

ENGEN MEDICAL BENEFIT FUND

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 December 2025

ENGEN MEDICAL BENEFIT FUND
(Registration number 1572)

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ENGEN MEDICAL BENEFIT FUND
(Registration number 1572)

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees of Engen Medical Benefit Fund (the Fund) are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2025, and the statement of comprehensive income and statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with IFRS[®] Accounting Standards (IFRS) and in the manner required by the Medical Schemes Act 131 of 1998 of South Africa (the Act). In addition, the Trustees are responsible for preparing the report of the Board of Trustees and statement of corporate governance by 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 for the year and the 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 annual financial statements.

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

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

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

The Fund's external auditor, Harris Dowden & Fontaine, are responsible for auditing the annual financial statements in terms of International Standards on Auditing and their report is presented on pages 12 to 16.

The annual financial statements were approved by the Board of Trustees on 14 April 2026 and signed on its behalf:

.....
Ms S Vabaza
Chairperson

.....
N Rabochene
Trustee

.....
L Shaw
Principal Officer

14 April 2026

ENGEN MEDICAL BENEFIT FUND
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STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

The Engen Medical Benefit Fund is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Fund follows principles of corporate governance appropriate to medical schemes. The Trustees are proposed and elected by the members of the Fund or nominated by the Employers.

BOARD OF TRUSTEES

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

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

INTERNAL CONTROL

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

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

.....
Ms S Vabaza
Chairperson

.....
N Rabochene
Trustee

.....
L Shaw
Principal Officer

14 April 2026

**ENGEN MEDICAL BENEFIT FUND
(Registration number 1572)**

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

The Board of Trustees hereby presents its report for the year ended 31 December 2025.

1. MANAGEMENT

1.1 Board of Trustees in office during the year under review

Appointed members

Ms S Moroka-Mosia - Chairperson	Employer representative	(Resigned: 7 December 2025)
Ms S Vabaza - Chairperson	Employer representative	(Appointed: 8 December 2025)
Mr K Govender	Employer representative	
Mr J Gumede	Employer representative	
Ms N Mkhize	Employer representative	(Appointed: 29 December 2025)
Mr I Moola	Employer representative	(Appointed: 17 April 2025)
Ms N Thambiran	Employer representative	

Elected members

Ms A Bennetts	Member representative	(Resigned: 30 June 2025)
Mr R Marchant	Member representative	
Ms N Rabochene	Member representative	
Mr B Sebetlele	Member representative	(Appointed: 1 July 2025)
Mr M Tshabalala	Member representative	(Appointed: 1 July 2025)
Mr A Williams	Member representative	

Alternate trustee

Ms B Ndlovu	Alternate Employer trustee
Mr T Dlamini	Alternate Member trustee

The Board of Trustees is assisted by:

Dr A Davidson	Medical Advisor
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1.2 Principal Officer

Ms L Shaw	
Engen Court	P O Box 35
Thibault Square	Cape Town
Cape Town	8000
8001	

1.3 Registered office address and postal address

Business address	Postal address
Engen Court	P O Box 35
Thibault Square	Cape Town
Cape Town	8000
8001	
Country of registration and domicile:	South Africa

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

1.4 Fund Administrator

Discovery Health (Pty) Ltd
1 Discovery Place
cnr Rivonia and Catherine Street
Sandton
2196

P O Box 2379
Rivonia
2128

1.5 Managed Care provider

Discovery Health (Pty) Ltd
1 Discovery Place
cnr Rivonia and Catherine Street
Sandton
2196

P O Box 2379
Rivonia
2128

1.6 Investment Managers

Prescient Investment Management (Pty) Ltd
Prescient House
The Terraces
Steenberg Boulevard
Steenberg Office Park
7966

P O Box 31142
Tokai
7966

M&G Investments
Seventh Floor
Protea Place
40 Dreyer Street
Claremont
7708

P O Box 44813
Claremont
7735

Sanlam Investment Managers
55 Willie van Schoor Avenue
Bellville
7530

Private Bag X8
Tygervalley
7536

1.7 Investment Consultants

Momentum Consultants and Actuaries
269 West Avenue
Centurion
0157

P O Box 7400
Centurion
0046

1.8 Actuary

Insight Actuaries and Consultants
2nd Floor Gateway West
22 Magwa Crescent
Midrand
2066

Private Bag X17
Halfway House
Midrand
1685

1.9 Auditor

Harris Dowden & Fontaine
7 Pam Road
Morningside
Benmore
2057

P O Box 651129
Benmore
2010

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

2. DESCRIPTION OF FUND

2.1 Terms of registration

The Engen Medical Benefit Fund is a not-for-profit medical scheme registered in terms of the Medical Schemes Act 131 of 1998 of South Africa (the Act), as amended. Membership of the Fund is open to all employees of Engen Petroleum (Pty) Ltd and any other institution to whose employees membership has been extended by the Board of Trustees.

2.2 Benefit options within Engen Medical Benefit Fund

In terms of the Engen Medical Benefit Fund's rules, it offers only one set of benefits, that includes a medical savings portion.

2.3 Medical Savings Account

Ten percent (10%) of total contributions are allocated to members' Medical Savings to cover their day-to-day medical expenses. Unexpended Medical Savings funds are accumulated for the long-term benefit of the members and interest accrued at an average rate of 8.1% (2024: 9.2%).

The Fund's liability to the members in respect of the Medical Savings is reflected as a financial liability in the annual financial statements, repayable in terms of Regulation 10 of the Act. In terms of the rules of the Fund, the Fund carries the risk.

2.4 Reinsurance contracts

The Fund entered into a risk transfer arrangement with Discovery Health (Pty) Ltd for the provision of services to beneficiaries on the Fund that are registered under the diabetes management programme.

3. INVESTMENT STRATEGY OF THE FUND

The Fund's investment objective is to maximise the return on its investments on a long-term basis at an acceptable risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees. An Investment Committee was established to assist the Board of Trustees in any matters related to investments. The Committee is mandated by the Board of Trustees and some of their duties are to ensure that:

- the Fund remains liquid;
- investments are placed at acceptable risk and at the best possible rate of return;
- investments made are in compliance with the regulations of the Medical Schemes Act; and
- a risk assessment is performed with feedback to the Board of Trustees with recommendations on risks identified.

The Investment Committee comprises of:

Mr N Sithebe	Independent - Chairperson	
Ms N Rabochene	Trustee	
Ms A Sedick	Independent Member	
Mr A van Niekerk	Independent Member	(Re-appointed 21 November 2025)
Mr A Williams	Trustee	
Ms L Shaw	(Principal Officer) in ex-officio capacity	

The Committee met on four occasions during the year as follows:

- 18 February 2025;
- 27 May 2025;
- 8 September 2025, and
- 6 November 2025.

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

4. MANAGEMENT OF 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. The risk relates to the health of the Fund's members. As such, the Fund is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation, 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 provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of 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 using 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.

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

5.1 Operational statistics	2025	2024
Average number of members during the accounting period	2,954	3,002
Number of members at 31 December	2,891	3,018
Average number of beneficiaries during the accounting period	5,487	5,614
Number of beneficiaries at 31 December	5,348	5,625
Dependant ratio	0.85	0.86
Number of new members	83	185
Number of members leaving	210	171
Average age of beneficiaries for the accounting period	43.54	42.97
Proportion of lives over the age of 65	22.72%	21.85%
Average net contribution per member per month (R)	6,870	6,350
Average net contribution per beneficiary per month (R)	3,699	3,396
Directly attributable insurance service expenses per beneficiary per month (R)	3,721	3,197
Relevant healthcare expenditure as a percentage of net contributions (%) *	96.35%	89.94%
Relevant healthcare expenditure per member per month (R) *	6,619	5,711
Non-healthcare expenses as a percentage of net contributions (%)	5.65%	5.73%
Directly attributable insurance service expenses as a percentage of net contributions (%)	100.6%	94.1%
Non-healthcare expenses per beneficiary per month (R)	209	194
Average healthcare management expense per member per month (R)	136	129
Average healthcare management expense per beneficiary per month (R)	75	69
Managed care: management services as a percentage of gross contributions (%)	1.78%	1.83%
Amount paid to administrators (R)	17,648,610	16,745,372
Accumulated funds per member at 31 December (R)	159,202	131,912
Return on investments (%)	15.40%	11.11%
Reserves per beneficiary (R)	86,061	70,775

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

5.2 Results of operations

The operational results of the Fund are set out in the annual financial statements and the Trustees believe that no further clarification is required.

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

5.3 Solvency ratio

The solvency ratio is calculated on the following basis:

Liability to members for future benefits as per statement of financial position

Less: Unrealised gains on investments **

Accumulated funds per Regulation 29

Gross contributions

Solvency ratio

2025 R	2024 R
460,252,955	398,110,046
(127,617,978)	(74,649,917)
<u>332,634,977</u>	<u>323,460,129</u>
<u>270,583,987</u>	<u>254,146,703</u>
<u>122.93%</u>	<u>127.27%</u>

**** Cumulative net gains on re-measurement to fair value are calculated as follows:**

Net cumulative gains opening balance at the beginning of the year

Movement in unrealised gains on re-measurement of financial instruments to fair value included in accumulated funds

Cumulative net gain on re-measurement to fair value of investments included in accumulated funds

74,649,917	46,402,858
52,968,061	28,247,059
<u>127,617,978</u>	<u>74,649,917</u>

5.4 Insurance contract liability

Movements in the insurance contract liability are set out in note 5 to the annual financial statements.

6. ACTUARIAL SERVICES

An actuarial valuation is not required for the purposes of the annual financial statements, however full use of the services of the Fund's actuarial consultants, Insight Actuaries and Consultants, are made in contribution setting and benefit design.

7. EVENTS AFTER REPORTING DATE

There have been no events that have occurred subsequent to the end of the accounting period that affect the annual financial statements that the Trustees consider should be brought to the attention of the members of the Fund.

8. AUDIT COMMITTEE

An Audit Committee was established in accordance with the provisions of the Medical Schemes Act No. 131 of 1998, as amended. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of seven members of which two are members of the Board of Trustees. The majority of the members are not officers of the Fund or its third party administrator. The Committee met on two occasions during the year as follows:

- 1 April 2025; and
- 13 November 2025.

The Chairperson of the Fund, the financial manager and the external 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, internal control systems and financial reporting practices. The external auditor formally reports to the Committee on findings arising from its audit activities.

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

8. AUDIT COMMITTEE (continued)

At 31 December 2025, the Audit Committee comprised of:

Ms S Koen	Independent - Chairperson	(Resigned: 31 December 2025)
Ms F Abader	Independent	
Mr M Mulumba	Independent	
Ms F Ngcwabe	Independent	
Mr N Sithebe	Independent	
Mr J Gumede	Trustee	
Ms N Rabochene	Trustee	
Ms L Shaw	Principal Officer (ex Officio)	

9. PROFESSIONAL INDEMNITY/FIDELITY/TRUSTEES AND OFFICERS INSURANCE

In accordance with the Rules, the Fund has insurance to cover these risks. On 31 December 2025, the total cover was R10 million (2024: R10 million).

10. BOARD OF TRUSTEES AND COMMITTEE MEETING ATTENDANCE

The following schedule sets out the Board of Trustees, Audit and Investment Committee meetings attendances:

Trustee / Sub Committee member	Board meetings		Audit Committee meetings		Investment Committee meetings	
	A	B	A	B	A	B
Trustees						
Ms S Moroka-Mosia - Chairperson *	4	4				
Ms S Vabaza - Chairperson *	1	1				
Ms A Bennetts*	2	2				
Mr T Dlamini - Alternate	4	2				
Mr K Govender	4	2				
Mr J Gumede	4	4	2	2		
Mr R Marchant	4	4				
Ms N Mkhize *	1	1				
Mr I Moola *	2	1				
Ms B Ndlovu - Alternate	4	1				
Ms N Rabochene	4	2	2	2	4	1
Mr B Sebetlele *	4	4				
Ms N Thambiran	4	2				
Mr M Tshabalala*	4	4				
Mr A Williams	4	4			4	4
Independent committee members						
Ms F Abader			2	1		
Ms S Koen*			2	2		
Mr M Mulumba			2	2		
Ms F Ngcwabe			2	1		
Ms A Sedick					4	4
Mr N Sithebe			2	2	4	3
Mr A van Niekerk *					4	3
Principal Officer						
Ms L Shaw - Principal Officer	4	4	2	2	4	4

A - Total possible number of meetings could have attended

B - Actual number of meetings attended

* Appointed/resigned during the year

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

11. GOING CONCERN

The Trustees believe the Fund will be a going concern in the foreseeable future due to, but not limited to the following reasons:

- The reserve ratio at the end of the year was 122.93%;
- Available cash and investments at the end of the year amounted to R498,852,554;
- The actuarial forecast for the next 5 years indicates that the Fund will be a going concern.

12. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT

12.1 Contravention of section 35(8)(c) of the Medical Schemes Act

Nature and impact

The Fund holds indirect investments in Discovery Holdings Ltd. This is in contravention of section 35(8)(c) of the Act, as the Fund is not allowed to hold shares in the holding company of the Administrator or any other Administrator.

Causes for the failure

The Fund invested in a pooled fund and does not have control over the investment decisions relating to the underlying assets.

Corrective action

The Fund applies annually for exemption from the Council for Medical Schemes in terms of section 35(8) in order to hold these shares. Exemption was granted until 31 December 2028.

12.2 Contravention of section 26(7) of the Medical Schemes Act

Nature and impact

Section 26(7) of the Act requires that "All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due". A limited number of exceptions were noted during the year where contributions were received late.

Cause of failure

Membership changes may cause reconciliation items between the employer and the Fund records. These are typically resolved within one month.

Corrective action

The Fund continually strives to have all membership changes updated before the following contribution run. Due to the nature of membership movement, and the communication process between the employer and pension administrators, on the one hand, and the Administrator on the other, this is not always possible.

ENGEN MEDICAL BENEFIT FUND

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

12. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT (continued)

12.3 Claims not settled within 30 days

Nature and impact

In terms of Section 59(2) and Regulation 6(2) of the Act a medical scheme shall pay a member or supplier of services any benefit owing to that member or supplier within 30 days of receipt of the medical claim. A limited number of exceptions were noted where settlement took longer than 30 days from receipt.

Causes for the failure

A few complex cases also took more than 30 days to be resolved in order to process the claims payment.

Corrective Action

Management is committed to resolve these matters in a responsible manner and in the best interest of the member and the Fund.

12.4 Sustainability of the Fund

Nature and impact

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. At 31 December 2025 the Fund incurred a net insurance service result deficit of R1.5m (2024: surplus of R13.8m). The performance is in line with the Fund's pricing strategy for the year.

Causes for the failure

The Trustees focus on long-term financial management, with the objective of ensuring the continued financial soundness of the Fund and maintenance of its reserves. The pricing strategy takes into account the sound reserve position of the Fund to smooth out contribution increases over time and to keep the contributions as affordable as possible for members.

Corrective Action

The Board of Trustees carefully monitors the Fund's performance with the assistance of the Fund's actuaries. The actuarial forecast for the next five years indicates net surpluses in the Fund, and a solvency ratio that is maintained at the current level. The Trustees are comfortable that the Fund is in a sound financial position as at 31 December 2025.



HARRIS DOWDEN & FONTAINE CHARTERED ACCOUNTANTS (SA)

IRBA Registration No: 943703

7 Pam Road, Morningside, 2196

P.O. Box 651129, Benmore, 2010

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

E-Mail hdf@icon.co.za

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

Independent Auditor's Report

To the Members of Engen Medical Benefit Fund

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

Opinion

We have audited the financial statements of Engen Medical Benefit Fund (Fund), set out on pages 17 to 62, which comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA's). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. *Insurance contract liabilities:*

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

The determination of the Liability for Incurred Claims (LIC) (formerly IBNR) including the Risk Adjustment for Non Financial Risk amounted at year end to R8,100,000 (2024: R5,000,000). These amounts are included in Total Insurance Contract Liabilities in the Statement of Financial Position at year end.

As disclosed in Notes 5 & 6 to the annual financial statements, the carrying amount of the Total Insurance Contract Liabilities (Non Current & Current) at year end was R498,870,348 (2024: R431,325,731).

The determination of the LIC liability requires the Fund's Trustees to make assumptions and significant judgements in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not yet reported at the Statement of Financial Position date.

How the matter was addressed in the audit:

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

- Testing the Fund's controls relating to the preparation of the LIC calculation;
- Testing the integrity of the information used in the calculation of the LIC by performing substantive procedures, on a sample basis, on the completeness and accuracy of the claims data used in calculating the LIC;
- Performance of an independent estimate of the LIC using substantive analytical procedures that involved historical claims data and trends and comparing the estimate to the Fund's LIC;
- Performance of tests of details on the current year's LIC including testing actual claims experienced subsequent to year end and to as close as possible to audit completion date; and
- Performance of a retrospective review based on actual claims paid in 2024 to verify the assumptions applied to determine the LIC are reasonable.

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

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

2. *Insurance revenue and insurance service expenses (contributions and claims):*

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

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

3. *Risk Transfer Arrangement:*

The Fund entered into two risk transfer arrangements for the duration of the year, which obliged the risk transfer provider to compensate medical providers for costs incurred by members of the Fund, in the case that an insured event occurred.

How the matter was addressed in the audit:

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

Other Information

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

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

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

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

Responsibilities of the Fund's Trustees for the Financial Statements

The Fund's trustees are responsible for the preparation and fair presentation of the financial statements, in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act 131 of 1998 of South Africa, and for such internal control as the Fund's trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

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

Audit Tenure

As required by the Council for Medical Schemes Circular 38 of 2018, Audit Tenure, we report that our firm has been the auditor of Engen Medical Benefit Fund for 4 years.

The engagement partner, Charles Fontaine, has been responsible for Engen Medical Benefit Fund's audit for 4 years.


HARRIS DOWDEN & FONTAINE
Registered Auditors
Per: C.L.I. FONTAINE

Sandton
14 April 2026

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2025

	Notes	2025 R	2024 R
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	2	382,722,396	320,602,587
Current assets			
Financial assets at fair value through profit or loss	2	116,856,090	112,624,655
Financial assets at amortised cost	3	67,012,434	73,826,230
Cash and cash equivalents	4	725,932	864,130
		49,117,724	37,934,294
TOTAL ASSETS		499,578,486	433,227,241
LIABILITIES			
Non-current liabilities			
Liability to members for future benefits	6	460,252,955	398,110,046
Current liabilities			
Insurance contract liabilities	5	39,325,531	35,117,195
Reinsurance contract liability	7	38,617,393	33,215,685
Trade and other payables	8	141,839	-
		566,299	1,901,510
TOTAL LIABILITIES		499,578,486	433,227,241

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

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2025

	Notes	2025 R	2024 R
Insurance revenue	9	243,534,889	228,751,708
Insurance service expense	9	(244,983,603)	(215,331,347)
Incurred claims *		(230,050,885)	(201,113,680)
Accredited managed care services (no risk transfer) *		(4,811,483)	(4,659,353)
Third party claim recoveries		303,408	537,011
Other directly attributable expenses		(10,424,643)	(10,095,325)
Net (expense)/income from reinsurance contract *	9	(87,882)	395,588
Fees paid		(1,611,514)	(1,994,087)
Recoveries from reinsurance contract		1,523,632	2,389,675
Insurance service result		(1,536,596)	13,815,949
Interest from financial assets at amortised cost	10	735,440	633,824
Investment income from investments at fair value through profit or loss	10	70,549,887	41,851,975
Net investment income		71,285,327	42,485,799
Finance expenses on Medical Savings monies		(2,296,748)	(2,370,784)
Net insurance finance expenses		(2,296,748)	(2,370,784)
Net insurance and investment result		67,451,983	53,930,964
Asset management fees	11	(1,981,274)	(1,806,848)
Other operating expenses	12	(3,327,800)	(3,004,742)
Net surplus for the year		62,142,909	49,119,374
Transfer to insurance contract liability for future members	6	(62,142,909)	(49,119,374)
Total comprehensive income for the year		-	-
* Relevant healthcare expenditure		(234,950,250)	(205,377,445)

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

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

STATEMENT OF CASH FLOWS
for the year ended 31 December 2025

	Notes	2025 R	2024 R
Cash flows from operating activities			
Cash receipts from members and providers		268,735,927	255,853,145
Cash receipts from members – contributions		268,432,519	255,057,279
Cash receipts from members and providers – other		303,408	795,866
Cash paid to providers and members		(270,066,168)	(251,785,246)
Cash paid to providers and members – claims		(249,498,630)	(230,046,760)
Cash paid to service providers – non-healthcare expenditure		(19,899,136)	(20,199,754)
Cash paid to members – Medical Savings refunds		(668,402)	(1,538,732)
Cash (used in)/generated by operations		(1,330,241)	4,067,899
Interest received		3,118,061	3,124,055
Net cash flow from operating activities		1,787,820	7,191,954
Cash flows from investing activities			
Acquisitions of investments		(136,738,252)	(120,645,635)
Proceeds on disposals of investments		146,133,861	111,000,000
Net cash flows from investing activities		9,395,609	(9,645,635)
Net increase/(decrease) in cash and cash equivalents		11,183,430	(2,453,681)
Cash and cash equivalents at the beginning of the year		37,934,294	40,387,975
Cash and cash equivalents at the end of the year	4	49,117,724	37,934,294
Current accounts	4	17,283,282	8,959,612
Medical Savings funds	4	31,834,442	28,974,682

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2025

1. GENERAL INFORMATION

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

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

1.1 BASIS OF PREPARATION

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

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

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

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

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

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

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

Due to the short-term nature of the Fund's financial assets and liabilities, all values are shown as current, unless otherwise stated.

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

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

1.2 IMPLEMENTATION OF NEW STANDARDS

New standards, amendments and interpretations not yet effective and relevant to the Fund:

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

The following new standards have been published and are effective for the current financial year.

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

New standards, amendments and interpretations effective in 2025:

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

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

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

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING

Definition and classification

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

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

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

Significant judgements and estimates

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

Separating components within insurance contracts

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

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

Measurement models

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

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2025

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Measurement models (continued)

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

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

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

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

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

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

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

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

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

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

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

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

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Expected fulfilment cash flows (EFCF)

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

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

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

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

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

Risk adjustment

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

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

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

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

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Risk adjustment (continued)

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

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

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

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

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

Portfolio

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

The Fund offers insurance cover against the cost of a health event. One set of benefits is offered by the Fund.

Cohort

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

Groups

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

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.

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2025

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

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

Recognition and derecognition

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

- the beginning of the coverage period;
- the date when the first payment from the member is due or actually received, if there is no due date; and
- when the 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.

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

Initial and subsequent measurement

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

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

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

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

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

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

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

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

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2025

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Initial and subsequent measurement (continued)

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

Assessment as to whether the Fund is a mutual entity

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

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

IFRS 17 does not define a “mutual entity” however it provides a key characteristic of a mutual entity in the basis of conclusion to the standard. IFRS 17 paragraph BC265 explains that “a defining feature of an insurer that is a mutual entity is that the most residual interest of the entity is due to a member and not a shareholder.” The Act is not explicit that members hold a residual interest or are entitled to the residual interest upon the liquidation of the medical scheme. Section 64 of the Act requires the medical scheme rules to be followed in the event of liquidation.

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

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

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

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

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

Insurance revenue

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

**ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)**

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

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Insurance Service Expenses

Insurance service expenses include:

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

Net of:

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

Other incurred directly attributable insurance service expenses include:

Accredited managed care healthcare services (no risk transfer)

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

Insurance acquisition costs

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

Insurance acquisition costs are expensed by the Fund when it incurs the cost, and are not amortised over the contract's coverage period.

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

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

1.3 INSURANCE CONTRACTS SCOPE AND GROUPING (continued)

Insurance Service Expenses (continued)

Accredited administration services

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

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

Insurance interest income and expenses

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

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

Classification of contribution receivables

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

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

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

1.4 REINSURANCE CONTRACTS

Definition

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

Unit of account

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

ENGEN MEDICAL BENEFIT FUND
(Registration No. 1572)

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

1.4 REINSURANCE CONTRACTS (continued)

Unit of account (continued)

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

Recognition and derecognition

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

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

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

Initial and subsequent measurement

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

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

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

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

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

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

Contract boundary

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

The Fund's reinsurance agreements held have a duration of one year or less.

ENGEN MEDICAL BENEFIT FUND
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

1.4 REINSURANCE CONTRACTS (continued)

Net income/(expense) from reinsurance contracts held

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

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

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

1.5 CLASSIFICATION, RECOGNITION, PRESENTATION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

Offsetting financial instruments

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

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

Derecognition of financial assets and liabilities

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

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

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

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1.6 INSURANCE CONTRACT LIABILITY

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

- Insurance contract liability to current members; and
- Insurance contract liability to future members.

1.7 FINANCIAL ASSETS

IFRS 12 Unconsolidated investment structures

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

1.8 FINANCIAL LIABILITIES

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

1.9 PROVISIONS

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

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

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

1.10 CONTINGENT LIABILITY

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

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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1.11 UNALLOCATED FUNDS

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

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

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

1.12 INCOME TAX

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

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

Accounting policy

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

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

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

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

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

Non-current assets	2025	2024
	R	R
Opening balance	320,602,587	288,613,499
Withdrawals	(16,133,861)	-
Contribution	17,738,252	-
Capitalised interest	5,244,992	5,017,534
Capitalised dividends	11,723	9,197
Capitalised net realised gains	4,271,916	522,147
Cost incurred in managing investments	(1,981,274)	(1,806,849)
Unrealised gains	52,968,061	28,247,059
Fair value at the end of the year	<u>382,722,396</u>	<u>320,602,587</u>
Current assets		
Money market (current assets)	67,012,434	73,826,230
Fair value at the end of the year	<u>67,012,434</u>	<u>73,826,230</u>

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for the year ended 31 December 2025

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

The investments included above represent investments which are administered by Prescient Investment Management (Pty) Ltd, M & G Investment Managers and Sanlam Investment Managers. The fair values of these investments are based on market values at 31 December 2025. A register of investments is available for inspection at the registered office of the Fund.

	2025	2024
	R	R
The look-through fair value investments comprise:		
- Bills & bonds	194,403,884	152,922,979
- Listed property	10,709,465	8,740,330
- Preference & ordinary shares	98,303,453	78,987,083
- Money market	67,012,434	73,826,230
- Cash and call account	79,305,593	79,952,196
Fair value at the end of the year	<u><u>449,734,829</u></u>	<u><u>394,428,818</u></u>

3. FINANCIAL ASSETS AT AMORTISED COST

Accounting policy

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

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

Impairment of other receivables

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

	2025	2024
	R	R
Accrued interest	703,841	789,715
Forensic recoveries	22,091	74,415
	<u><u>725,932</u></u>	<u><u>864,130</u></u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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4. CASH AND CASH EQUIVALENTS

Accounting policy

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

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

- Money market funds; and
- Balances with banks

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

	2025	2024
	R	R
Current accounts	17,283,282	8,959,612
Money market - medical savings account balances	31,834,442	28,974,682
	<u>49,117,724</u>	<u>37,934,294</u>

The weighted average effective interest rate earned on money market instruments for the year was 8.1% (2024: 9.2%).

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5. INSURANCE CONTRACT LIABILITY

2025

Insurance contracts issued

Net opening balance

Insurance revenue

Insurance service expense

Incurred claims

Accredited managed care services (no risk transfer)

Other directly attributable expenses

Changes to past service, i.e. changes in fulfilment cash flows relating to the LIC

Insurance service result

Finance expense from insurance contracts issued

Investment component - Medical Savings Accounts

Total movement

Cash flows

Contributions received

Claims and other directly attributable expenses paid including insurance cash flows expensed

Total cash flows

Net closing balance

	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC)		
	Excluding loss component	Present value of future cash flows	Risk adjustment	Total
	(3,017)	33,011,195	207,507	33,215,685
Insurance revenue	(243,534,889)	-	-	(243,534,889)
Insurance service expense	-	244,980,285	3,318	244,983,603
Incurred claims	-	229,744,159	-	229,744,159
Accredited managed care services (no risk transfer)	-	4,811,483	-	4,811,483
Other directly attributable expenses	-	10,424,643	-	10,424,643
Changes to past service, i.e. changes in fulfilment cash flows relating to the LIC	-	-	3,318	3,318
Insurance service result	(243,534,889)	244,980,285	3,318	1,448,714
Finance expense from insurance contracts issued	-	2,296,748	-	2,296,748
Investment component - Medical Savings Accounts	(27,049,098)	27,049,098	-	-
Total movement	(27,049,098)	29,345,846	210,825	2,296,748
<i>Cash flows</i>				
Contributions received	268,432,519	-	-	268,432,519
Claims and other directly attributable expenses paid including insurance cash flows expensed	-	(266,776,272)	-	(266,776,272)
Total cash flows	268,432,519	(266,776,272)	-	1,656,246
Net closing balance	(2,154,485)	40,561,053	210,825	38,617,393

ENGEN MEDICAL BENEFIT FUND
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

5. INSURANCE CONTRACT LIABILITY

2024

Insurance contracts issued

Net opening balance

Insurance revenue

Insurance service expense

Incurred claims

Accredited managed care services (no risk transfer)

Other directly attributable expenses

Changes to past service, i.e. changes in fulfilment cash flows relating to the LIC

Insurance service result

Finance expense from insurance contracts issued

Investment component - Medical Savings Accounts

Total movement

Cash flows

Contributions received

Claims and other directly attributable expenses paid including insurance cash flows expensed

Total cash flows

Net closing balance

	Liability for remaining coverage (LRC)	Liability for incurred claims (LIC)		Total
	Excluding loss component	Present value of future cash flows	Risk adjustment	
Net opening balance	91,004	36,896,298	332,734	37,320,036
Insurance revenue	(228,751,708)	-	-	(228,751,708)
Insurance service expense	-	215,331,348	(125,227)	210,546,768
Incurred claims	-	200,534,580	-	200,534,580
Accredited managed care services (no risk transfer)	-	4,659,353	-	4,659,353
Other directly attributable expenses	-	10,137,415	-	10,137,415
Changes to past service, i.e. changes in fulfilment cash flows relating to the LIC	-	-	(125,227)	(125,227)
Insurance service result	(228,751,708)	215,331,348	(125,227)	(18,204,940)
Finance expense from insurance contracts issued	-	2,370,784	-	2,370,784
Investment component - Medical Savings Accounts	(25,405,485)	25,405,485	-	-
Total movement	(25,405,485)	27,776,269	207,507	2,370,784
<i>Cash flows</i>				
Contributions received	254,063,172	-	-	254,063,172
Claims and other directly attributable expenses paid including insurance cash flows expensed	-	(246,992,720)	-	(246,992,720)
Total cash flows	254,063,172	(246,992,720)	-	7,070,453
Net closing balance	(3,017)	33,011,195	207,507	33,215,685

ENGEN MEDICAL BENEFIT FUND
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

5. INSURANCE CONTRACT LIABILITY (continued)

	2025	2024
	R	R
5.1 Breakdown of cash flows		
Contributions received		
Risk contributions	243,534,889	228,751,708
Medical Savings Account contributions	27,049,098	25,405,485
Movement in contribution debt	(2,151,468)	(94,021)
	268,432,519	254,063,172
Claims and directly attributable expenses		
Risk claims	223,033,659	207,250,729
Medical Savings Account claims	27,171,278	24,716,938
Expenses	16,571,336	15,025,053
	266,776,272	246,992,720
5.2 Breakdown of the present value of future cash flows		
Amounts due from members and suppliers	(357,070)	(410,298)
Outstanding claims provision	8,100,000	5,000,000
Medical Savings Account	28,305,295	26,799,129
Reported claims not yet paid	3,158,141	1,622,364
Administration and managed care fees due	1,310,231	-
Unallocated funds	44,456	-
	40,561,053	33,011,195
Included in Insurance Contract Liability:		
5.3 Breakdown of the outstanding claims provision		
Opening balance	5,000,000	8,600,000
Payments in respect of prior year	(5,400,153)	(3,748,690)
(Under)/over provision	(400,153)	4,851,310
Movement for the year	8,500,153	148,690
	8,100,000	5,000,000

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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5.4 Included in Insurance Contract Liability:	2025	2024
	R	R
Medical Savings Accounts (MSA)		
Balance of medical savings account trust liability at the beginning of the year	26,799,129	25,012,198
Add:		
MSA contributions received	27,049,098	25,405,485
Interest and other income earned on trust monies invested	2,296,748	2,370,784
Less:		
Claims paid on behalf of members	(27,171,278)	(24,716,938)
Refunds on death or resignation	(668,402)	(1,272,400)
	<hr/>	<hr/>
Balances due to members on medical savings accounts held in trust at the end of the year	<u><u>28,305,295</u></u>	<u><u>26,799,129</u></u>
The Fund has the following ring-fenced investments to match the liability:		
Money market account	31,834,442	28,974,682
	<hr/>	<hr/>
	<u><u>31,834,442</u></u>	<u><u>28,974,682</u></u>
6. LIABILITY TO MEMBERS FOR FUTURE BENEFITS		
Opening balance	398,110,046	348,990,672
Amounts attributable to members for future benefits	62,142,909	49,119,374
	<hr/>	<hr/>
Balance at the end of the year	<u><u>460,252,955</u></u>	<u><u>398,110,046</u></u>

ENGEN MEDICAL BENEFIT FUND
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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7. REINSURANCE CONTRACT ASSETS

2025

Healthcare Risk – Reinsurance contract held

Net opening balance

Net income/(expenses) from reinsurance contract held

Fees paid

Claims recovered

Total amounts recognised in comprehensive income

Cash flows

Fees paid

Recoveries from reinsurance

Total cash flows

Net closing balance

2024

Net opening balance

Net income/(expenses) from reinsurance contract held

Fees paid

Claims recovered

Total amounts recognised in comprehensive income

Cash flows

Fees paid

Recoveries from reinsurance

Total cash flows

Net closing balance

	Remaining Coverage Component	Incurred claims for contracts under the PAA		Total
		Present value of future cash flows	Risk adjustment	
Net opening balance	-	-	-	-
Net income/(expenses) from reinsurance contract held	1,611,514	(1,523,632)	-	87,882
Fees paid	1,611,514	-	-	1,611,514
Claims recovered	-	(1,523,632)	-	(1,523,632)
Total amounts recognised in comprehensive income	1,611,514	(1,523,632)	-	87,882
<i>Cash flows</i>				
Fees paid	(1,469,675)	-	-	(1,469,675)
Recoveries from reinsurance	-	1,523,632	-	1,523,632
Total cash flows	(1,469,675)	1,523,632	-	53,957
Net closing balance	141,839	-	-	141,839
2024				
Net opening balance	-	-	-	-
Net income/(expenses) from reinsurance contract held	1,994,087	(2,389,675)	-	(395,588)
Fees paid	1,994,087	-	-	1,994,087
Claims recovered	-	(2,389,675)	-	(2,389,675)
Total amounts recognised in comprehensive income	1,994,087	(2,389,675)	-	(395,588)
<i>Cash flows</i>				
Fees paid	(1,994,087)	-	-	(1,994,087)
Recoveries from reinsurance	-	2,389,675	-	2,389,675
Total cash flows	(1,994,087)	2,389,675	-	395,588
Net closing balance	-	-	-	-

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

8. TRADE AND OTHER PAYABLES

Accounting policy

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

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

Note

	2025	2024
	R	R
<i>Financial liabilities</i>		
Accrued expenses *	566,299	1,873,530
Unallocated funds **	-	27,980
Total arising from financial liabilities	<u>566,299</u>	<u>1,901,510</u>

* The fees payable to Discovery Health for administration and managed care services are included in the accrued expenses line for the 2024 financial year. Due to the nature of these fees, this item is disclosed as an insurance contract liability in the 2025 financial year. The 2024 value is not re-classified as the value is not material.

** Due to the nature of the unallocated funds, this item is disclosed as an insurance contract liability from the 2025 financial year and going forward. The 2024 value is not re-classified as the value is not material. The accounting policy note for unallocated funds is disclosed in note 1.11.

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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9. INSURANCE REVENUE AND SERVICE EXPENSES	2025	2024
	R	R
Gross contributions	270,583,987	254,157,193
Less: Medical Savings Account contributions	(27,049,098)	(25,405,485)
Insurance revenue	<u>243,534,889</u>	<u>228,751,708</u>
Insurance service expenses		
Incurred claims *	(230,050,885)	(201,113,680)
Accredited managed care services (no risk transfer)	(4,811,483)	(4,659,353)
Third party claim recoveries	303,408	537,011
Other directly attributable expenses	(10,424,643)	(10,095,325)
Accredited administration services	<u>(10,424,643)</u>	<u>(10,095,325)</u>
Insurance service expenses	<u>(244,983,603)</u>	<u>(215,331,347)</u>
Net (expense)/income from reinsurance contract held	(87,882)	395,588
Fees paid	<u>(1,611,514)</u>	<u>(1,994,087)</u>
Reinsurance income	<u>1,523,632</u>	<u>2,389,675</u>
Total insurance service result	<u>(1,536,595)</u>	<u>13,815,949</u>

* Incurred claims includes the net impairment losses, which was disclosed as a separate line item in the 2024 annual financial statements.

The Fund only has one risk transfer arrangement (reinsurance contract). The contract is with Discovery Health for the provision of services to beneficiaries that are registered under the diabetes management programme.

Breakdown of:

Accredited managed healthcare services (no risk transfer)

Disease risk management	1,539,561	1,490,892
Medicine risk management	481,290	465,971
Hospital management programme	1,443,516	1,397,914
Managed Care Network Services and Risk management	1,347,116	1,304,576
	<u>4,811,483</u>	<u>4,659,353</u>

Included in other directly attributable expenses above

Accredited administration services

Member record management	1,074,574	1,040,778
Contribution management	944,505	914,644
Claims management	1,189,049	1,151,414
Financial management	38,631	37,480
Information management and data control	1,927,641	1,866,768
Customer services	5,250,244	5,084,241
	<u>10,424,643</u>	<u>10,095,325</u>

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10. INVESTMENT INCOME	2025	2024
	R	R
Financial assets at amortised cost		
- Interest on cash and cash equivalents	735,440	633,824
Financial assets at fair value through profit and loss		
- Interest on fair value through profit or loss investments	13,298,187	13,073,571
- Dividends earned	11,723	9,197
- Realised gain on investments	4,271,916	522,148
- Unrealised gain on investments	52,968,061	28,247,059
	<u>71,285,327</u>	<u>42,485,799</u>
11. ASSET MANAGEMENT FEES		
Prescient Investment Management (Pty) Ltd	214,961	301,333
M&G Investments Limited	1,254,246	1,070,069
Sanlam Investment Management Limited	512,067	435,446
	<u>1,981,274</u>	<u>1,806,848</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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12. OTHER OPERATING EXPENDITURE

Accounting policy

Other operating expenses are expensed as incurred.

	2025	2024
	R	R
Administration services	800,969	775,898
Other services		
Internal audit services	160,194	154,963
Forensic investigations and recoveries	199,179	192,803
Governance and compliance	31,543	30,632
Additional services		
Quality Management and Monitoring Services	150,270	145,594
Advanced Data Analytics	125,816	121,808
Digital Service Offering	46,073	44,687
General business support services	25,163	24,506
Enterprise risk management services	25,163	24,506
Legal Services	7,443	7,208
Product Innovation	30,125	29,191
Annual general meeting cost	68,259	-
Audit fees	456,550	413,756
Bank charges	62,908	69,458
Consulting fees	1,559,415	1,355,413
Council for Medical Schemes - levies	156,822	147,587
Debt collection fees	644	1,395
Health quality assessment	51,791	49,334
Legal fees	7,481	-
Membership fees	53,268	50,227
PI/Fidelity/Trustees and Officers insurance	39,741	41,935
Printing, postage, stationery and communication services	62,652	99,739
Training	7,300	-
	3,327,800	3,004,742

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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13. PROFESSIONAL INDEMNITY/FIDELITY/TRUSTEES AND OFFICERS INSURANCE

In accordance with the rules, the Fund has insurance to cover these risks. On 31 December 2025, the total cover was R10 million (2024: R10 million).

14. EVENTS AFTER REPORTING DATE

There have been no events that have occurred subsequent to the end of the accounting period that affect the annual financial statements that the Trustees consider should be brought to the attention of the members of the Fund.

15. CONTINGENT ASSET

No contingent asset exists as at 31 December 2025 as the Fund sold the pending Road Accident Fund claims to Discovery Third Party Recovery Services (DTPRS).

16. RELATED PARTY TRANSACTIONS

Parties with significant influence over the Fund

Discovery Holdings (Pty) Ltd has significant influence over the Fund, as it provides administration, managed care and Diabetes management services to the Fund, but does not control the Fund.

DTPRS (Discovery Third Party Recovery Services (Pty) Limited) is a wholly owned subsidiary of Discovery Health (Pty) Limited. The purpose of DTPRS is to identify, acquire, manage and collect debt due to the Fund by the RAF and any other third party insurer.

Insight Actuaries and Consultants has significant influence over the Fund, as they provide financial and operational information on which policy decisions are based, but do not control the Fund. Insight Actuaries and Consultants also provides consulting and actuarial services.

Key management personnel and their close family members

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund. Key management personnel include the Board of Trustees, the Principal Officer and members of sub-committees.

Close family members include family members of the Board of Trustees, Principal Officer and members of the sub-committees.

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for the year ended 31 December 2025

16. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties

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

Key management personnel (Board of Trustees, medical advisor, Principal Officer and executive committee) and their close family members

	2025	2024
	R	R
Statement of comprehensive income		
Contributions received	1,497,290	1,215,732
Claims incurred	993,655	1,274,239
Interest earned on Medical Savings Account trust monies	20,819	22,170
Remuneration paid to Medical advisor - Dr Davidson	434,700	394,637
Statement of financial position		
Medical Savings Account trust monies	281,026	276,216

The Principal Officer, Trustees and committee members did not receive any remuneration from the Fund for the years ended 2025 and 2024.

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

Contributions received

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

Claims incurred

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

Transactions with entities that have significant influence over the Fund

Statement of comprehensive income

Administration fees - Discovery Health (Pty) Ltd	11,225,612	10,871,223
Managed care fees - Discovery Health (Pty) Ltd	4,811,483	4,659,353
Diabetes Management Services - Discovery Health (Pty) Ltd	1,611,514	1,214,796
Consulting fees - Alexander Forbes Health (Pty) Ltd	-	209,990
Consulting fees - Insight Actuaries and Consultants	719,910	363,038

Statement of financial position

Administration fees - Discovery Health (Pty) Ltd	913,478	912,134
Managed care fees - Discovery Health (Pty) Ltd	391,532	395,050
Capitation fee - Discovery Health (Pty) Ltd	141,839	-
Consulting fees - Insight Actuaries and Consultants	54,230	-

Terms and conditions of the administration agreement

The administration agreement is in terms of the rules of the Fund and in accordance with instructions given by the Board of Trustees. The duration of the agreement is indefinite, but subject to the right of either party to terminate the agreement by giving not less than three months notice.

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16. RELATED PARTY TRANSACTIONS (continued)

Terms and conditions of the managed care agreement (no transfer of risk)

The managed care agreement is in terms of the rules of the Fund and in accordance with instructions given by the Board of Trustees. The duration of the agreement is indefinite, but subject to the right of either party to terminate the agreement by giving not less than three months notice.

Terms and conditions of the Diabetes Management Services Agreement

The Diabetes Management Services agreement is in terms of the rules of the Fund and in accordance with instructions given by the Board of Trustees. The duration of the agreement is four years and fees will be negotiated on an annual basis.

Terms and conditions of the consulting fees

The consulting fee is paid in accordance with the Service Level Agreement as per the requirements of the Trustees of the Fund.

17. GUARANTEES AND COMMITMENTS

The Fund does not have any guarantees or commitments.

18. 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 way the Fund manages them.

Insurance risk - description of benefits

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

- In-hospital benefits cover all costs incurred by members, whilst they are in hospital to receive pre-authorized or emergency treatment for certain medical conditions, or costs of high cost care for certain out of hospital benefits;
- Chronic benefits cover the cost of certain prescribed medicines consumed by members for chronic conditions/diseases, such as high blood pressure, cholesterol and asthma;
- Day-to-day benefits cover the cost (up to 100% of the approved Fund rate) of out of hospital medical care (subject to certain sub-limits), such as visits to general practitioners and dentists, as well as prescribed non-chronic medicines.

Reinsurance contracts

The Fund transfers a portion of the risks it underwrites to Discovery Health via a capitation agreement, in order to control its exposures to losses and protect capital resources. The Fund remains liable to its members with respect to these services, in the event that the capitation provider fails to meet its obligations.

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18. 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's members. As such, the Fund is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Fund also has exposure to market risk through its insurance and investment activities.

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for the transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling as well as the monitoring of emerging issues. 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 benefits provided to members are structured to fall within the acceptable insurance risk levels specified. The Board of Trustees also determines the policy for entering into alternative risk transfer agreements. The annual business plan is structured around the insurance risk management policy.

The Fund uses several methods to assess and monitor insurance risk exposure both for individual types of risks insured and overall risks. These methods include analysing detailed claims information with the assistance of the Fund's actuarial consultants. The Trustees also appointed a managed care provider to focus on specific areas where the Fund is exposed to insurance risk. These managed care programmes include the following:

- Hospital Benefit Management Services
- Pharmaceutical Benefit Management Services
- Disease Risk Management Services
- Disease Risk Management Support Services
- Provider Network Management Services and Clinical Risk Management.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

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 sufficiently large population of risks to reduce the variability of the expected outcome.

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18. INSURANCE RISK MANAGEMENT (continued)

Frequency and severity of claims

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

The Fund frequently re-rates these products to ensure that the necessary underwriting surplus is maintained, relative to the risk exposure. It is relatively easy to assess the future claim payments since the large majority of claims are 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 the Fund.

All the contracts are annual in nature and the Fund has the right to change the terms and conditions of the contract at renewal. Management information, including contribution income and claims ratios, target market and demographic split, is reviewed monthly.

These methods include internal risk management models, sensitivity analyses, scenario analyses and stress testing.

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:

2025

Age grouping	General Practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
0 -25 insured	1,041,656	5,846,189	1,146,350	1,821,544	5,668,519	546,279	16,070,537
26 - 35 insured	480,917	3,524,689	437,268	953,863	3,752,867	409,531	9,559,135
36 - 50 insured	1,505,056	10,703,119	1,046,104	4,205,894	12,566,297	1,619,259	31,645,729
51 - 64 insured	1,591,817	18,272,698	1,313,867	7,751,640	17,118,142	2,088,510	48,136,674
>65 insured	2,703,363	44,956,545	1,568,498	16,819,470	49,477,939	4,686,258	120,212,073
Movement in provision	-	-	-	-	-	-	3,100,000
Total	7,322,809	83,303,240	5,512,087	31,552,411	88,583,764	9,349,837	228,724,148

2024

Age grouping	General Practitioners	Specialists	Dentistry	Medicines	Hospital	Optical	Total
0 -25 insured	953,615	6,639,716	1,279,708	2,656,227	6,442,386	449,284	18,420,936
26 - 35 insured	442,726	3,751,709	521,069	963,303	3,587,370	558,562	9,824,739
36 - 50 insured	1,422,876	11,648,546	1,080,900	3,958,065	10,880,540	1,492,563	30,483,490
51 - 64 insured	1,416,342	19,552,339	1,243,142	7,484,225	17,631,508	2,320,191	49,647,747
>65 insured	2,287,716	35,092,457	1,607,514	16,716,164	36,171,209	4,419,619	96,294,679
Movement in provision	-	-	-	-	-	-	(3,600,000)
Total	6,523,275	76,684,767	5,732,333	31,777,984	74,713,013	9,240,219	201,071,590

Claims development

Claims development tables are not presented since the uncertainty regarding the amount and timing of claims payment is typically resolved within one year.

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18. INSURANCE RISK MANAGEMENT (continued)

Insurance risk sensitivity analysis

The Fund is exposed to insurance risk as the Fund assumes the risk of loss from members and their dependents that are directly subject to the risk. These risks relate to the health of the Fund's members. As such the Fund is exposed to uncertainty surrounding the timing and severity of claims under the contract.

The insurance risk sensitivity analysis measures the effect that a change in one of the insurance variables will have on the fair value of the provision for outstanding claims as at the reporting date. The analysis is based on the assumption that a change in a specific variable occurs while all other variables remain constant.

The table below outlines the sensitivity of the insured liability estimates to particular movements in assumptions used in the estimation process.

It should be noted that this is a deterministic approach with no correlations between the key variables.

The impact of the sensitivity of the assumed percentages are set out below:

	Change in liability 2025 R	Change in liability 2024 R
Effect of a 1% change in assumptions	81,000	50,000
Effect of a 2% change in assumptions	162,000	100,000
Effect of a 3% change in assumptions	243,000	150,000

The change in the provision will be recognised against claims incurred in the statement of comprehensive income.

19. FINANCIAL RISK MANAGEMENT REPORT

Analysis of carrying amounts of financial assets and financial liabilities per category

For the year ended 31 December 2025	Financial assets and liabilities at fair value through profit or loss	Loans, payables and receivables at amortised cost	Insurance receivables and payables	Total carrying amount
	R	R	R	R
Fair value through profit or loss investments	449,734,830			449,734,830
Cash and cash equivalents	-	49,117,724	-	49,117,724
Financial assets at amortised cost	-	725,932	-	725,932
Insurance contract liability	-	-	(38,617,393)	(38,617,393)
Reinsurance contract liability	-	-	(141,839)	(141,839)
Trade and other payables	-	(566,299)	-	(566,299)
	449,734,830	49,277,357	(38,759,232)	460,252,955
For the year ended 31 December 2024				
Fair value through profit or loss investments	394,428,817	-	-	394,428,817
Cash and cash equivalents	-	37,934,294	-	37,934,294
Financial assets at amortised cost	-	864,130	-	864,130
Insurance contract liability	-	-	(33,215,685)	(33,215,685)
Trade and other payables	-	(1,901,510)	-	(1,901,510)
	394,428,817	36,896,914	(33,215,685)	398,110,046

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19. FINANCIAL RISK MANAGEMENT REPORT (continued)

Risk management

The Fund's activities expose it to a variety of financial risks, including the effects of changes in the equity market price, counter party and interest rates. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potentially adverse effects on the financial performance of the investments that the Fund holds to meet its obligation to its members.

Risk management and investment decisions are made under the guidance, and policies approved by, the Board of Trustees. The Board of Trustees approves all these written policies.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through liquid holding cash positions with various financial institutions, to ensure the Fund has the ability to fund its day-to-day operations.

At year-end 45% (2024: 44%) of the Fund's assets were invested in cash products to ensure the Fund can meet its short-term liabilities. The table below illustrates the prudent liquidity position of the Fund:

	Up to 1 Month	1 - 3 Months	4 - 12 Months	Total
2025		R	R	R
Liabilities				
Insurance contract liability	(3,191,513)	(1,215,000)	(34,210,880)	(38,617,393)
Other payables	(566,299)	-	-	(566,299)
Assets				
Fair value through profit or loss: current assets	13,545,920	14,785,282	38,681,232	67,012,434
Cash and cash equivalents	49,117,725	-	-	49,117,725
Excess liquidity	58,905,833	13,570,282	4,470,352	76,946,467

	Up to 1 Month	1 - 3 Months	4 - 12 Months	Total
2024		R	R	R
Liabilities				
Insurance contract liability	(5,342,924)	(781,126)	(27,091,635)	(33,215,685)
Other payables	(1,901,510)	-	-	(1,901,510)
Assets				
Fair value through profit or loss: current assets	14,008,046	34,840,374	24,977,811	73,826,230
Cash and cash equivalents	37,934,294	-	-	37,934,294
Excess liquidity	44,697,905	34,059,247	(2,113,824)	76,643,328

As can be seen from the table above, the Fund has cash in excess of its short-term liabilities, indicating a positive liquidity position.

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19. FINANCIAL RISK MANAGEMENT REPORT (continued)

Credit risk

The Fund's principal financial assets are cash and cash equivalents, accounts receivable and fair value through profit or loss investments. The Fund's credit risk is primarily attributable to its accounts receivable. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made based on the expected credit loss model.

The credit loss model is applied to insurance receivables to the effect that all amounts receivable in the age category of ninety days and older are fully allowed for as doubtful receivables. Other receivables are considered in the expected credit loss model, but the current amount owing mainly relates to interest receivable from high credit quality financial institutions and therefore no allowance was made for other receivables.

The Fund manages credit risk by:

- Actively pursuing all contributions not received after 3 days of becoming due, as required by S26(7) of the Medical Schemes Act, 131 of 1998, as amended;
- Monthly reconciliations between the administrator and the employer to determine possible suspension of defaulting members; and
- Ageing and pursuing unpaid debt on a monthly basis.

The table below illustrates the quality of the Fund's accounts receivables.

31 December 2025	Fully performing	Past due	Impaired	Total carrying amount
Insurance receivables				
- Amount owing from suppliers and members	138,925	218,146	314,525	671,596
Accrued interest	703,841	-	-	703,841
Total	842,766	218,146	314,525	1,375,437

31 December 2024	Fully performing	Past due	Impaired	Total carrying amount
Insurance receivables				
- Amount owing from suppliers and members	175,523	234,774	314,303	724,600
Accrued interest	789,715	-	-	789,715
Total	965,238	234,774	314,303	1,514,315

The following age analysis applies to receivables past due, but not yet impaired:

31 December 2025	30 days	60 days	90 days	Total
Amount owing from suppliers and members	53,467	149,036	15,643	218,146
Total	53,467	149,036	15,643	218,146

31 December 2024	30 days	60 days	90 days	Total
Amount owing from suppliers and members	198,960	15,441	20,373	234,774
Total	198,960	15,441	20,373	234,774

The member debt has similar credit quality as Contribution debt as these debtors are members of the Fund. Provider debtors are healthcare providers who have provided services to members of the Fund. The amounts due to the Fund are offset against future payments to be made to these providers.

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19. FINANCIAL RISK MANAGEMENT REPORT (continued)

Credit risk (continued)

There has been no change to the credit risk in cash and cash equivalents, and cash transactions are limited to high credit quality financial institutions. The Fund has a policy of limiting the amount of credit exposure to any one financial institution with high credit ratings assigned by Fitch ratings agency.

Fitch National Long-Term Rating

Financial Institution	2025	2024	Credit Rating	
	R	R	2025	2024
First National Bank	17,283,282	8,959,612	Ba1	Ba1

The Fund's financial assets at fair value through profit and loss as well as the investment of member's savings balances are with reputable financial institutions and these investments are in Medical Scheme (Regulation 30) compliant products. The credit risk is deemed to be very low and no provision for impairment is required.

Market risk

The Fund is exposed to market risk, which is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices. Market price risk comprises three types of risks: currency risk, interest rate risk and equity price risk.

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

2025	Total	Currency risk	Price risk	Interest rate risk
Bills & bonds	164,813,084			✓
Foreign bonds	29,590,800	✓		
Listed property	10,709,465		✓	
Preference & ordinary shares	98,303,453		✓	
Money market	98,846,877			✓
Cash and call account	96,588,875			✓

2024	Total	Currency risk	Price risk	Interest rate
Bills & bonds	129,201,501			✓
Foreign bonds	23,721,478	✓		
Listed property	8,740,330		✓	
Preference & ordinary shares	78,987,083		✓	
Money market	102,800,913			✓
Cash and call account	88,911,808			✓

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19. FINANCIAL RISK MANAGEMENT REPORT (continued)

Currency risk

The benefits of the Fund are Rand-denominated and therefore the Fund does not have any significant net currency risk on its benefits.

The Scheme has exposure to currency risk arising from its investment in offshore bonds through a policy of insurance in a pooled investment product. The market value of the foreign bonds is included in the table above, and a sensitivity analysis on currency risk is provided on page 56.

Interest rate risk

The Fund holds 45.26% (2024: 44.34%) of its investments in interest-bearing instruments and 22.76% (2024:18.27%) in equities. This exposes the Fund's investments to changes in market interest rates.

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 earlier of contractual repricing or maturity dates:

2025	Up to 1 Month	1 - 12 Months	Over 1 year	Total
Fair value through profit or loss investments	79,305,593	67,012,434	-	146,318,027
Cash and cash equivalents	17,283,282	-	-	17,283,282
Medical Savings Account trust monies	31,834,442	-	-	31,834,442
Total	128,423,317	67,012,434	-	195,435,751

2024	Up to 1 Month	1 - 12 Months	Over 1 year	Total
Fair value through profit or loss investments	93,960,242	59,818,184	-	153,778,426
Cash and cash equivalents	8,959,612	-	-	8,959,612
Medical Savings Account trust monies	28,974,682	-	-	28,974,682
Total	131,894,536	59,818,184	-	191,712,720

Equity price risk

The Fund is exposed to equity price risk as it invested funds in South African equities through its fair value through profit or loss investment portfolios. The Fund's equity portfolio is a long-term investment, and the funds invested in this portfolio are not needed in the short- or medium-term. This mitigates the risk for short-term fluctuations in the equity market. The Fund appointed reputable investment managers with good performance track records.

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19. FINANCIAL RISK MANAGEMENT REPORT (continued)

Market risk sensitivity analysis (continued)

Currency value sensitivity analysis

	Fair value	5% strengthening in ZAR	10% strengthening in ZAR	20% strengthening in ZAR
	R	R	R	R
2025				
Fair value through profit or loss investments	382,722,396	386,249,232	389,845,258	397,215,754

	Fair value	5% strengthening in ZAR	10% strengthening in ZAR	20% strengthening in ZAR
	R	R	R	R
2024				
Fair value through profit or loss investments	320,602,588	322,653,899	324,742,972	329,055,583

Interest rate sensitivity analysis

	Fair value	1% increase in interest rate	2.5% increase in interest rate	5% increase in interest rate
	R	R	R	R
2025				
Fair value through profit or loss investments	382,722,396	373,838,457	361,263,637	341,971,577

	Fair value	1% increase in interest rate	2.5% increase in interest rate	5% increase in interest rate
	R	R	R	R
2024				
Fair value through profit or loss investments	320,602,588	313,151,098	302,527,814	286,059,050

Equity price sensitivity analysis

	Fair value	5% decrease in equity market	10% decrease in equity market	20% decrease in equity market
	R	R	R	R
2025				
Fair value through profit or loss investments	382,722,396	376,509,828	371,067,102	360,198,325

	Fair value	5% decrease in equity market	10% decrease in equity market	20% decrease in equity market
	R	R	R	R
2024				
Fair value through profit or loss investments	320,602,588	315,522,292	311,319,914	303,100,368

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19. FINANCIAL RISK MANAGEMENT REPORT (continued)

Fair value estimation

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

Fair value sensitivity analysis

The market risk sensitivity analysis measures the effect that a change in one market risk variable, will have on the fair value of investments as at the reporting date. The analysis is based on the assumption that a change in a specific variable occurs while all other variables remain constant. The market risk variables include interest rates, currency values and equity prices. The tables above illustrate the resulting fair value change with various fluctuations in a specific variable.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Fund's financial instruments:

	Carrying amount at fair value	
	2025	2024
	R	R
<i>Financial assets</i>		
Financial assets at fair value through profit or loss	449,734,830	394,428,817
Cash and cash equivalents	49,117,724	8,959,612
Trade and other receivables	3,215,396	1,203,029
- Other receivables	703,841	789,715
- Insurance receivables	2,511,555	413,314
<i>Financial liabilities</i>		
Liability for incurred claims (including risk adjustment)	8,310,825	5,207,507
Trade and other payables	5,079,127	3,523,628
- Insurance payables	4,512,828	1,622,118
- Other payables	566,299	1,901,510
- Medical Savings Account liability	28,305,295	26,799,374

Fair value of financial assets by hierarchy level

The fair value of investments is based on quoted market prices at the reporting date. The significance of the financial instrument determines the classification of the instrument in the fair value hierarchy:

- 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).
- Reclassification: In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from level 1 to level 2 and from level 2 to level 3.

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19. FINANCIAL RISK MANAGEMENT REPORT (continued)

Fair values (continue)

The table below illustrates the fair values of financial assets by hierarchy level:

As at 31 December 2025	Level 1 R	Level 2 R	Level 3 R	Reclassification R
Cash	79,305,593	-	-	-
Equities	98,303,453	-	-	-
Bonds	-	194,403,884	-	-
Listed property	10,709,465	-	-	-
Total	188,318,511	194,403,884	-	-

As at 31 December 2024	Level 1 R	Level 2 R	Level 3 R	Reclassification R
Cash	79,952,196	-	-	-
Equities	78,987,083	-	-	-
Bonds	-	152,922,979	-	-
Listed property	8,740,330	-	-	-
Total	167,679,609	152,922,979	-	-

If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Trade and other receivables and payables were not carried at fair value in the statement of financial position but their carrying value approximates fair value due to their short-term nature.

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19. FINANCIAL RISK MANAGEMENT REPORT (continued)

Derivatives

Derivative instruments are used by the investment managers for the purpose of reducing investment risk, enabling diversification of asset allocations and interest rate exposures without having to divest from the instruments in the portfolios.

Derivatives used can generally be classified as futures and options.

Futures

Futures are contracts giving the holder or issuer the obligation to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Futures are standardised exchange-traded contracts. Futures trading may also be illiquid. Certain futures exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, the Fund could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Fund enters into exchange-traded option contracts to meet the requirements of their risk management and trading activities.

Unconsolidated investment structures

The asset managers invest the Fund's monies in reputable funds which promise returns to the Fund. The Fund views these funds as unconsolidated structured entities. The Fund monitors the performance of the funds closely to ensure the Fund earns high returns without unnecessary exposure to risk.

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

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

The Fund has investments in collective investment schemes as listed in the table below. The Fund's maximum exposure is limited to the total fair value of its investments in the funds.

Fund	as at 31 December 2025			as at 31 December 2024		
	Investment	Portfolio Size	% of portfolio size	Investment	Portfolio Size	% of portfolio size
Prescient Money Market Fund - B1	67,012,434	17,721,175,082	0.4%	73,826,230	8,139,101,738	0.9%
Prescient Positive Return Fund	51,625,008	1,487,956,736	3.5%	58,275,599	1,538,880,812	0.9%
M&G Life Inflation Plus 5% Medical Aid Fund	238,792,259	1,480,343,347	16.1%	190,928,205	1,235,601,523	15.5%
SIM Absolute Return Medical Portfolio	92,305,129	847,891,933	10.9%	71,398,783	931,755,677	7.7%

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20. CAPITAL ADEQUACY

The Fund's objective is to manage its capital in such a way that the annual contribution increase to members is as low as possible, or at least in line with the participating employers' salary increases. The Fund therefore decided to use some of its investment income to fund any possible deficit that might occur as a result of operational losses.

The Fund monitors capital using a solvency ratio, which is accumulated funds divided by gross contributions (refer to note 5.3 in the Report of the Board of Trustees). The Medical Schemes Act requires the Fund to maintain a solvency ratio of 25%. The Fund includes members' funds, less the unrealised gains on financial assets through profit or loss, as a measure of capital. This measure of capital is consistent with the prior year, and there have been no changes in the Fund's objectives, policies and procedures for managing capital from 31 December 2024 to 31 December 2025.

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

The solvency ratio was 122.93% at 31 December 2025 and 127.27% at 31 December 2024. The accumulated funds ratio exceeds the prescribed accumulated funds ratio of 25%.

21. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

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

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

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

Estimates of future cash flows to fulfil insurance contracts.

Included in the measurement of the group of contracts are all the future cash flows within the boundary of the group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The 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 scenario representing the probability weighted mean of a full range of scenarios.

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

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

Methods used to measure the insurance contracts.

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

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21. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Methods used to measure the insurance contracts (continued)

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 Fund's case, for the four months post year-end) that is not yet fully developed to produce an estimated ultimate claims cost for each healthcare year. The chain ladder method is the most appropriate for this claim pattern.

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

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

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

22. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT

The Council for Medical Schemes stipulated, via Circular 11 of 2008, that all cases of non-compliance with the Act should be disclosed in the annual financial statements. The following stipulations were not complied with during the year:

22.1 Contravention of section 35(8)(c) of the Medical Schemes Act

Nature and impact

The Fund holds indirect investments in Discovery Holdings Ltd. This is in contravention of section 35(8)(c) of the Act, as the Fund is not allowed to hold shares in the holding company of the Administrator or any other Administrator.

Causes for the failure

The Fund invested in a pooled fund and does not have control of the investment decisions relating to the underlying assets.

Corrective action

The Fund applies annually for exemption from the Council for Medical Schemes in terms of section 35(8) in order to hold these shares. Exemption was granted until 31 December 2028.

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22. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT (continued)

22.2 Contravention of section 26(7) of the Medical Schemes Act

Nature and impact

Section 26(7) of the Act requires that "All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due". A limited number of exceptions were noted during the year where contributions were received late.

Cause of failure

Membership changes may cause reconciliation items between the employer and the Fund records. These are typically resolved within one month.

Corrective action

The Fund continually strives to have all membership changes updated before the following contribution run. Due to the nature of membership movement, and the communication process between the employers and pension administrators on the one hand, and the Administrator on the other, this is not always possible.

22.3 Claims not settled within 30 days

Nature and impact

In terms of Section 59(2) and Regulation 6(2) of the Act a medical scheme shall pay a member or supplier of services any benefit owing to that member or supplier within 30 days of receipt of the medical claim. A limited number of exceptions were noted where settlement took longer than 30 days from receipt.

Causes for the failure

A few complex cases also took more than 30 days to be resolved for payment.

Corrective Action

Management is committed to resolve these matters in a responsible manner and in the best interest of the member and the Fund.

22.4 Sustainability of the Scheme

Nature and impact

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. At 31 December 2025 the Fund incurred a net insurance service result deficit of R1.5m (2024: surplus of R13.8m). The performance is in line with the Fund's pricing strategy for the year.

Causes for the failure

The Trustees focus on long-term financial management, with the objective of ensuring the continued financial soundness of the Fund and maintenance of its reserves. The pricing strategy takes into account the sound reserve position of the Fund to smooth out contribution increases over time and to keep the contributions as affordable as possible for members.

Corrective Action

The Board of Trustees carefully monitors the Fund's performance with the assistance of the Fund's actuaries. The actuarial forecast for the next five years indicates net surpluses in the Fund, and a solvency ratio that is maintained

23. GOING CONCERN

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

- The reserve ratio at the end of the year was 122.93%;
- Available cash and investments at the end of the year amounted to R498,852,554;
- The actuarial forecast for the next 5 years indicates that the Fund will be a going concern.