INTEGRATED REPORT

For the Year Ended 31 December 2025

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ALLIANCE-MIDMED MEDICAL SCHEME

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SUMMARY OF CORE SCHEME TERMINOLOGY

Abbreviation	Full Description	Operational Meaning for Alliance-Midmed Members
ARCC	Audit, Risk and Compliance Committee	Specialised board committee responsible for financial control oversight, fraud tracking, and governance compliance.
CMS	Council for Medical Schemes	The statutory regulatory body that governs all South African medical schemes to protect member rights.
HRA	Health Risk Assessment	A preventive clinical screening process conducted at our Family Wellness Centre to detect potential health risks early.
IFRS 17	International Financial Reporting Standard 17	The global accounting framework used to scientifically measure and report medical insurance liabilities and future member funds.
LIC	Liability for Incurred Claims	The actuarial reserve set aside to fund medical treatments that have already occurred but have not yet been fully processed or billed.
PMSA	Personal Medical Savings Account	A dedicated portion of member contributions (set at 5% for Alliance-Midmed) allocated specifically for day-to-day healthcare expenses.
PMB	Prescribed Minimum Benefits	A statutory basket of defined medical conditions and chronic diseases that all schemes are legally mandated to pay for in full.
Solvency Ratio	Solvency Margin	The baseline measure of a scheme's financial reserve safety net, calculated as net accumulated funds divided by gross annual contributions (The statutory minimum is 25.0%).

CHAPTER 1:
THE OVERVIEW OF THE REPORT

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1.1 Report Overview

This is the inaugural Integrated Report for the Alliance-Midmed Medical Scheme, covering the financial period from 1 January 2025 to 31 December 2025. As a restricted-membership scheme dedicated to our corporate base, this report transcends traditional backward-looking financial reporting. It details exactly how we create, preserve, and prevent the erosion of value for our participating employer and members over time.

The scope encompasses all operational, financial, governance, and clinical management activities of the Scheme, which has been entirely self-administered since 1 January 2020. Financial reporting aligns with IFRS Accounting Standards (issued by the IASB) and the Medical Schemes Act 131 of 1998, guided by the disclosure principles of the King Report on Corporate Governance for South Africa.

1.2 Statement of Responsibility

The Board of Trustees acknowledges its collective responsibility for the integrity and objectivity of this report. In our opinion, this document addresses all material matters affecting the Scheme's operational continuity, reflecting a fair, balanced view of our performance, strategic operating context, and financial positioning.

The financial results are accurately extracted from the audited annual financial statements approved on 26 May 2026, which received an unmodified (clean) audit opinion from independent external auditors, Ransome Russouw.

CHAPTER 2:
SCHEME OVERVIEW

SCHEME OVERVIEW

2.1 Profile and Purpose

Alliance-Midmed is a non-profit, restricted-membership medical scheme registered under the Medical Schemes Act 131 of 1998 (Registration Number: 1465). Membership is strictly limited to employees and retirees of Columbus Stainless (Pty) Ltd and its associated steel affiliates.

By tying our member base directly to our core employer groups, we benefit from exceptional member engagement, shared mutual interests, and a deeply entrenched focus on employee wellness.

To eliminate third-party administrator profit margins and maximise value, the Scheme transitioned to full self-administration on 1 January 2020. To improve direct access to quality care, we expanded our capabilities by implementing in-house managed care services, formally approved by the Council for Medical Schemes (CMS) in March 2024.

2.2 Key Operational Performance Indicators

The table below tracks our core clinical, financial, and demographic performance metrics for the financial year ended 31 December 2025 against the previous period:

Performance Indicator	FY2025 Actual	FY2024 Actual
Total Registered Members	1,813	1 ,684
Total Beneficiaries	4,125	3,834
Dependant Ratio	1.28	1.28
Average Age of Beneficiaries	35.80 years	34.79 years
Pensioner Ratio (>65 years)	9.41%	8.66%
Insurance Revenue	R144,774,712	R127,315,081
Performance Indicator	**FY2025 Actual**	**FY2024 Actual**
Net Claims Incurred	R138,759,466	R121,598,080
Net Surplus for the Year	R11,235,911	R6,548,224
Total Investable Assets	R150,222,913	R129,780,200
Scheme Solvency Ratio	55.64%	60.72%

Strategic Performance Insights:

Accelerated Membership Growth: Primary membership expanded solidly by 7.6% over the period. This influx of new members underscores the growing reputation of Alliance-Midmed as a stable, cost-effective alternative within our corporate networks.

Shifting Demographics Within a Young Risk Pool: Our beneficiary profile remains young and highly sustainable, averaging 35.80 years. However, our population is steadily maturing, highlighted by the increase in our pensioner ratio from 8.66% to 9.41%. This gradual shift reflects our ongoing commitment to providing sustainable healthcare access for our retired workforce.

Strong Claims Performance and Asset Optimisation: Tight management and clinical analytics resulted in a highly resilient claims year. Concurrently, excellent performance from the investment markets boosted our total investable assets to R150,222,913, effectively capturing a net surplus of R11,235,911 that will be fully retained to defend the scheme against future medical inflation.

Solvency Margins: Despite a minor tactical reduction in our solvency ratio to 55.64%; driven by a higher claims experience towards the end of 2025, the Scheme's financial foundation remains exceptionally secure. We close the year standing at more than double the 25.0% statutory minimum required by the Council for Medical Schemes (CMS).

2.3 Operating and Technology Environment

Our lower administrative cost structure is driven by extensive automation via the internationally recognised Health Insurance Platform (HiP) System. This Oracle-based infrastructure provides highly automated claims processing, clinical rule integration, and real-time electronic communication channels for members and providers. By maintaining an operational platform availability rate above 99%, we deliver responsive services with an optimised, lean internal staff complement.

CHAPTER 3:
OUR APPROACH TO VALUE CREATION

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3.1 Our Value-Creating Business Model

Alliance-Midmed converts member contributions directly into healthcare funding. We pair a single-option design with a conservative 5% Personal Medical Savings Account (PMSA) structure. This ensures the vast majority of member funds are pooled within our Major Risk Pool (MRP) to protect against catastrophic health events. Amongst other actions, the automation via HiP keeps administrative expenses at a highly optimised 5.50% of gross contributions.

3.2 Material Strategic Risks & Inherited Realities

Because our operational boundaries are defined by our participating employer group, we track and manage five distinct structural risks:

Single-Employer Concentration:

Membership growth and financial viability are intrinsically linked to the economic performance of Columbus Stainless (Pty) Ltd and its affiliates. Local steel sector stagnation directly impacts our revenue pipeline.

Pensioner Affordability & Aging Demographics:

Private healthcare inflation continually outpaces standard economic indicators. As costs rise, retirees face severe affordability constraints, which can drive them to open-market alternatives or accelerate healthcare utilisation within our pool.

Geographic Specialty Deficits:

Operating outside major metropolitan centers forces increased costs for member travel, “cross-border” referrals, and premium pricing from regional specialist providers.

Small-Pool Volatility:

With a compact base of 1,813 primary members, we lack the smoothing advantages of massive open schemes. A single unexpected, high-cost chronic or catastrophic claim can trigger rapid downward pressure on our solvency reserves.

Legislative Shifts:

The landscape remains volatile due to impending National Health Insurance (NHI) transitions and evolving CMS directives, requiring substantial liquid reserves to buffer against sudden regulatory changes.

3.3 Risk Mitigation via Clinical Optimisation

We insulate the Scheme against volatility through proactive clinical intervention rather than restricting member choice. Our core philosophy is clinical optimisation: ensuring the right patient receives the right treatment, from the correct provider, at the correct time.

Clinical Optimisation Framework

- In-House Managed Care: CMS approved; handles direct case reviews without third-party intervention.
- Preferred Provider Networks: Value-based deals negotiated with regional providers to manage specialist cost inflation.
- Actuarial Modeling: Bootstrapping techniques (1,000 run-off simulations) map clear early warnings for chronic claims.
- Pre-Payment PMB Screening: HiP platform checks automated at billing stage to reduce out-of-pocket errors and protect the risk pool.

3.4 Corporate Citisenship and Ethics

Governed by our formal Board Charter, the Scheme operates under an explicit, non-negotiable mandate for total impartiality. We enforce strict avoidance of racial profiling or discriminatory practices across clinical claims handling, provider auditing, and member interactions. Access to healthcare funding is guided exclusively by clinical validity, objective scheme rules, and the Medical Schemes Act.

CHAPTER 4:
STRATEGY & LEADERSHIP REVIEW

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4.1 Executive Leadership Transition & Governance Journey

Following a planned executive leadership transition, PD Theron took office as Principal Officer in February 2025. Entering an established self-administered environment provided an immediate opportunity to evaluate operations with a fresh perspective.

While corporate governance is an ongoing process requiring continuous optimisation, the foundational steps taken throughout 2025 have fundamentally stabilised our trajectory, tightened internal oversight, and mapped compliance risks cleanly.

The strategic mandate for 2025 was clear: stabilise the self-administered operating model, elevate direct service delivery, and enhance internal controls. As a restricted scheme navigating private healthcare cost inflation, our strategy relies on the compounding effect of continuous, incremental improvements across clinical, financial, and technological workflows rather than aggressive commercial expansion.

4.2 Restoring Infrastructure & Facing Digital Friction

Operational stability is critical for a self-administered scheme, and 2025 highlighted clear infrastructure hurdles and solutions:

Telephony Resolution:

Severe telephonic downtime disrupted member access at the start of the year. To resolve this, a new telephony solution was deployed between March and April, fully restoring stable, reliable communication lines for our client service teams.

The Mobile Application Challenge:

Technology remains a dual reality. While core automated infrastructure performed optimally, our member-facing mobile application underperformed. Our member feedback survey highlighted friction points, specifically a lack of automated tracking updates for claims and missing proactive notifications before chronic medication authorisations expire. Rectifying this digital framework and smoothing member touchpoints is a top-tier priority moving into the next period.

4.3 Navigating Influx and Regulatory Pressure

Our total membership closed the year at 1,813 primary members (up from 1,684). A significant portion of this growth occurred in the final quarter of 2025, catalysed by structural realignments and shifts within other medical scheme environments. This influx serves as a strong industry endorsement of Alliance-Midmed's cost-effective structure and stability.

Concurrently, the CMS signals a future of intensified regulatory oversight and higher administrative burdens. We are meeting this pressure actively by equipping our Board of Trustees with continuous, specialised training to ensure our governance models absorb regulatory pressure smoothly.

Leadership Insight on 2025 Strategic Execution:

"Our success this year was not built on a single, massive breakthrough, but rather on an accumulation of small operational victories. Fixing a broken telephone network, refining a pre-payment clinical check, onboarding an influx of members seamlessly, and looking at our compliance gaps with fresh eyes; these small pieces collectively created a very resilient year. It is this disciplined focus on the details that protects our members' funds."

CHAPTER 5:
OUR GOVERNANCE FAMEWORK

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5.1 The Lean Committee Strategy

Alliance-Midmed utilises a highly streamlined, agile governance model. The full Board retains direct oversight over investment strategies, clinical trends, and administration capabilities during its regular sittings, preventing unnecessary bureaucratic fragmentation.

5.2 Board Structure & Profile

The Board consists of six members, maintaining an exact 50/50 balance between Employer Representative Trustees (appointed by corporate leadership) and Member Representative Trustees (democratically elected by the membership every three years). The current Board took office on 1 September 2024.

Because our Trustees are active participants within the Columbus Stainless and steel affiliate ecosystems, they hold a direct, personal interest in the long-term solvency of the risk pool. To maintain total independence and direct maximum value back to member claims, Trustees receive R0.00 in remuneration for their governance services.

5.3 Proactive Alignment with King IV and King V

Following extensive work to align internal operations with King IV, the Board has further investigated the possible additional requirements of the King V framework. Rather than treating King V as a box-ticking exercise, the Scheme is systematically analysing its updated compliance and risk reporting models to merge these insights naturally into our self-administration workflows.

CHAPTER 6:
FINANCIAL & OPERATIONAL PERFORMANCE

FINANCIAL & OPERATIONAL PERFORMANCE

6.1 Executive Financial Summary

The financial results for the year ended 31 December 2025 demonstrate robust health and an enhanced capacity to absorb risk, closing the period with a total net surplus of R11,235,911 (up from R6,548,224 in FY2024). Total assets expanded to R150,308,641, driven by stable cash collections and an optimised investment strategy.

6.2 Underwriting & Investment Dynamics

In FY2025, our total insurance service expenses reached R155,854,959, reflecting a healthcare expenditure ratio of 94.89%. Private healthcare inflation and rising chronic utilisation meant our raw claims environment outpaced baseline risk contributions.

However, this underwriting deficit was successfully buffered by our investment strategy. Following our transition to Sygnia Asset Management on 1 November 2024, our discretionary investment portfolio delivered an outstanding return of 12.92% on closing investments. The portfolio generated R19,381,318 in investment income and net fair value gains, effectively neutralising the underwriting shortfall to secure the final R11.2 million net surplus.

6.3 Management of the Solvency Reserve

The Scheme closed the period with a solvency ratio of 55.64%. While this is a slight reduction from the 60.72% reported in FY2024, our net asset base remains exceptionally strong at R84,800,372; leaving the Scheme well over double the 25.0% statutory minimum requirement mandated by the CMS.

CHAPTER 7:
AUDIT REPORT & COMPLIANCE RESOLUTIONS

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The Board and the ARCC actively track and resolve technical audit findings identified in the independent auditor's report to ensure absolute transparency:

Section 26(7) Contribution Timing:

Minor instances occurred where contributions were captured outside the strict statutory 3-day window. Investigation confirmed this is an inherited timing issue driven by payroll submissions overlapping with weekends. Because 90% of collections are handled via direct employer payroll deductions, financial risk of non-recovery is virtually non-existent, and the process is closely monitored.

Section 35(8)(c) Investment Exposure Exemption:

Due to our asset managers operating under a discretionary mandate to maximise market returns, the Scheme holds minor, indirect underlying equity exposures in public financial institutions that own medical scheme administrators. To ensure absolute compliance, the Scheme proactively secured a formal exemption from the CMS, which remains fully valid until 31 December 2028.

Outstanding Provider Creditors (Ageing > 120 Days):

he audit highlighted R6,780,125 in long-outstanding provider payables. This operational friction is caused by medical providers failing to supply updated banking details to our team, preventing us from legally clearing the funds. Our administration team has launched a direct provider reconciliation campaign to secure these missing details and flush this aging liability from our ledger.

YOUR HEALTH MATTERS

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