to monitor the plan closely with a view to closure when it makes financial sense to do so.

### **29,2 Payment of claims within 30 days**

#### **Nature and impact**

In terms of Section 59(2) a member or provider claim should be settled within 30 days of submission. Instances were noted during sample testing where settlements took more than 30 days.

#### **Causes of failure**

Delays can occur when accounts are referred for clinical audit or other investigations. These are however the exceptions, and claims are generally paid within the prescribed time.

#### **Corrective action**

The administrator is aware of the requirements and comply as far as possible. It is however an inherent part of the industry that a limited number of problematic claims may exceed the payment requirement of 30 days.

### **29,3 Outstanding contributions**

#### **Nature and impact**

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the Fund. Per the Fund rules, contributions are required to be received at least three days after their due date. Instances were noted where contributions were received late.

#### **Causes for the failure**

The reason for this is due to the inherent nature of the business.

#### **Corrective action**

On-going communication to employer groups has occurred and will continue.