PICK N PAY MEDICAL SCHEME

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2023

PICK N PAY MEDICAL SCHEME

FINANCIAL STATEMENTS
for the year ended 31 December 2023
Registration number: 1563

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

Contents	**Page**

PICK N PAY MEDICAL SCHEME

FINANCIAL STATEMENTS
for the year ended 31 December 2023

BOARD OF TRUSTEES RESPONSIBILITY STATEMENT

The trustees are responsible for the preparation and fair presentation of the financial statements of Pick n Pay Medical Scheme, comprising the statement of financial position as at 31 December 2023, statement of comprehensive income, statement of changes in equity 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 the IFRS Accounting Standards, and the requirements of the Medical Schemes Act of South Africa. In addition, the Trustees are responsible for preparing the report of the Board of Trustees.

The trustees are also responsible for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The trustees have made an assessment of the ability of the Scheme to continue as a going concern and have no reason to believe the Scheme will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements of Pick n Pay Medical Scheme, as identified in the first paragraph, were approved by the Board of Trustees on 31 May 2024 and signed on its behalf by:

.....	.....	.....
V Pierce	R Johnson	D Theron
VICE-CHAIRPERSON	TRUSTEE	PRINCIPAL OFFICER

31 May 2024

PICK N PAY MEDICAL SCHEME

FINANCIAL STATEMENTS
for the year ended 31 December 2023

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Pick n Pay Medical Scheme (the Scheme) is committed to the principles and practices of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Board of Trustees presently comprises of eight trustees of whom four are proposed and elected by the members of the Scheme and four are nominated by the employer as well as three alternate trustee proposed and elected by the members.

BOARD OF TRUSTEES

The trustees meet regularly and monitor the performance of all service providers. They address a range of key issues and ensure that discussion on items of policy, strategy and performance is 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 Scheme.

INTERNAL CONTROLS

The Administrator, Investment Managers and Actuaries of the Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the Scheme's 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.

.....	.....	.....
V Pierce	R Johnson	D Theron
VICE-CHAIRPERSON	TRUSTEE	PRINCIPAL OFFICER

31 May 2024

PICK N PAY MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2023

The Board of Trustees hereby presents its report for the year ended 31 December 2023.

Registration number: 1563

1. MANAGEMENT

1.1 BOARD OF TRUSTEES

The names of the trustees in office during the year under review and up to the date of signing this report are:

Employer Appointed		Date of appointment	Date of resignation
G Lea	Trustee	8 July 2021*	30 September 2023
V Pierce	Vice-Chairperson and interim Principal Officer	1 February 2024*	
J Dube	Trustee	8 July 2021*	30 September 2023
P Gerber	Trustee	8 July 2021*	30 September 2023
R Sattar	Trustee	8 July 2021*	
J Mahabeer	Trustee	1 October 2023	

* Re-appointment date

Member Elected		Date of appointment	Date of resignation
H de Light	Chairperson	8 July 2021*	
R Johnson	Trustee	8 July 2021*	
R Faasen	Trustee	8 July 2021*	
R Sattar	Trustee	8 July 2021*	30 September 2023
L Andrews	Alternate Trustee	8 July 2021*	
M Mannion	Alternate Trustee	8 July 2021	
V de Nobrega	Alternate Trustee	8 July 2021	31 January 2023

* Re-elected date

1.2 PRINCIPAL OFFICER

D Theron		1 May 2024	
V Pierce	Interim Principal Officer	1 February 2024	30 April 2024
P Botha		1 April 2022	31 January 2024

Pick n Pay Office Park
Corporate Building
101 Rosmead Avenue
Kenilworth
7700

P O Box 23087
Claremont
7735

1.3 REGISTERED OFFICE ADDRESS AND POSTAL ADDRESS

Pick n Pay Medical Scheme
Parc Du Cap
Mispel Road
Bellville
7530

P O Box 4313
Cape Town
8000

1.4 MEDICAL SCHEME ADMINISTRATOR

Momentum Health Solutions (Pty) Ltd
268 West Avenue
Centurion
Gauteng
157

P O Box 7400
Centurion
0046

PICK N PAY MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)
for the year ended 31 December 2023

1.5 INVESTMENT MANAGERS

Allan Gray Propriety Limited
1 Silo Square
V&A Waterfront
Cape Town
8001

P O Box 51318
V&A Waterfront
Cape Town
8002

Ninety One Plc
100 Grayston Drive
Sandown
Sandton
2196

P O Box 785700
Sandton
2146

Coronation Fund Managers Ltd
7th Floor Montclare Place
Cnr Campground & Main Roads
Claremont
7708

P O Box 44684
Claremont
7735

Abax Investments (Pty) Ltd
2nd floor Colinton House
The Oval
1 Oakdale Road
Newlands
7700

P. Suite 255, P O Box X1005
Claremont
7735

Old Mutual Investment Group (Pty) Ltd
Mutual park, Jan Smuts Drive
Pinelands
Cape Town
7405

P O Box 66
Pinelands
Cape Town
South Africa
7405

Truffle Asset Management
Ground Floor, Lancaster Gate
Hyde Park Lane Business Complex
Hyde Park
2196

P O Box 535
Pinegowrie
2123

1.6 AUDITOR

BDO South Africa Incorporated
6th Floor, 123 Hertzog Boulevard
Foreshore
Cape Town
8001

P O Box 2275
Cape Town
8000
South Africa

1.7 ACTUARIAL CONSULTANTS

NMG Consultants and Actuaries (Pty) Ltd
NMG House
411 Main Avenue
Randburg
2125

P O Box 3075
Randburg
2125

1.8 INVESTMENT CONSULTANTS

Willis Towers Watson Actuaries and Consultants (Pty) Ltd
Level 4, Montclare Place
23 Main Road
Claremont
7708

Private Bag X30
Rondebosch
7701

PICK N PAY MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)
for the year ended 31 December 2023

1.9 CAPITATION PROVIDERS

Centre for Diabetes & Endocrinology (Pty) Ltd
81 Central Street
Houghton
2198

P O Box 2900
Saxonwold
2132

ER24 EMS (Pty) Ltd
Manor 1, Cambridge Manor
Cnr. Witkoppen and Stonehaven Streets
Paulshof
2056

P O Box 242
Paulshof
2056

Momentum Health Solutions (Pty) Ltd
268 West Avenue
Centurion
Gauteng
157

P O Box 7400
Centurion
0046

1.10 MANAGED CARE SERVICES PROVIDERS

Momentum Health Solutions (Pty) Ltd
268 West Avenue
Centurion
Gauteng
157

P O Box 7400
Centurion
0046

2. DESCRIPTION OF THE MEDICAL SCHEME

The Scheme is a not for profit restricted membership medical scheme, registered in terms of the Medical Schemes Act, No. 131 of 1998, as amended (the Act).

2.1 BENEFIT OPTIONS WITHIN THE SCHEME

The Scheme offers the following two options to its members:
- Plus option (Includes a personal medical savings account); and
- Primary option (Capitated low cost benefit option).

2.2 PERSONAL MEDICAL SAVINGS ACCOUNT

In order to provide a facility for members of the Scheme to set funds aside to meet future healthcare costs that are not covered by the benefit options, the trustees have made a personal medical savings account available on the Plus option.

On the Plus option, 20% of the total contributions are allocated to a personal medical savings account to cover members' day-to-day medical expenses that are not paid from risk.

The liability to the members in respect of the personal medical savings account is reflected as part of the insurance contract liability in the statement of Financial Position.

In terms of the rules of the Scheme, the savings account is underwritten by the Scheme. Members are allowed to use their savings balances at any time during the year even though contributions are paid monthly. The Scheme carries the risk that contributions are not recovered even though annual savings have been spent.

Unexpended savings balances are refundable when a member leaves the Scheme.

Unexpended savings amounts are accumulated for the long-term benefit of members and interest is paid on credit balances. The Scheme ring-fenced the investment of the personal medical savings account funds in a separate Ninety One Plc Stable Money Fund. Actual interest earned on the investment has been allocated on a member level.

3. INVESTMENT STRATEGY OF THE MEDICAL SCHEME

The Scheme's investment strategy is to maximise the return on its investments on a long-term basis at an appropriate level of risk. The investment strategy takes into consideration constraints imposed both by legislation and by the Board of Trustees. This policy is reviewed annually, taking into consideration compliance with the Act, the risk returns of the various investment instruments and surplus available funds.

The Board of Trustees is responsible for all the investment decisions and, part of its strategy is to ensure that:

- the Scheme remains liquid;
- investments are placed so as to be exposed to appropriate risk to earn the best possible rate of return;
- investments are in compliance with the regulations of the Act; and
- a risk assessment is performed with feedback to the Board of Trustees with recommendations on the risks identified.

The Scheme invested in market linked policies, collective investment schemes, directly managed portfolio and cash instruments during the year.

The Scheme's Investment Committee, which comprises of trustees and independent members, meets regularly to consider the Scheme's investment strategy and to monitor investment performance and compliance. The committee's decisions are considered and approved by the Board of Trustees. The committee receives guidance from external consultants (Willis Towers Watson Actuaries and Consultant (Pty) Ltd) to assist them with investment strategies.

4. MANAGEMENT OF INSURANCE RISK

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

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation, case management and service provider profiling. These methods for mitigating insurance risk are reviewed annually and amended for changes in the Act and/or changes in the Scheme's ability to accept insurance risk.

With the assistance of the Scheme's actuarial consultants, the Board of Trustees frequently assesses the necessity to enter into risk transfer arrangements.

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

Insurance events are by their nature random and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

PICK N PAY MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)
for the year ended 31 December 2023

5. REVIEW OF OPERATIONS

5.1 OPERATIONAL STATISTICS

The results of the Scheme's operations for the year under review at 31 December 2023 are set out in the Financial Statements, and the Trustees believe that no further clarification is required. The 2022 comparatives have been restated as a result of changes in significant accounting policies due to the adoption of IFRS 17. Refer to Note 1.1 on standards that are effective on or after 1 January 2023 for detailed changes in significant accounting policies.

2023	Plus	Primary	Total
Number of members at year end	5,024	974	5,998
Average number of members for the year	5,518	938	6,456
Number of beneficiaries at year end	10,711	1,568	12,279
Average number of beneficiaries for the year	11,801	1,511	13,312
Dependants to member ratio at year-end	1.13	0.61	1.05
Average age of beneficiaries	32.8	29.3	32.4
Pensioner ratio (%)	6.2%	0.8%	5.5
Average insurance revenue per member per month	R 4,331	R 1,773	R 3,916
Average insurance revenue per beneficiary per month	R 2,032	R 1,101	R 1,913
Average insurance service expenses per member per month	R 5,086	R 1,787	R 4,550
Average insurance service expenses per beneficiary per month	R 2,386	R 1,110	R 2,223
Insurance service expenses as a percentage of insurance revenue	118.0%	86.3%	115.7%
Administration fees paid to the Administrator	R 14,043,468	R 2,022,648	R 16,066,116
Average administration costs per member per month	R 233	R 173	R 223
Average managed care: Managed services per member per month	R 126	R 52	R 114
Managed care: Management services as a percentage of net contributions	2.9%	2.9%	2.9%
Average attributable, administration and other expenses per member per month (R)	R 351	R 282	R 340
Average attributable, administration and other expenses per beneficiary per month (R)	R 165	R 175	R 166
Average members funds per member at 31 December (R)	n/a	n/a	R 93,039
Average return on investments and cash	n/a	n/a	8.4%

2022	Plus	Primary	Total
Number of members at year end	5,966	948	6,914
Average number of members for the year	6,874	587	7,461
Number of beneficiaries at year end	12,840	1,535	14,375
Average number of beneficiaries for the year	12,950	1,428	14,379
Dependants to member ratio at year-end	1.2	0.6	1.1
Average age of beneficiaries	32.0	28.8	31.7
Pensioner ratio (%)	5.2%	0.7%	4.7%
Average insurance revenue per member per month	R 3,689	R 1,771	R 3,444
Average insurance revenue per beneficiary per month	R 1,719	R 1,092	R 1,657
Average insurance service expenses per member per month	R 3,490	R 951	R 3,166
Average insurance service expenses per beneficiary per month	R 1,626	R 587	R 1,523
Insurance service expenses as a percentage of insurance revenue	114.8%	111.5%	114.6%
Amounts paid to Administrator (R)	R 17,153,839	R 2,725,752	R 19,879,591
Average administration costs per member per month	R 249	R 177	R 240
Average managed care: Managed services per member per month	R 123	R 114	R 122
Managed care services as a percentage of insurance revenue	3.3%	6.5%	3.5%
Average attributable, administration and other expenses per member per month (R)	R 312	R 286	R 308
Average attributable, administration and other expenses per beneficiary per month (R)	R 145	R 176	R 148
Average members funds per member at 31 December (R)	n/a	n/a	R 77,566
Average return on investments and cash	n/a	n/a	4.5%

PICK N PAY MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)
for the year ended 31 December 2023

5.2 SOLVENCY RATIO	2023 R	2022 R
The solvency ratio is calculated on the following basis:		
Insurance contract liabilities to future members	533,265,100	538,562,030
Less: Cumulative unrealised gains on investments at fair value through profit or loss	(74,450,475)	(76,694,943)
Accumulated Funds per Regulation 29 of the Act	458,814,625	461,867,087
Gross Contributions	346,971,723	352,276,638
Solvency ratio: Accumulated Funds/Gross Contributions X 100 %	132.2%	131.1%

5.3 OUTSTANDING CLAIMS PROVISION

Movements in the outstanding claims provision are set out in note 10 to the financial statements. With the implementation of IFRS 17, the Scheme measures the outstanding claims provision (included in the Liability for Incurred Claims) as the fulfillment cash flows plus a risk adjustment at year-end. The estimate of the future cash flows in terms of the provision is adjusted to reflect the compensation that the Scheme requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk including claims risk, membership risk, and expense risk.

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

The Scheme holds investments indirectly with the employer, but has granted no loans to the participating employer of the Scheme or any other related parties. Refer to note 18 of the financial statements for related party disclosures and note 13.1 of this report.

7. FIDELITY COVER

The Scheme has a fidelity policy, placed through Marsh (Pty) Ltd, with Guardrisk Insurance Company (The insurer). The Scheme has a cover of R120 million in aggregate (2022: R120 Million) (Limited to R60 million on any one claim - 2022: R60 million) and extends to trustees, independent committee members and Principal Officer of the Scheme.

8. ACTUARIAL SERVICES

The Scheme's actuaries, NMG Consultants and Actuaries (Pty) Ltd, have been consulted in the determination of the contribution and benefit levels.
The Momentum Health Solutions Actuaries calculated the risk adjustment on the liability for incurred claims.

9. COMMITTEES OF THE BOARD OF TRUSTEES

The following committees are mandated by the Board of Trustees by means of written terms of reference as to their membership, authority and duties. These committees meet on a regular basis and when the need arises.

9.1 RISK AND AUDIT COMMITTEE

The Risk and Audit Committee operates in accordance with the provisions of the Act. The Committee consists of 7 members of which one is member-elected trustee, four are independent members, and two are alternate independent members to ensure continuity.

The committee met on the following three occasions during the course of the year:

06 April 2023;
20 July 2023; and
12 October 2023.

The Administrator, its internal auditors and the external auditor of the Scheme are invited to attend all 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 Scheme's accounting policies, internal control systems and financial reporting practices. Further objectives include ensuring that all material risks to which the Scheme is exposed, as identified by the Board of Trustees, are adequately managed. The external auditor formally reports to the committee on findings arising from the audit.

PICK N PAY MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)
for the year ended 31 December 2023

9.1 RISK AND AUDIT COMMITTEE (continued)

The members of the committee are:

Name	Designation	Date of Appointment	Date of Resignation
L Clayton	Independent Member / Chairperson	8 July 2021*	
R Johnson	Member-Elected Trustee	8 July 2021*	
G Lea	Independent Member	8 July 2021*	30 September 2023
A Rolstone	Independent Member	25 February 2021	
D Rae	Alternate Independent Member	18 August 2022	
R Mazema	Alternate Independent Member	18 August 2022	
A Visser	Independent Member	1 April 2022	
V Pierce	By Invitation (Vice-Chairperson of the Board of Trustees)	8 July 2021*	
H de Light	By Invitation (Chairperson of the Board of Trustees)	8 July 2021*	

* Re-appointment date

P Botha attended in her capacity as Principal Officer during the period. 31 January 2024

9.2 INVESTMENT COMMITTEE

The primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the investment strategy of the Scheme.

The committee met on the following four occasions during the course of the year:

9 February 2023;
11 May 2023;
3 August 2023; and
26 November 2023.

The members of the committee are:

Name	Designation	Date of Appointment	Date of Resignation
G Lea	Independent member / Chairperson	1 October 2023	
R Johnson	Member-Elected Trustee	8 July 2021*	
P Gerber	Employer-Appointed Trustee	8 July 2021*	30 September 2023
V Pierce	Employer-Appointed Trustee	8 July 2021*	
R Sattar	Employer-Appointed Trustee	8 July 2021*	
S Carrott	Independent Member	1 October 2023	
P Botha	Independent Member	1 September 2019	31 January 2024
H de Light	Invitee	8 July 2021*	

* Re-appointment date

9.3 CLINICAL COMMITTEE

The primary responsibility of the committee is to assist the Board of Trustees in its responsibility to oversee the Scheme's various managed care programmes and to ensure that all clinical risks to which the Scheme is exposed are identified and adequately managed.

The committee met on the following four occasions during the course of the year:

2 February 2023;
4 May 2023;
31 August 2023; and
19 October 2023.

The members of the committee are:

Name	Designation	Date of Appointment	Date of Resignation
M Bailey **	Medical Advisor / Chairperson	11 June 2015	
V Pierce	Employer-Appointed Trustee	8 July 2021*	
H de Light	Member-elected Trustee	8 July 2021*	
R Johnson	Member-elected Trustee	19 October 2023	
R Sattar	Employer-Appointed Trustee	1 October 2023	
P Botha	Independent Member	1 September 2019	31 January 2024

* Re-appointment date
** Dr Bailey's contract is reviewed and renewed on an annual basis.

PICK N PAY MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)
for the year ended 31 December 2023

9.4 EX- GRATIA COMMITTEE

The primary responsibility of the committee is to assist the Board of Trustees in awarding additional benefits where pre-determined criteria have been met and the need is warranted.

The committee met on the following seven occasions during the course of the year:

23 Feb 2023;	31 August 2023;	19 October 2023; and
4 May 2023;	28 September 2023;	30 November 2023
27 July 2023;		

Ex Gratia requests received outside of these dates were discussed and approved via round robin.

The members of the committee are:

Name	Designation	Date of Appointment	Date of Resignation
M Bailey**	Medical Advisor / Chairperson	11 June 2015	
H de Light	Member-Elected Trustee	8 July 2021*	
V Pierce	Employer-Appointed Trustee	8 July 2021*	
J Dube	Employer-Appointed Trustee	8 July 2021*	30 September 2023
P Botha	Independent Member	1 September 2019	31 January 2024

* Re-appointment date
** Dr Bailey's contract is reviewed and renewed on an annual basis.

10. MEETING ATTENDANCES

The following schedule sets out meeting attendances by members of the Board of Trustees and committees.

Trustee/sub-committee member	Board meetings		Risk and Audit Committee		Investment Committee		Clinical Committee		Ex-Gratia Committee	
	A	B	A	B	A	B	A	B	A	B
Ms H de Light	5	5	-	-	-	-	3	2	7	7
Mr V Pierce	5	5	-	-	4	3	3	2	7	7
Mr G Lea	5	5	3	3	4	3	-	-	-	-
Mr J Dube	4	4	-	-	-	-	-	-	-	-
Mr R Johnson	5	5	3	3	4	4	3	3	7	5
Ms R Sattar	5	4	1	1	4	3	3	-	-	-
Ms J Mahabeer	1	1	-	-	-	-	-	-	-	-
Ms P Gerber	5	3	-	-	4	2	-	-	-	-
Ms L Andrews	5	5	-	-	-	-	3	2	-	-
Mr L Clayton	-	-	3	3	-	-	-	-	-	-
Ms M Mannion	5	5	-	-	-	-	-	-	-	-
Mr S Carrott	-	-	-	-	1	1	-	-	-	-
Mr R Faasen	5	5	-	-	-	-	-	-	-	-
Dr M Bailey	5	3	-	-	-	-	3	3	7	7
Ms A Rolstone	-	-	3	3	-	-	-	-	-	-
Mr D Rae	-	-	3	3	-	-	-	-	-	-
Mr R Mazema	-	-	3	2	-	-	-	-	-	-
Mr A Visser	-	-	3	3	-	-	-	-	-	-
Ms P Botha	5*	5*	3*	3*	4	3	3	3	7	6

A - Total possible number of meetings could have attended
B - Actual number of meetings attended
* - P Botha attended in her capacity as Principal Officer; resigned on 31 January 2024.

11. RISK TRANSFER ARRANGEMENTS

The Scheme entered into risk transfer arrangements with the following service providers:

- Centre for Diabetes and Endocrinology (Pty) Ltd (CDE) - In terms of the arrangement, CDE provides a comprehensive programme to members on the Plus option of the Scheme with diabetes at a fixed monthly rate per beneficiary on the programme.
- ER24 EMS (Pty) Ltd (ER24) - In terms of the arrangement, ER24 provides ambulance services to the beneficiaries of the Scheme at a fixed rate per member per month.
- Momentum Health Solutions (Pty) Ltd (MHS) - In terms of the arrangement, MHS provides defined primary care services for the Primary Option at a fixed rate per beneficiary per month.

12. SUBSEQUENT EVENTS

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

13. NON-COMPLIANCE MATTERS

Contraventions for which exemption was applied for from the Council for Medical Schemes

13.1 Contravention of Section 35(8)(a) and Section 35(8)(c)

Nature and impact

The Scheme holds an indirect investment in the participating employer via investments placed with Allan Gray, Coronation and Old Mutual. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

The Scheme holds an indirect investment in Momentum Metropolitan Holdings Limited and Discovery Limited, via investment placed with Allan Gray, Coronation and Old Mutual. This is in contravention of Section 35(8)(c) of the Act, as the Scheme is not allowed to hold shares in the holding company of an administrator.

Causes of the non-compliance

The holding of these shares in the portfolio is incidental, as the Scheme does not have control over the underlying assets in the portfolio.

Corrective course of action

The Council for Medical Schemes granted the Scheme an exemption until 30 November 2025.

Contraventions for which exemption was not applied for from the Council for Medical Schemes

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

Nature and Impact

In terms of section 26(7) of the Act, contributions should be received at the latest 3 days after it is due. An amount of R49 355 (2022: R29 006) was still outstanding by more than 3 days after it was due, as at 31 December 2023.

Causes of the non-compliance

The non-compliance relates to several instances during the year when contributions, mostly due to pensioner discrepancies, were received more than 3 days after the due date.

Corrective course of action

Management continues to communicate to all concerned parties, including individual members to emphasise the importance of prompt payment.

13.3 Non compliance with S33(2) of the Act - Option operating loss

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 will be financially sound. For the year ended 31 December 2023, the Plus option was in a loss position, thereby contravening Section 33(2) of the Act, the total insurance service result loss amounted to R 39 402 203. The Plus option experienced a net healthcare loss of R 42 774 487 as at 31 December 2023 (2022 loss: R 33 991 512).

Causes of the non-compliance

The operating deficit experienced by the Scheme was in line with the budget. Given the high solvency ratio of the Scheme the trustees budgeted for a deficit in 2023 utilising some of the accumulated funds to subsidise members' contribution increases and thereby limiting members' contribution increases.

Corrective course of action

The trustees continue to monitor the performance of the Scheme and they will make appropriate interventions during the annual benefit review process. As the solvency ratio at reporting date was 132.2% (2022: 131.1%), the Board of Trustees are comfortable that the Scheme would remain compliant with the minimum solvency ratio prescribed by the Medical Schemes Act.

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Cape Town, 8000

Independent Auditor's Report

To the members of

Pick n Pay Medical Scheme

Report on the Financial Statements

Opinion

We have audited the financial statements of Pick n Pay Medical Scheme (the Scheme), set out on pages 16 to 52, which comprise the Statement of Financial Position as at 31 December 2023, and the Statement of Comprehensive Income, the Statement of Changes in Funds and Reserves and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Pick n Pay Medical Scheme as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act of South Africa.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current 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. Liability for incurred claims – Outstanding Claims Provision (Note 10)	
Key audit matter	***How our audit addressed the key audit matter***
The Liability for incurred claims (LIC) provision of R10 845 028 (2022: restated R9 363 047) forms part of the Insurance contract liability. The insurance contract liability is described in note 8 to the financial statements. The LIC includes the estimated cost of healthcare benefits that have been incurred by the members before the end of the financial year but that have not been reported to the Scheme, as well as insurance accounts payable and the personal medical savings liability. In the current year, The Scheme has applied *IFRS 17 Insurance Contracts* for the first time. The related changes to significant accounting policies are described in Note 1.1 to the financial statements. In the past the Outstanding claims provision was disclosed separately	Our audit procedures for the Liability of incurred claims (LIC) provision included the following: • We obtained an understanding of the inherent risk factors in relation to the LIC provision estimate; • We assessed the appropriateness and recognition of the related LIC provision against the requirements of *IFRS 17 – Insurance contracts;* • We have gained a detailed understanding of the end-to-end claims and LIC estimation process and obtained an understanding of the relevant controls; • We obtained the report of the Scheme's independent actuary of the LIC provision at year end and the restated prior year amounts. With the assistance of our audit expert actuary, we tested

BDO South Africa Incorporated
Registration number: 1995/002310/21
Practice number: 905526
VAT number: 4910148685

Chief Executive Officer: LD Mokoena

A full list of all company directors is available on www.bdo.co.za

on the face of the Statement of Financial Position and as key audit matter in the auditor's report. IFRS 17 resulted in different presentation as well as measurement of this liability. With the implementation of IFRS 17, the Scheme measures the LIC provision as the fulfilment cash flows plus a risk adjustment at year-end. The estimate of the future cash flows in terms of the LIC provision is adjusted to reflect the compensation that the Scheme requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk including claims risk, membership risk, and expense risk. The Rules of the Scheme provide that claims may only be paid if the Scheme is notified of the claim and documentation is submitted within 4 months of the date of the healthcare service. At year-end, the cost of outstanding incurred claims is estimated by the Scheme's actuaries, using the Bootstrap Model in the calculation of the Scheme's LIC provision. Considering the IFRS 17 requirements, the LIC estimate shows the LIC provision at various percentiles of the simulated LIC estimates, each allowing for a different assumed risk adjustment factor. A LIC provision at the 75th percentile of the simulated LIC estimates has been selected by the Scheme. We considered the Liability for incurred Claims – Outstanding Claims Provision (Note 10) as a matter of most significance to the current year audit of the financial statements due to the following: • the materiality of this liability; • the degree of estimation uncertainty and complexity of the fulfilment cashflows; • significant judgment in selecting the related risk adjustment for non-financial risk factors; and • The first-time implementation of the new accounting standard. A potential change in the projected claims pattern can cause a material change to the amount of the LIC provision.	the appropriateness of the estimate as follows: o Evaluated the competence, capabilities and objectivity of the Scheme's independent actuary; o Obtained an understanding of the method and models used in calculating the LIC provision estimate and assessed whether it is appropriate in terms of acceptable methodologies, industry standards, and that they meet the measurement objectives of IFRS 17; o Obtained an understanding of the significant assumptions used in the estimate and, evaluated whether the assumptions are appropriate for the estimate of the LIC provision and the risk adjustment factors; o Obtained an understanding of the data utilised in the calculation of the estimate and agreed the inputs to the source data; o Assessed the estimate for indicators of possible management bias. • We obtained audit evidence from events occurring after the reporting period as a retrospective review of the LIC provision estimate that was set at year end: o We compared the calculation of claims run-off triangles against current and historical claims development patterns to assess the reasonability thereof in comparison to the LIC provision (which includes the risk adjustment percentile selected) at year-end; o We assessed the claims received subsequent to year-end for claims incurred relating to the 2023 financial year; • We evaluated the presentation of the disclosure relating to the LIC provision in the current year, as well as the retrospective restatement of the prior years, against the requirements of IFRS Accounting Standards and relevant industry guidance.

Other Information

The Scheme's trustees are responsible for the other information. The other information comprises the Report of the Chairman and Principal Officer and the Board of Trustees Report as required by the Medical Schemes Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have

nothing to report in this regard.

Responsibilities of the Scheme's Trustees for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report the following material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa as amended that have come to our attention during the course of our audit:

> Non-compliance with S33(2) of the Act - Benefit Option that is not self-supporting, refer to note 23 to the financial statements.

Audit tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that BDO South Africa Incorporated has been the auditor of Pick n Pay Medical Scheme for two years.

The engagement partner, **Mrs Terri Weston**, has been responsible for Pick n Pay Medical Scheme 's audit for two years.

BDO South Africa Incorporated
Registered Auditors

BDO South Africa Inc.
BDO South Africa Inc. (Jun 3, 2024 16:28 GMT+2)

T Weston
Director
Registered Auditor

3 June 2024

119-123 Hertzog Boulevard
Foreshore
Cape Town
8001

PICK N PAY MEDICAL SCHEME

STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Notes	2023 R	Restated * 2022 R	Restated * 1 January 2022 R
ASSETS				
Non-current assets				
Financial assets at fair value through profit or loss	2	420,401,717	406,402,962	336,555,692
Current assets		214,433,130	255,995,939	345,628,082
Cash and cash equivalents		214,082,804	255,379,317	345,028,289
- Scheme	4	124,216,908	155,227,881	245,802,671
- Investment of Medical Savings Accounts	6	89,865,896	100,151,436	99,225,618
Trade and other receivables	3	168,944	360,201	296,778
Reinsurance contract assets	9	181,382	256,421	303,015
Total assets		634,834,847	662,398,901	682,183,774
Liabilities				
Current liabilities		634,834,847	662,398,901	682,183,774
Insurance contract liability to future members	8.1	533,265,100	538,562,030	558,046,043
Insurance contract liability	8.2	100,904,656	123,254,431	123,461,402
Trade and other payables	7	665,091	582,440	676,329
Total liabilities		634,834,847	662,398,901	682,183,774

* The 2022 comparatives have been restated as a result of changes in significant accounting policies due to the adoption of IFRS 17. Refer to Note 1.1 on standards that are effective on or after 1 January 2023.

PICK N PAY MEDICAL SCHEME

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

	Notes	2023 R	Restated* 2022 R
Insurance revenue	11	281,852,041	285,815,271
Insurance service expenses		(320,688,349)	(308,040,764)
Claims incurred	9 &12	(301,461,022)	(297,910,123)
Accredited management healthcare services	13	(8,204,745)	(10,091,772)
Attributable expenses incurred	14	(16,319,512)	(19,522,882)
Amount attributable to future members**	8.1	5,296,930	19,484,013
Net expenses from risk transfer arrangement reinsurance		4,731,035	6,671,791
- Amount recovered from risk transfer arrangement reinsurance	9	25,423,843	26,772,025
- Amount allocation of premiums paid	9	(20,692,808)	(20,100,234)
Insurance service result		(34,105,273)	(15,553,702)
Other income		52,187,416	28,796,754
Investment income	15	51,513,731	28,445,277
Sundry income	16	673,685	351,477
Other expenditure		(18,082,143)	(13,243,052)
Administration fees and other operating expenses	14.1	(6,492,689)	(5,968,495)
Asset management fees		(1,317,975)	(1,286,589)
Net finance expense from insurance contracts		(8,606,614)	(5,926,210)
Net impairment loss on healthcare receivables		(1,664,865)	(61,758)
Profit/(loss) for the year**		-	-

* The 2022 comparatives have been restated as a result of changes in significant accounting policies due to the adoption of IFRS 17. Refer to Note 1.1 on standards that are effective on or after 1 January 2023.

** The loss for the year amounting to R5 296 930 (2022: R19 484 013) is included as part of insurance service expenses in amounts attributable to future members. Refer to note 8.1 above.

PICK N PAY MEDICAL SCHEME

STATEMENT OF CHANGES IN RESERVES
for the year ended 31 December 2023

	Notes	Member's funds and Accumulated funds R
Balance at 1 January 2022 (as previously reported)		558,371,015
Prior year adjustment due to the adoption of IFRS 17		(324,972)
Balance at 1 January 2022 (restated*)	8.1	558,046,043
Transfer to insurance contract liabilities to future members		(558,046,043)
Balance as at 1 January 2022		-

* The 2022 comparatives have been restated as a result of changes in significant accounting policies due to the adoption of IFRS 17.

PICK N PAY MEDICAL SCHEME

STATEMENT OF CASH FLOWS
for the year ended 31 December 2023

	Notes	2023 R	2022 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from members and providers		347,401,765	355,094,800
Cash receipts from members - insurance contract revenue		347,170,444	350,924,985
Cash receipts from members and providers - others		231,321	4,169,815
Cash paid to providers, employees and members		*(429,230,551)*	*(398,170,176)*
Cash paid to providers, employees and members - insurance service expenses		(403,869,649)	(367,800,459)
Cash paid to providers, employees and members - non-healthcare expenditure		(7,810,664)	(25,491,377)
Cash paid to members - savings plan refunds	5	(17,550,238)	(4,878,340)
Cash utilised in operations		**(81,828,786)**	**(43,075,376)**
Net finance expense from insurance contracts	5	(8,606,614)	(5,926,210)
Net cash utilised in operating activities		**(90,435,400)**	**(49,001,586)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	2	(68,046,269)	(118,769,784)
Proceeds on disposal of investments	2	85,215,682	60,269,784
Interest received	15	26,980,367	12,745,705
Dividend received	15	4,989,107	5,106,909
Net cash generated from/(utilised in) investing activities		**49,138,887**	**(40,647,386)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(41,296,513)**	**(89,648,972)**
Cash and cash equivalents at the beginning of the year		255,379,317	345,028,289
Cash and cash equivalents at the end of the year	4 & 6	**214,082,804**	**255,379,317**
Personal Medical Savings Account Trust	6	89,865,896	100,151,436
Scheme cash and cash equivalents	4	124,216,908	155,227,881

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. The policies applied are consistent with the prior year, except for the adoption of IFRS 17 effective 1 January 2023, applied retrospectively. The comparative figures related to the adoption of IFRS 17 has been restated where indicated.

Statement of compliance

The financial statements are prepared in accordance with the IFRS Accounting Standards and in accordance with the requirements of the Medical Schemes Act, No. 131 of 1998. In addition the statement of comprehensive income is prepared in accordance with Circular 41 of 2012 issued by the Council for Medical Schemes that set out their interpretation of IFRS Accounting Standards as it relates to the statement of comprehensive income for Medical Schemes in South Africa.

Going Concern

The trustees have made an assessment of the ability of the Scheme to continue as a going concern and have no reason to believe the Scheme will not be a going concern in the year ahead.

1.1 Basis of preparation

The financial statements provide information about the financial position, results of operations and changes in the financial position of the Scheme. These have been prepared under the historic cost basis except for financial assets and liabilities which are measured at fair value through profit or loss as noted below in 1.2. The presentation and functional currency is the rand, rounded to the nearest Rand.

1.1.1 Standards issued and effective in the current year

IFRS 17: Insurance Contracts

The Standard was issued in May 2017 and replaces IFRS 4: Insurance Contracts.
The Standard creates one accounting model for all insurance contracts and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts that fall within the scope of IFRS 17.
Contracts issued by the Fund to its Members are included in the scope of IFRS 17 and the Fund was therefore required to adopt IFRS 17 effective 1 January 2023, applied retrospectively.

Amendments to IAS 1 and IAS 8: Definition of Material:
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting Scheme.'

The amendments to the definition of material did not have a significant impact on the Scheme's financial statements.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Scheme will not be affected by these amendments on the date of transition.

1.1.2 Standards and interpretations applicable to the Scheme that are not yet effective

The new and impacted standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Scheme's financial statements are disclosed below. The Scheme intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IAS 1 Presentation of Financial Statements

Classification of Liabilities as Current or Non-current:
Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. The effective date is the 1 January 2024.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

The Scheme has not early adopted the accounting standard and must still assess the expected impact on the Scheme.

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

1. PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of preparation (continued)

1.1.3 Adoption of IFRS 17 Insurance contracts (continued)

Transition to IFRS 17 and mutual entity considerations
Insurance contracts are contracts under which the Scheme accepts significant insurance risk from a member by agreeing to compensate the Member if the member or their registered dependants are adversely affected by a specified uncertain future health event.

An insurance contract under IFRS 17 is not a legalistic definition. The definition addresses the substance of the agreement with the member and not its legal form. For this reason, a contract that is not an insurance contract from a legal perspective, could be an insurance contract from an accounting perspective. On this basis, the Scheme has aligned with and adopted the reporting requirements of a mutual entity for the purpose of applying IFRS 17 which is different to the accounting under IFRS 4. While the legal construct of a medical scheme and a mutual entity differ, there are certain similarities between the two which allow for the same accounting treatment and principles to be applied for the purposes of IFRS 17. One such similarity lies in their purpose to satisfy a common need while not making profits or providing a return on capital.

The date of initial application, being the beginning of the annual reporting period in which the Scheme first applied IFRS 17, was 1 January 2023. The transition date, being the beginning of the annual reporting period immediately preceding the date of initial application, was 1 January 2022.

The impact on opening equity of the scheme as a result of IFRS 17 was R324 972 on 1 January 2022. The impact on insurance liabilities was R324 972.

On measurement of the liability to future members, the fulfilment cash flows of this liability are measured incorporating information about the fair value of the other assets and liabilities of the Scheme. As a consequence of recognising this liability, the Scheme's Accumulated Funds as previously reported were raised as an insurance contract liability for future Members on the transition date. As a result of the recognition of the insurance contract liability to future Members were an additional onerous contract liability was not

It is expected that the remaining assets of the Scheme will be used for the benefit of current and future members. The Scheme recognised a liability in its Statement of Financial Position to provide coverage to future Members. This liability is in essence incurred because the Scheme is obliged to:

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

The Scheme has adopted the following accounting policies based on requirements of IFRS 17:
- Identified, recognised, and measured each group of insurance contracts as if IFRS 17 had always applied.
- Identified, recognised, and measured assets for insurance acquisition cash flows as if IFRS 17 had always applied.
- Derecognised any existing balances that would not exist had IFRS 17 always applied.
- Recognised any resulting net difference in equity and subsequently as a liability to future members.

The Scheme will restate comparative information for IFRS 17.

1.1 Basis of preparation (continued)

1.1.3 Adoption of IFRS 17 Insurance contracts (continued)

a) Insurance contracts classification

The Scheme offers two options; Plus option with a savings component and the Primary option which is a low cost capitated option. The Plus option has capitation agreements with Centre for Diabetes & Endocrinology (Pty) Ltd and ER24 EMS (Pty) Ltd to transfer significant insurance risk. The Primary option has capitation agreements with Momentum Health Solutions (Pty) Ltd and ER24 EMS (Pty) Ltd to transfer insurance risk. The Scheme is taking on significant insurance risk through the claims being higher than the premiums paid by members and has therefore entered into these capitation agreements to transfer the insurance risk.

b) Insurance contracts accounting treatment

i. Separating components from insurance contracts

The Scheme assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS Accounting Standards instead of under IFRS 17. After separating any distinct components, the Scheme applies IFRS 17 to all remaining components of the (host) insurance contract. The assessment of whether any insurance and reinsurance contracts held by the Scheme, comprises any distinct components that may require separation has been completed. The unit of account applied as part of the IFRS 17 implementation is considered at the overall contract level and there are no distinct components that require separation.

The PMSA meets the definition of an investment component in IFRS 17 as it requires the medical scheme to repay a member in all circumstances, regardless of if an insured event occurred. The investment component is not distinct and has to be accounted for in terms of IFRS 17.
The cash flows relating to the PMSA are not recorded in the statement of profit or loss and other comprehensive income but are considered in assessing onerous contracts.

The Scheme has assessed that there are no distinct components.

ii. Level of aggregation

IFRS 17 requires a Scheme to determine the level of aggregation for applying its requirements. The level of aggregation for the Scheme is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. The Scheme has evaluated whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

Judgement has been applied to how the Scheme determined the unit of account for the measurement of its insurance contracts. The Scheme will apply the exemption to grouping as allowed by paragraph 20 of IFRS17: law or regulation specifically constrains the Scheme's ability to set different prices or levels of benefits for members with different characteristics. The Medical Schemes Act prohibits the Scheme to set different prices for its members. As such, the Scheme does not group contracts in various profitability groupings. Therefore the Scheme considers the group at a portfolio level with no further groupings. Management has assessed their portfolio as the Scheme as a whole due to the holistic pricing methodologies and risk management strategy that manages the risk on a Scheme level.

This is demonstrated by the following:

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

1.1 Basis of preparation (continued)

1.1.3 Adoption of IFRS 17 Insurance contracts (continued)

iii. Recognition

The Scheme recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date; and
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Scheme recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Scheme recognises an onerous group of underlying insurance contracts if the Scheme entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Scheme adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

iv. Contract boundary

The Scheme reviews its pricing and benefit options annually and therefore it has the practical ability to reprice its insurance contracts on an annual basis. The contract boundary for Pick n Pay Medical Scheme is therefore twelve months.

v. Measurement

Premium Allocation Approach (PAA):

As the contract duration of the Scheme is 12 months, it makes the Scheme eligible to apply the Premium Allocation Approach (PAA) which is a simplified valuation model.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. The Scheme expects that the time between providing each part of the services and the related premium due date will be no more than a year. The Scheme is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the Scheme expects that the time between providing each part of the services and the related premium due date is no more than a year.

The Scheme will recognise the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims.

Risk adjustment to the Outstanding Claims Provision

The measurement of the IFRS 17 insurance contract liability requires a risk adjustment for non-financial risk, which is intended to inform users of the annual financial statements regarding the amount charged by the entity for the uncertainty in amount and timing of cash flows.

The risk adjustment as at 31 December 2023 applicable to the Scheme is 3.36% (2022: 4.51%) of the estimated Outstanding Risk Claims Provision, or R 352 285 (2022: R 404 375). This result is based on a confidence interval equating to the 75th percentile of a stochastic simulated distribution of the estimated Outstanding Claims Provision using the Bootstrap Model.

Liability for incurred claims

Outstanding risk claims comprise provisions for the Scheme's estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date. The scheme measures the liability for incurred claims for as the fulfilment cash flows relating to incurred claims. The future cash flows are not adjusted for the time value of money and the effect of financial risk as these cash flows are expected to be paid in one year or less from the date the claims are incurred.

The estimate of the future cash flows in terms of the liability for incurred claims is adjusted to reflect the compensation that the medical scheme requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk. The medical scheme shall apply judgement when determining an appropriate estimation technique for the risk adjustment for non-financial risk and consider whether the technique provides concise and informative disclosure so that users of financial statements can benchmark the performance against the performance of other medical schemes. Outstanding risk claims are determined as accurately as possible on the basis of a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim. Estimated co-payments and payments from personal medical savings accounts are deducted in calculating the outstanding risk claims provision.

The Scheme does not discount its liability for incurred claims, since the effect of the time value of money is not considered material.

1.1 Basis of preparation (continued)

1.1.3 Adoption of IFRS 17 (continued)

Changes in presentation and disclosure are set out in the table below:

Current year disclosure in the Statement of Financial Position	*Prior year disclosure in the Statement of Financial Position*
Insurance contract liability to future members	Accumulated funds
Insurance contract liability	Outstanding risk claims provision Personal medical savings account liability Insurance liabilities

Current year disclosure in the Statement of Comprehensive Income	*Prior year disclosure in the Statement of Comprehensive*
Insurance revenue	Risk contribution income
Insurance service expenses	Relevant healthcare expenditure
Net finance expense from insurance contracts	Interest paid on personal medical savings account

Derecogntion:
The Scheme derecognises a contract when the rights and obligations relating to the contract are extinguished, i.e. expired, discharged, or cancelled. If a contract modification results in derecognition, a new contract is recognised on the modified terms. If a contract modification does not result in derecognition, then the Scheme treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

Risk transfer reinsurance

Definition
Risk transfer arrangements are contractual arrangements entered into by the Scheme with a provider. The provider 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 Pick n Pay Medical Scheme primary obligations to its members and their dependents.

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

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

Recognition and derecognition

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

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

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

Please refer to 1.1 under insurance contracts for guidance on modifications and derecognition.

1.1 Basis of preparation (continued)

1.1.3 Risk transfer reinsurance (continued)

Initial and subsequent measurement
For reinsurance contracts held, on initial recognition, the Scheme measures the remaining coverage at the amount of ceding contributions paid.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:
a. the remaining coverage; and
b. the incurred claims, comprising the fulfillment cash flows related to past service allocated to the group at the reporting date.

Subsequent measurement of the remaining coverage for reinsurance contracts held is:
a. increased for ceding contributions paid in the period; and
b. decreased for the amounts of ceding contributions recognised as reinsurance expenses for the services received in the period.

Pick n Pay Medical Scheme 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 Pick n Pay Medical Scheme is compelled to pay amounts to the reinsurer or in which Pick n Pay Medical Scheme has a substantive right to receive services from the reinsurer.

Pick n Pay Medical Scheme capitation agreements held have a duration of one year but are cancellable with a 30-day notice period by either party.

Net income/ (expense) from reinsurance contracts held.

Reinsurance income consists of:
a. 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:
a. reinsurance expenses;
b. other incurred directly attributable insurance service expenses; and
c. effect of changes in risk of reinsurer non-performance.

Reinsurance expenses are recognised similarly to reinsurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding contributions the Scheme expects to pay in exchange for those services.

1.1.4 CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY
In the process of applying the Scheme's accounting policies, management has made the following judgements that has the most significant effect on the amounts recognised in the financial statements.

The preparation of the financial statements necessitates the use of estimates and assumptions including the outstanding claims provision. These estimates and assumptions affect the reported amount of assets, liabilities and contingent liabilities at the reporting date as well as affecting the reported income and expenditure for the year. The actual outcome may differ from these estimates, possibly significantly. For further information on critical estimates and judgements refer to notes 8.

Outstanding risk claims provision
A key assumption concerning the future that has a significant risk of causing a material adjustment to the carrying amounts of liabilities is used to determine the provision for outstanding claims.

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

Although the assumption is considered critical, post statement of financial position settlements against the provision have been monitored to ensure reasonability of the original provision. Refer to note 1.4 for more information.

1.2 Financial instruments

Financial assets

Initial recognition and measurement:
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition based on the financial asset's contractual cash flow characteristics and the Scheme's business model for managing them. With the exception of trade and other receivables that do not contain a significant financing component or for which the Scheme has applied the practical expedient, the Scheme initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and other receivables that do not contain a significant financing component or for which the Scheme has applied the practical expedient are measured at the transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Scheme commits to purchase or sell the asset.

Subsequent measurement

Financial assets at amortised cost
Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Scheme's financial assets at amortised cost includes trade and other receivables and cash and cash equivalents in the statement of financial position.

Financial assets at fair value
This category includes derivative instruments and listed equity investments. Dividends on listed equity investments are recognised as investment income in the statement of profit or loss when the right of payment has been established.
The Scheme' financial instruments at fair value through profit or loss consists of Financial assets at fair value through profit or loss in the statement of financial position.

Impairment
The Scheme assesses at each reporting date whether there is any objective evidence that a financial asset carried at amortised cost or a group of financial assets, excluding financial assets at fair value through profit or loss, is impaired.

The Scheme applies a simplified approach in calculating expected credit losses (ecls) for trade and other receivables.

The Scheme recognises an allowance for expected credit losses on financial assets. Expected credit losses are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the Scheme expects to receive, discounted at an approximation of the original effective interest rate. The amount of expected credit losses is updated at each reporting date.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of the financial assets.

The Scheme writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Any recoveries made are recognised in profit or loss.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as derivatives.

Subsequent measurement
Financial liabilities at amortised cost
These are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of comprehensive income.

1.3 Provisions

Provisions are recognised when the Scheme has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and, a reliable estimate can be made as to the amount of the obligation.

1.4 Insurance contracts

Identification of insurance contracts

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

Whilst the timing, frequency, severity and type of health events are uncertain, the ultimate insurance risk covered by the Scheme can be defined as a single risk that of providing cover for a health event that the member may incur. The risk under the insurance contracts issued by the Scheme can be expressed as the probability that an insured event ("health event") occurs, multiplied by the expected amount of the resulting claim.

Separating components from an insurance contract

The Personal Medical Savings Account ("PMSA") meets the definition of an investment component in IFRS 17 as it requires the Scheme to repay a member in all circumstances, regardless of if an insured event occurred. The investment component is not distinct and has to be accounted for in terms of IFRS 17.

The cash flows relating to the PMSA are not recorded in the statement of profit or loss and other comprehensive income.

Level of aggregation

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

Recognition and derecognition

Insurance contracts issued shall be recognised from the earliest of the following:
(a) The beginning of the coverage period;
(b) The date when the first payment from a policyholder becomes due; and
(c) For onerous contracts, when the contracts become 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).

Premium allocation approach (PAA)

The contract boundary for contracts issued does not exceed 12 months and consequently the scheme elected to apply the PAA.
The classification of medical schemes as mutual entities does not impact the extent of insurance cover/ insurance contract services to be provided by the Scheme in terms of the member contracts and therefore the PAA is still applicable.

In applying the PAA, the Scheme chose to recognise any insurance acquisition cash flows as expenses when it incurs those costs.

Liability for incurred Claims

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

The estimate of the future cash flows in terms of the liability for incurred claims is adjusted to reflect the compensation that the medical scheme requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk.

The medical scheme shall apply judgement when determining an appropriate estimation technique for the risk adjustment for non-financial risk and consider whether the technique provides concise and informative disclosure so that users of financial statements can benchmark the performance against the performance of other medical schemes.

Liability for remaining coverage

As the coverage period and the financial year for the Scheme is the same, there would be no liability for remaining coverage at the year-end reporting date, assuming that the actual cash collected for contributions equals the contributions recognised.

Insurance revenue

The Scheme applies the premium allocation approach, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk, if applicable) allocated to the period. The Scheme will allocate the expected premium receipts to each period of insurance contract services on the basis of the passage of time; unless the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses.

Insurance service expenses

The scheme presents insurance service expense in profit or loss in insurance service expenses comprising incurred claims (excluding repayments of investment components) and other incurred insurance service expenses arising from a group of insurance contracts issued, comprising:

- incurred claims and risk adjustments (excluding investment components, i.e. PMSA claims);
- other incurred directly attributable insurance service expenses;
- amortisation of insurance acquisition cash flows;
- changes that relate to past service, i.e. changes in fulfilment cash flows relating to the liability for incurred claims; and
- changes that relate to future service, i.e. losses on the onerous group of contracts and reversals of such losses.

Accredited managed healthcare services

These expenses represent expenditure and the amounts paid or payable to third party providers, related parties and other third parties for managing the utilisation, costs and quality of healthcare services to the Scheme.

1.5 Risk transfer arrangements

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

Risk transfer claims and benefits reimbursed are presented in the statement of profit or loss and other comprehensive income and statement of financial position on a gross basis. Similar to the insurance contracts, risk transfer arrangements are also accounting for using the premium allocation approach as these contracts have a boundary of one year or less.

Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the insurance contracts.

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

These are contracts entered into by the Scheme with third party service providers. Under these contracts, the Scheme is compensated for losses/claims through the provision of services to members by the service providers. Refer to note 11 of the Report of the Board of Trustees for more information.

Where applicable, a portion of risk transfer premiums/fees is treated as pre-payments.

Assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding risk claims provisions and Insurance contract liabilities to present members. Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the risk claims provisions, Insurance contract liabilities to present members, and settled claims associated with the risk transfer arrangement taking into account the terms of the contract. The amounts recoverable under such contracts are recognised in the same year as the related claim.
Risk transfer arrangements are accounting for using the premium allocation approach as these contracts have a boundary of one year or less.

1.6 Accredited managed healthcare services

These expenses represent expenditure and the amounts paid or payable to third party providers, related parties and other third parties for managing the utilisation, costs and quality of healthcare services to the Scheme.

1.7 Reimbursements from the Road Accident Scheme (RAF)

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

A reimbursement from the RAF is a possible asset that arises from a claim submitted to the RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme. If an inflow of economic benefits has become probable, the Scheme discloses a contingent asset. The contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. Amounts received in respect of reimbursements from the RAF are recognised as part of net Insurance Service Expenses in the statement of comprehensive income.

1.8 Investment income

Investment income comprises interest on cash and cash equivalents, interest and dividend income from market linked policies.

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

Dividend income from investments is recognised when the right to receive payment is established. Right to receive payment is established on the ex-dividend date. Distributions from collective investment schemes are accounted for when received.

1.9 Taxation

The Scheme is registered under the Medical Schemes Act 131 of 1998. As a result it falls within the definition of a benefit Scheme as defined in Section 1 of the Income Tax Act, and therefore the receipts and accruals of the Scheme are exempt from taxation under Section 10(1)(d)(ii) of the Income Tax Act. The Scheme is exempt from dividends tax on its dividend income by virtue of section 64F(1)(f) of the Income Tax Act.

1.10 Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.
The principal or the most advantageous market must be accessible to the Scheme. Fair values are determined according to the following hierarchy based on the requirements of IFRS 13: 'Fair Value Measurement':

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as closing prices) or indirectly (i.e. derived from closing prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

1.11 Allocation of income and expenditure to benefit options

Income and expenditure are allocated to benefit options on a direct basis where this is determinable. Where income or expenditure is not directly attributable to a specific benefit option, the income or expense is allocated on the basis of the benefit option's membership proportionate to the Scheme's overall membership base.

1.12 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

a) restricted activities;
b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Scheme has determined that some of its investments in collective investment schemes and market linked policies ("funds") are investments in unconsolidated structured entities. The Scheme invests in these funds, whose objectives range from achieving medium- to long-term capital growth and whose investment strategy do not include the use of leverage. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives. Taking into consideration the above factors, the Scheme concluded that it is an unconclolidated structured entity.

The change in fair value of each fund is included in the statement of comprehensive income in realised and unrealised gains and losses on financial assets held at fair value through profit or loss.

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

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

2. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS	2023 R	2022 R
Fair value at the beginning of the year	406,402,962	336,555,692
Additions	68,046,269	118,769,784
Investment income on financial assets at fair value	13,392,347	7,238,263
Disposals	(85,215,682)	(60,269,784)
Realised income on financial assets at fair value through profit or loss	13,853,169	4,116,711
Unrealised income on revaluation of financial assets at fair value through profit or loss	4,346,515	816,309
Investment manager fees	(423,863)	(824,013)
Fair value at the end of the year	420,401,717	406,402,962

The investments included above represent investments in:

Allan Gray Life Limited	55,760,173	56,097,466
Abax Investments (Pty) Ltd	52,253,497	78,244,924
Visio Capital Management (Pty) Ltd	-	40,410,526
Coronation Fund Managers Ltd	72,029,854	65,566,445
Old Mutual Investment Group	53,467,809	43,089,740
Ninety One Limited	134,810,255	122,993,861
Truffle Asset Management	52,080,129	-
	420,401,717	406,402,962

A register of investments is available for inspection at the registered office of the Scheme.

3. TRADE AND OTHER RECEIVABLES		RESTATED*
Financial assets at amortised cost	118,373	244,633
Interest receivable	118,373	244,633
Non-financial assets	50,571	115,568
Prepaid expenses	11,760	11,760
Personal medical savings account advances	38,811	103,808
	168,944	360,201

The carrying amounts of trade and other receivables approximate their fair values due to the short term maturities of these assets. The Scheme has assessed the IFRS9 expected credit losses impact on other receivables and concludes that there is no material impact.

* The 2022 comparatives have been restated as a result of changes in significant accounting policies due to the adoption of IFRS 17. Refer to Note 1.1 on standards that are effective on or after 1 January 2023.

4. SCHEME CASH AND CASH EQUIVALENTS		
Money market investments	99,717,506	126,655,359
Current account	24,499,402	28,572,522
	124,216,908	155,227,881

The effective interest rate on cash and cash equivalents was 6.29% (2022: 5.04%). These deposits have an average maturity of less than 30 days. Cash and cash equivalents are carried at fair value. The total interest earned on the current account and money market instruments was R9 730 628 (2022: R10 573 964), which is included in investment income in the statement of comprehensive income.

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

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

5. PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY *Managed by the Scheme on behalf of its members*	2023 R	2022 R
Balance of personal medical savings account liability at the beginning of the year	99,040,854	97,567,252
Less: Prior year advances on personal medical savings account	(103,808)	(82,462)
Adjusted balance on personal medical savings account at the beginning of the year	98,937,046	97,484,790
Savings account contributions received or receivable (note 9)	65,119,682	66,461,367
Interest earned on monies invested	8,606,614	5,926,210
Less:		
Claims paid out of savings (note 10)	(65,442,043)	(66,056,981)
Refunds on death or resignation in terms of Regulation 10(4)	(17,550,238)	(4,878,340)
Add:		
Advance on personal medical savings account (note 3)	38,811	103,808
Balance on personal medical savings account at the end of the year	89,709,872	99,040,854

In accordance with the rules of the Scheme, the personal medical savings account is underwritten by the Scheme.

Per the rules of the Scheme, interest on personal medical savings accounts only accrues to members on a monthly basis on positive balances existing at that date.

The personal medical savings account contains a demand feature in terms of Regulation 10 of the Act which requires that any credit balance on a member's personal medical savings account must be taken as a cash benefit when the member terminates his or her membership of the Scheme, and then registers on another medical scheme without a personal medical savings account or does not register on another medical scheme.

It is estimated that claims that are to be paid out of members' personal medical savings accounts in respect of claims incurred in 2023 but not yet reported will amount to R1 092 286 (2022: R2 551 076) (note 10).

As from December 2012 the Scheme had ring-fenced the investment of the personal medical savings account funds in a separate Ninety One Plc. Stable Money Fund. As from 1 January 2013 effective interest earned on the investment has been allocated on a member level. Advances on personal medical savings accounts are funded by the Scheme and are included in insurance receivables. The Scheme does not charge interest on advances on personal medical savings accounts.

As at year-end the carrying amount of the members' personal medical savings accounts were deemed to be equal to their fair values, which is of a short- term nature. The personal medical savings accounts were invested on behalf of members, as disclosed in note 6. The difference between the investment and the liability is due to timing differences.

Due to the implementation of IFRS 17, the Personal Medical Savings Account Liability - Managed by the Scheme on behalf of its Members is now included in the Liability for Incurred Claims balance in note 8 - Insurance Contract Liability.

6. CASH AND CASH EQUIVALENTS - PERSONAL MEDICAL SAVINGS ACCOUNT TRUST INVESTMENT

	2023 R	2022 R
Ninety One Plc. Stable Money Fund	89,865,896	100,151,436

The personal medical savings account monies were invested on behalf of the members in a market linked policy. The effective interest rate on the personal medical savings accounts was 8.01% (2022: 5.28%). The total interest earned was R8 606 614 (2022: R5 926 210). The investment is aligned in the following month after the month-end claims run has occurred and when interest earned for the month has been received. The monies are immediately available on request from the Scheme.

7. TRADE AND OTHER PAYABLES *Financial liabilities*	2023 R	RESTATED* 2022 R
Accrued expenses	56,603	25,840
Accrual for audit fees	608,488	556,600
	665,091	**582,440**

The carrying amounts of financial liabilities approximate their fair values due to the short-term maturities of these liabilities.

* The 2022 comparatives have been restated as a result of changes in significant accounting policies due to the adoption of IFRS 17. Refer to Note 1.1 on standards that are effective on or after 1 January 2023.

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

8. ANALYSIS OF INSURANCE CONTRACT LIABILITIES

	2023 R	2022 R
8.1 INSURANCE CONTRACT LIABILITY - LIABILITY TO FUTURE MEMBERS		
Opening balance	538,562,030	558,046,043
Movement in insurance contract liability attributable to future members	(5,296,930)	(19,484,013)
Closing balance	533,265,100	538,562,030

8.2 INSURANCE CONTRACT LIABILITY

	Liability for Remaining Coverage R	Liability for Incurred Claims R	2023 Total R
Opening assets	(1,669,565)	(176,421)	(1,845,986)
Opening liabilities	-	124,923,996	124,923,996
Net opening balance	**(1,669,565)**	**124,747,575**	**123,078,010**
Insurance revenue	(281,852,041)	-	(281,852,041)
Insurance service expenses			
Incurred claims and other insurance service expenses	-	325,985,279	325,985,279
Insurance service result	**(281,852,041)**	**325,985,279**	**44,133,238**
Net finance expense from insurance contracts	-	8,606,614	8,606,614
Total changes in the statement of profit or loss and OCI	(281,852,041)	334,591,893	52,739,852
Cash flows			
Premiums received	282,050,762	65,119,682	347,170,444
Savings plan refunds	-	(17,550,238)	(17,550,238)
Incurred claims and other insurance service expenses paid	-	(404,533,412)	(404,533,412)
Total cash flows	**282,050,762**	**(356,963,968)**	**(74,913,206)**
Closing assets	(1,470,844)	(781,491)	(2,252,335)
Closing liabilities	-	103,156,991	103,156,991
Net closing balance	**(1,470,844)**	**102,375,500**	**100,904,656**

Closing assets	
Contributions receivable	(1,470,844)
Member and provider debt	(781,491)
	(2,252,335)
Closing liabilities	
Outstanding claims provision (note 10)	10,845,028
Personal Medical Savings Account Liability (PMSA) (note 5)	89,709,872
Insurance payables - due to members and providers	2,602,091
	103,156,991
Total Insurance contract liability	**100,904,656**

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

8.2 ANALYSIS OF INSURANCE LIABILITIES

	Liability for Remaining Coverage	Liability for Incurred Claims	2022 Total
	R	R	R
Opening assets	(317,912)	(55,517)	(373,429)
Opening liabilities	-	123,917,295	123,917,295
Net opening balance	**(317,912)**	**123,861,778**	**123,543,866**
Insurance revenue	(285,815,271)	-	(285,815,271)
Insurance service expenses			
Incurred claims and other insurance service expenses	-	327,524,777	327,524,777
Insurance service result	**(285,815,271)**	**327,524,777**	**41,709,506**
Net finance expense from insurance contracts	-	5,926,210	5,926,210
Total changes in the statement of profit or loss and OCI	(285,815,271)	333,450,987	47,635,716
Cash flows			
Premiums received	284,463,618	66,461,367	350,924,985
Savings plan refunds	-	(4,878,340)	(4,878,340)
Incurred claims and other insurance service expenses paid	-	(393,971,796)	(393,971,796)
Total cash flows	**284,463,618**	**(332,388,769)**	**(47,925,151)**
Closing assets	(1,669,565)	(160,509)	(1,830,074)
Closing liabilities	-	125,084,505	125,084,505
Net closing balance	**(1,669,565)**	**124,923,996**	**123,254,431**

Closing assets	
Contributions receivable	(1,669,565)
Member and provider debt	(160,509)
	(1,830,074)
Closing liabilities	
Outstanding claims provision (note 10)	9,363,047
Personal Medical Savings Account Liability (PMSA) (note 5)	99,040,854
Insurance payables - due to members and providers	16,680,604
	125,084,505
Total Insurance contract liability	**123,254,431**

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

9. REINSURANCE CONTRACT ASSETS

	R Asset for Remaining Coverage	R Assets for Incurred Claims	2023 R Total
Net opening balance	-	256,421	256,421
Net income/(expenses) from reinsurance contract held			
Reinsurance premiums	20,692,808	-	20,692,808
Recoveries for incurred claims and other insurance services expenses	-	(25,423,843)	(25,423,843)
Adjustment of asset for incurred claims	-	(75,039)	(75,039)
Total changes in the statement of profit or loss and OCI	20,692,808	(25,498,882)	(4,806,074)
Cash flows			
Premiums paid	(20,692,808)	-	(20,692,808)
Amounts received	-	25,423,843	25,423,843
Total cash flows	(20,692,808)	25,423,843	4,731,035
Net closing balance	-	181,382	181,382

	R Asset for Remaining Coverage	R Assets for Incurred Claims	2022 R Total
Net opening balance	-	303,015	303,015
Net income/(expenses) from reinsurance contract held			
Reinsurance premiums	20,100,234	-	20,100,234
Recoveries for incurred claims and other insurance services expenses	-	(26,772,025)	(26,772,025)
Adjustment of asset for incurred claims	-	(46,594)	(46,594)
Total changes in the statement of profit or loss and OCI	20,100,234	(26,818,619)	(6,718,385)
Cash flows			
Premiums paid	(20,100,234)	-	(20,100,234)
Amounts received	-	26,772,025	26,772,025
Total cash flows	(20,100,234)	26,772,025	6,671,791
Net closing balance	-	256,421	256,421

The Scheme entered into a risk transfer arrangement with the Centre for Diabetes & Endocrinology (Pty) Ltd (CDE). In terms of the arrangement, CDE provides a comprehensive program for members on the Plus option of the Scheme with Diabetes at a fixed monthly rate per beneficiary on the program.

A risk transfer arrangement was entered with ER24. In terms of the arrangement, ER24 provides ambulance services to the beneficiaries of the Scheme at a fixed rate per member per month.

The Scheme also entered into a risk transfer arrangement with Momentum Health Solutions (Pty) Ltd (MHS). In terms of the arrangement, MHS provides defined primary care services for the Primary Option at a fixed rate per beneficiary per month.

10. OUTSTANDINGS CLAIMS PROVISION

	Risk Adjustment	Outstanding claims provision
2023	**R**	**R**
Analysis of movements in outstanding claims		
Balance at beginning of year	404,375	8,958,672
Payments in respect of prior year	-	(8,882,810)
Over provision in respect of prior year	404,375	75,862
Adjustment for current year	(52,090)	10,416,881
Balance at end of year	352,285	10,492,743
Total outstanding claims provision		**10,845,028**
2022		
Analysis of movements in outstanding claims		
Balance at beginning of year	324,972	10,318,399
Payments in respect of prior year	-	(9,019,950)
Over provision in respect of prior year	324,972	1,298,449
Adjustment for current year	79,403	7,660,223
Balance at end of year	404,375	8,958,672
Total outstanding claims provision		**9,363,047**

Analysis of liability for incurred claims	**2023 R**	**2022 R**
Outstanding claims provision	11,585,029	11,509,748
Less: Estimated recoveries from personal medical savings account (note 5)	(1,092,286)	(2,551,076)
Risk Adjustment	352,285	404,375
	10,845,028	9,363,047

The outstanding claims provision (also referred to as claims incurred but not reported (IBNR)) is determined according to the following assumptions and methodologies:

Assumptions and sensitivities

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

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

10. OUTSTANDING CLAIMS PROVISION (continued)

Assumptions and sensitivities (continued)

The cost of outstanding claims is estimated using statistical methods. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each benefit year based upon observed development of earlier years and expected loss ratios. Run-off triangles are used in situations where it takes time after the treatment date until the full extent of the claims to be paid is known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in the known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

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

- changes in processes that affect the development/recording of claims paid and incurred (such as changes in claim reserving procedures);
- economic, legal, political and social trends (resulting in different than expected levels of inflation and/or minimum medical benefits to be provided);
- changes in composition of membership and their dependents; and
- random fluctuations, including the impact of large losses.

Sensitivity of liability for incurred claims

The table outlines the sensitivity of these percentages, and the impact on the Scheme's liabilities if an incorrect assumption is used.

Other assumptions

- The actual demographics of the Scheme were used including all membership movements for the period;
- The effect of ageing of the population on the utilisation of health services is automatically incorporated; and
- Utilisation escalation incorporates the impact of HIV/AIDS.

The impact of the sensitivity of a change in the assumed claims outstanding assumption, resulting in an increase in the provision, is set out below:

	2023 R	2022 R
Effect of a 1% increase	966,530	1,102,599
Effect of a 2% increase	1,958,711	2,228,538
Effect of a 3% increase	2,977,660	3,378,492

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

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

11. INSURANCE REVENUE

	2023 R	2022 R
Gross insurance revenue per registered rules	346,971,723	352,276,638
Less: Personal medical savings revenue received (note 5)	(65,119,682)	(66,461,367)
Insurance revenue per statement of comprehensive income	281,852,041	285,815,271

The savings revenue are received by the Scheme in terms of Regulation 10(1) and the Scheme's registered Rules. Refer to note 5 to the financial statements for more detail on how these monies were utilised.

12. RISK CLAIMS INCURRED

	2023 R	2022 R
Claims incurred excluding claims incurred in respect of risk transfer arrangements		
Current year claims per registered rules	330,986,479	328,236,407
Movement in liability for incurred claims	10,492,743	8,958,672
Over provision in the prior year (note 10)	75,862	1,298,449
Adjustment for current year (note 10)	10,416,881	7,660,223
	341,479,222	337,195,079
Less:		
Claims paid from personal medical savings accounts (note 5)	(65,442,043)	(66,056,981)
Risk claims incurred	276,037,179	271,138,098

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

13. ACCREDITED MANAGED HEALTHCARE SERVICES	2023 R	2022 R
Active disease risk management services	1,515,150	4,390,859
Hospital benefit management services	5,612,405	2,870,381
Managed care network management services and risk management	325,098	817,391
Pharmacy benefit management services	752,092	2,013,141
Accredited management healthcare services	8,204,745	10,091,772

14. ATTRIBUTABLE EXPENSES INCURRED	2023 R	2022 R
Actuarial fees	3,149,298	3,149,298
Administration fees paid in respect of accredited services:	12,357,528	15,487,805
Administration services	12,153,048	15,277,814
Benefit management services	204,480	209,991
Member communication	333,213	428,594
Third party claims recovery administration fees	479,473	457,185
	16,319,512	19,522,882

14.1 OTHER OPERATING EXPENSES

Audit fees - external	737,610	690,000
Audit fees - internal	351,101	349,332
Bank charges	26,178	21,679
BHF Levies	82,083	91,360
Compensation		
- Chairperson	72,000	12,000
- Medical advisor	992,256	945,036
- Principal Officer	887,755	-
Compliance and governance compliance services rendered	1,909,710	2,330,661
Investment consulting fees	231,486	156,990
Council for Medical Schemes levies	322,577	307,725
Fidelity guarantee insurance premium	70,561	70,561
Fraud investigation services	635,091	826,014
Health Funders Association	19,119	-
Printing	37,919	66,110
Seminar	14,513	-
Sundry expense	1,288	702
Telephone and postage	96,176	100,325
Travel & Accomodation - local	5,266	-
	6,492,689	5,968,495

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

		2023 R	2022 R
15.	**INVESTMENT INCOME**		
	Interest and dividend income		
	Interest on financial assets at fair value through profit or loss	490,313	180,266
	Dividends on financial assets at fair value through profit or loss	4,989,107	5,106,909
	Interest on cash and cash equivalents	17,883,440	12,525,054
	Interest on personal medical savings account trust investment	8,606,614	5,926,210
		31,969,474	23,738,439
	Realised income on financial assets		
	Realised income on investments at fair value through profit or loss	14,593,351	4,135,341
	Realised income on investments at amortised cost	7,195,374	22,542,634
		21,788,725	26,677,975
	Unrealised (loss)/income on financial assets		
	Unrealised income on investments at fair value through profit or loss	4,662,514	797,678
	Unrealised loss on investments at amortised cost	(6,906,982)	(22,768,815)
		(2,244,468)	(21,971,137)
	TOTAL INVESTMENT INCOME	51,513,731	28,445,277
16	**SUNDRY INCOME**		
	Asset managers performanace fees - rebate	435,731	-
	Write back of prescribed balances	237,954	351,477
		673,685	351,477

17 RELATED PARTY DISCLOSURES

Parties with significant influence over the Scheme

Momentum Health Solutions (Pty) Ltd (MHS) has significant influence over the Scheme, as it provides financial and operational information on which policy decisions are based, but does not control the Scheme. MHS provides administration services, managed care services and risk transfer arrangements to the Scheme.

NMG Consultants and Actuaries (Pty) Ltd (NMG) has significant influence over the Scheme, as they provide operational information on which policy decisions are based, but do not control the Scheme. NMG provides consulting and actuarial services.

Willis Towers Watson Actuaries and Consultants (Pty) Ltd (WTW) has significant influence over the Scheme, as they provide operational information on which policy decisions are based, but do not control the Scheme. WTW provides investment consulting services.

Pick n Pay Employer Group has significant influence over the Scheme, as they can appoint 50% of the Board of Trustees.

These entities do not have significant influence for the purposes of accounting for associates under IFRS.

17. RELATED PARTY DISCLOSURES (continued)

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 Scheme. Key management personnel include the Board of Trustees, the Principal Officer and members of the executive committee. The full-time personnel that are compensated on a salary basis and part-time personnel that are compensated on a fee basis, where applicable.

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

Transactions and balances with related parties and parties with significant influence over the Scheme

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

	2023	2022
Statement of comprehensive income	**R**	**R**
Administration fees paid (MHS)	16,066,116	19,879,591
Insurance revenue received (key management personnel)	816,964	912,283
Claims incurred (key management personnel)	1,511,920	1,955,887
Interest paid on personal medical savings account (key management personnel)	20,131	12,433
Compensation (key management personnel)		
- Chairperson	72,000	12,000
- Medical advisor	992,256	945,036
- Principal Officer	887,755	-
Risk transfer arrangement fee and Managed Care fee (MHS)	11,028,760	7,883,485
Actuarial fees(NMG)	3,149,298	3,149,298
Investment consulting fee (WTW)	231,486	156,990
Statement of financial position		
Insurance Contract Liability - Personal medical savings account liability (key management personnel)	270,878	226,331

The terms and conditions of the related party transactions and transactions with those who have significant influence over the Scheme were as follows:

Insurance revenue received (key management personnel)
This constitutes the insurance revenue paid by the related parties as members of the Scheme, in their individual capacities. All insurance revenue were at the same terms as applicable to third parties.

Claims incurred (key management personnel)
This constitutes amounts claimed by the related parties, in their individual capacities as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to third parties.

Compensation (key management personnel)
This constitutes payments to the Scheme's Chairperson, Principal Officer and Medical Advisor in terms of the contract with the Scheme. The Trustees are not remunerated by the Scheme.

17. RELATED PARTY DISCLOSURES (continued)

The terms and conditions of the related party transactions and transactions with those whom have significant influence over the Scheme were as follows: (continued)

Administration fees

The administration agreement with MHS is in terms of the rules of the Scheme 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 90 days notice. The outstanding balance bears no interest and is due within 30 days.

Risk transfer arrangement

The risk transfer agreement with MHS is 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 one month's notice. The outstanding balance bears no interest and is due within 30 days.

Personal medical savings account balances and related interest

The amounts owing to the related parties relate to personal medical savings account balances which are held and managed on their behalf. In line with the terms applied to third parties, the balances earn interest at the effective interest rate which accrues to members. The amounts are all current, and are payable on demand should an appropriate claim be issued, or the member exit the Scheme.

Actuarial fees

The agreement with NMG is 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. The outstanding balance bears no interest and is due within 30 days.

Investment consulting fees

The agreement with Wills Towers Watson is 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 a months notice. The outstanding balance bears no interest and is due within 30 days.

18. CONTINGENT ASSET

At 31 December 2023 the Scheme had pending motor vehicle accident recoveries submitted to the Road Accident Fund (RAF) for assessment. These recoveries will only be accounted for when an amount is virtually certain to be received from the RAF. The value of pending claims at year-end amounted to R13 526 031 (2022: R6 419 444).

19. CONTINGENT LIABILITIES

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees, suretyships or alike at 31 December 2023 (2022: nil).

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

20. FINANCIAL RISK MANAGEMENT

The following summary represents the fair value and carrying amounts of the different financial assets held by the Scheme which are exposed to the financial risks discussed below:

2023

Financial assets and liabilities by category for:	Financial assets at fair value through profit or loss	Financial assets at amortised cost
	R	R
Financial assets at fair value through profit or loss	420,401,717	-
Trade and other receivables	-	168,944
Trade and other payables	-	665,091
Scheme cash and cash equivalents	-	124,216,908
Reinsurance contract assets	-	181,382
Personal medical savings account investment	89,865,896	-

RESTATED*

2022

Financial assets and liabilities by category for:	Financial assets at fair value through profit or loss	Financial assets at amortised cost
	R	R
Financial assets at fair value through profit or loss	406,402,962	-
Trade and other receivables	-	360,201
Trade and other payables	-	582,440
Scheme cash and cash equivalents	-	155,227,881
Reinsurance contract assets	-	256,421
Personal medical savings account investment	100,151,436	-

* The 2022 comparatives have been restated as a result of changes in significant accounting policies due to the adoption of IFRS 17. Refer to Note 1.1 on standards that are effective on or after 1 January 2023.

The Scheme is exposed to a range of financial risks through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that the Scheme's investment performance is not sufficient to maintain the solvency ratio. The most significant components of this financial risk are interest rate risk, equity price risk and credit risk.

These risks arise from open positions in interest rate and equity risk products, both of which are exposed to general and specific market movements.

Financial risk management strategy and policy

The Board of Trustees appointed an investment committee to focus on the Scheme's investment strategy, risk management and asset allocation. Risk management and investment decisions are made under the guidance and policies approved by the Board of Trustees. The risk and audit and investment committees assist the board with the formulating of these policies.

The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligations to its members.

The Scheme appointed professional asset management companies with proven track records to manage the Scheme's investment portfolios.

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

20. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

At year end 33.74% (2022: 38.59%) of the Scheme's assets were invested in cash and cash equivalent investments to ensure that the Scheme can meet its short-term commitments. The table below illustrates the liquidity position of the Scheme:

At 31 December 2023

Category	*Less than 1 month*	*Between 2 and 3 months*	*Between 4 months and 1 year*	*Total*
	R	*R*	*R*	*R*
Insurance contract liability	5,830,309	4,122,174	90,952,173	100,904,656
Trade and other payables	665,091	-	-	665,091
	6,495,400	4,122,174	90,952,173	101,569,747
Cash and cash equivalents	214,082,804	-	-	214,082,804
Excess liquidity				112,513,057

At 31 December 2022

Category	*Less than 1 month*	*Between 2 and 3 months*	*Between 3 months and 1 year*	*Total*
	R	*R*	*R*	*R*
Insurance contract liability	24,605,426	2,285,054	96,363,951	123,254,431
Trade and other payables	582,440	-	-	582,440
	25,187,866	2,285,054	96,363,951	123,836,871
Cash and cash equivalents	255,379,317	-	-	255,379,317
Excess liquidity				131,542,446

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

20. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

The Scheme's credit risk arises from the risk that its primary debtors will default on their debt by failing to make payments of principal and interest, which they are obligated to make. Key areas where the Scheme is exposed to credit risk are:
- amounts due from members and service providers; and
- interest due from financial institutions.

Cash and cash equivalents are invested only with high credit-quality financial institutions. The Scheme invests in pooled investment vehicles with reputable institutions. The investments are highly liquid and can be disinvested as required. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution.

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

At 31 December 2023

Class	*Not past due*	*Past due, not impaired*	*Past due and impaired*	*Total*
	R	*R*	*R*	*R*
Insurance receivables	2,036,641	254,505	1,880,038	4,171,184
Trade and other receivables	118,373	-	-	118,373

The increase in the current year "past due and impaired" value is due to members retiring and resigning from the Scheme.

At 31 December 2022

Class	*Not past due*	*Past due, not impaired*	*Past due and impaired*	*Total*
	R	*R*	*R*	*R*
Insurance receivables	1,802,259	131,623	304,281	2,238,163
Trade and other receivables	244,633	-	-	244,633

As at 31 December 2023 there were receivables that were past due and not yet impaired. There are no indications at the reporting date that these debtors will not meet their payment obligations.

Management information reported to the Scheme includes details of provisions for impairment on receivables, and subsequent write-offs. The table below provides an analysis of the receivables that were impaired:

Class	**2023**	**2022**
	R	**R**
Insurance receivables	1,880,038	304,281

The amounts presented in the insurance contract liability in the statement of financial position are net of impairment of receivables as an indicator of best estimate cash flows, estimated by the Scheme's management based on prior experience and the current economic environment.

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

20. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The credit risk on cash and cash equivalents is limited because the counterparties are reputable financial institutions with high credit ratings.

Fitch Long Term Rating

Financial institution	2023 R	2022 R	Credit Rating 2023	Credit Rating 2022
Ninety One Plc.	92,224,726	148,881,609	AA+	AA+
Coronation Medical Aid Cash	97,358,676	-	AA+	
Coronation Fund Managers	-	77,925,186	-	AA+
	189,583,402	226,806,795		

Fitch National Rating

Financial institution	2023 R	2022 R	Credit Rating 2023	Credit Rating 2022
Standard Bank	24,499,402	28,572,522	AA+	AA+
Total Cash and Cash Equivalent	**214,082,804**			

The Scheme has no significant concentration of credit risk, with exposure spread over a large number of counterparties and members.

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset, where a legally enforceable right exists.

Market risk

The Scheme has exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks: interest rate risk and price risk which includes equity price risk.

20. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

Interest rate risk

The Scheme is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate placings.

The tables below summarises the Scheme's exposure to interest rate risks. Included in the tables are the Scheme's investments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

At 31 December 2023	*Up to 1 month*	*1 - 3 months*	*3 -12 months*	*1 - 5 years*	*Total*
	R	*R*	*R*	*R*	*R*
Money market investments	189,583,402	-	-	-	189,583,402
Current account	24,499,402	-	-	-	24,499,402
	214,082,804	-	-	-	214,082,804

At 31 December 2022	*Up to 1 month*	*1 - 3 months*	*3 -12 months*	*1 - 5 years*	*Total*
	R	*R*	*R*	*R*	*R*
Money market investments	226,806,795	-	-	-	226,806,795
Current account	28,572,522	-	-	-	28,572,522
	255,379,317	-	-	-	255,379,317

Sensitivity analysis

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

A change in 100 basis points in interest yields would result in a change of interest earned of R2 309 041 (2022: R2 996 319).

This sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated, for example the effect of interest rates on the equity market.

Management monitors the reported interest rate movements on a monthly basis.

Equity price risk

The Scheme is exposed to equity price risk as it indirectly invests funds in equities via collective investment schemes and market linked policies. The Scheme's equity portfolios are held as long-term investments, and the funds invested in these portfolios are not needed in the short or medium-term. This mitigates the risk for short-term fluctuations in the equity market. The Scheme appointed reputable asset managers with good track records in terms of performance.

Sensitivity analysis

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

A change of 5% in the JSE all share index would result in a change in members funds of R20 592 372 (2022: R16 576 228). This full amount would be recognised in the statement of comprehensive income, but will not affect the Scheme's solvency ratio. The Scheme's sensitivity to equity prices has not changed significantly from the prior year.

This sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated, for example the effect of interest rates on the equity market.

Management monitors the equity portfolio movements on a monthly basis, and the investment committee has regular meetings to review the Scheme's strategy and asset allocation. The Scheme uses the services of independent investment advisors to assist them in this function.

20. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation

The fair value of financial assets at fair value through profit or loss investments is based on quoted published prices at the reporting date. The financial instruments noted below, while valued on quoted prices, are not sufficiently actively traded to be classified as level 1 financial instruments.

The tables below illustrates the fair values of financial assets by hierarchy level.

Management assessed that the fair values of cash and short-term deposits, trade and other receivables, trade and other payables and other current liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- The fair value of unquoted instruments and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates.
- The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Scheme for similar financial instruments.

At 31 December 2023	*Level 1*	*Level 2*	*Level 3*
	R	*R*	*R*
Financial assets at fair value through profit or loss			
Collective investment schemes	-	52,253,497	-
Market linked policies	-	233,337,965	-
Directly held investments			
- Cash equivalents	4,802,056	-	-
- Listed Equity/ETF	50,038,392	-	-
- Listed Bonds	70,439,272	-	-
- Money Market Instruments	-	9,530,535	-

At 31 December 2022	*Level 1*	*Level 2*	*Level 3*
	R	*R*	*R*
Financial assets at fair value through profit or loss			
Collective investment schemes	-	118,655,449	-
Market linked policies	-	287,747,513	-

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. Included in Level 1 are directly held listed equity, bonds and cash for trading and settlement accounts which are all measured based on active market prices.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices inactive markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. Included in Level 2 are Money Market Instruments, Collective Investment Schemes and Market linked insurance policies as they are valued based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. The Scheme holds no Level 3 instruments.

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

20. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management

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

The Scheme's objective is to manage its capital in such a way that the annual contribution increase to members is minimised and as far as possible in line with the participating employer's salary increases, and to remain a going concern.

The accumulated funds ratio was 132.2% at 31 December 2023 and 131.1% at 31 December 2022. The accumulated funds ratio above compares favourably to the minimum prescribed accumulated funds ratio of 25%.

Unconsolidated investment structures

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

The Scheme has investments in certain market linked policies and collective investment schemes as listed in the table below. The Scheme's maximum exposure to loss from its interests in the portfolios is limited to the total fair value of its investments in the portfolios.

	At 31 December 2023			At 31 December 2022		
Portfolio	**Net asset value of portfolio (NAV)**	**Fair value of Scheme investments**	**% of net assets attributable to Scheme investments**	**Net asset value of portfolio (NAV)**	**Fair value of Scheme investments**	**% of net assets attributable to Scheme investments**
Abax Investments (Pty) Ltd	6,332,688,116	52,253,497	0.83%	6,987,875,418	78,244,924	1.12%
Allan Gray Life Limited	3,640,183,943	55,760,173	1.53%	3,642,339,905	56,097,466	1.54%
Coronation Fund Managers Ltd - Strategic Bond Fund	254,324,442	72,029,854	28.32%	231,129,621	65,566,445	28.37%
Coronation Fund Managers Ltd - Money Market	-	-	-	183,209,658	77,925,186	42.53%
Ninety One Plc - Corporate	21,060,772,023	2,358,830	0.01%	24,324,828,170	30,042,344	0.12%
Ninety One Plc - Money Market	-	-	-	1,675,219,648	18,686,004	1.12%
Old Mutual Investment Group	1,038,121,449	53,467,809	5.15%	904,281,188	43,089,740	4.77%
Truffle Asset Management	5,177,053,088	52,080,129	1.01%	-	-	-
Visio Capital Management (Pty) Ltd	-	-	-	859,819,850	40,410,526	4.70%

During the reporting period the Scheme had no contractual obligation nor did it have any intention to provide financial or other support to an unconsolidated structured entity.

21. INSURANCE RISK MANAGEMENT

NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS

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

Insurance risk - description of benefit option

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

- In-hospital benefits cover all cost incurred by members according to the Scheme's rules whilst they are in hospital to receive pre-authorised treatment for certain medical conditions.
- Chronic benefits cover the cost of certain prescribed medicines, consultations and procedures consumed by members for chronic conditions, such as high blood pressure, cholesterol and asthma.
- Prescribed minimum benefits are covered in full.

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Scheme 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 Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and investment activities.

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation, case management and service provider profiling. These methods for mitigating insurance risk are reviewed annually and amended for changes in the Act and/or changes in the Scheme's ability to accept insurance risk.

The Board of Trustees frequently assess the necessity to enter into risk transfer arrangements, with the assistance of the Scheme's actuarial consultants.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. The Scheme analyses the distribution of claims per category of claims, number of beneficiaries per age group and the geographic distribution of members.

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.

Risk transfer arrangements and risk in terms of such arrangements

The Scheme reinsures a portion of the risks it underwrites in order to control its exposure to losses and protect capital resources. The Scheme entered into risk transfer arrangements with the Centre for Diabetes & Endocrinology, ER24 and Momentum Health Solutions (for the Primary option). The risk transfer arrangements are, in-substance, the same as a non-proportional reinsurance treaty.

According to the terms of the risk transfer arrangements, the third parties agree to reimburse the ceded amount in the event the claim is paid. According to the terms of the risk transfer agreements, the suppliers provide certain benefits to all registered Scheme beneficiaries. The Scheme does, however, remain liable to its members with respect to ceded insurance if any re-insurer (or supplier) fails to meet the obligations it assumes.

When selecting a re-insurer (or supplier) the Scheme considers their relative security. The financial security or stability of the reinsurer (or supplier) is assessed from public rating information and from internal investigations.

21. INSURANCE RISK MANAGEMENT (continued)

Frequency and severity of claims

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

Source of uncertainty in the estimation of future claims payments

The Scheme reviews Scheme benefits on an annual basis 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 most claims are lodged soon after year-end before the four month expiration of claims period comes into effect.

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

The strategy is set out in the annual review, which specifies the benefits to be provided.

The Scheme has the right to change the terms and conditions of the contract at any time with sufficient notice, with approval of the Registrar. Management information, including contribution income and claims ratios, target market and demographic split, is reviewed monthly.

Concentration of insurance risk

The following table summarises the concentration of insurance risk, with reference to number of the beneficiaries by age group at year end.

2023

Age grouping (in years)	Number of beneficiaries
0 - 24	4,820
25 - 34	1,302
35 - 44	2,549
45 - 54	2,082
55 - 64	851
65+	675
Total	12,279

2022

Age grouping (in years)	Number of beneficiaries
0 - 24	5,793
25 - 34	1,513
35 - 44	3,054
45 - 54	2,363
55 - 64	980
65+	672
Total	14,375

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

21. INSURANCE RISK MANAGEMENT (continued)

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

2023

Age grouping (in years)	Specialists	General Practitioners	Dentistry	Hospital	Optometry	Support Health Services	Medicines	Total
	R	R	R	R	R	R	R	R
00 - 24	11,717,100	1,528,064	1,367,413	24,348,344	271,499	2,123,938	1,940,828	43,297,186
25 - 34	4,931,328	673,606	475,568	7,574,326	139,528	1,668,739	799,415	16,262,510
35 - 44	17,692,530	1,733,063	1,124,426	22,468,766	348,217	4,432,157	3,308,164	51,107,323
45 - 54	16,753,741	1,453,318	904,126	23,088,363	407,524	4,982,916	6,214,931	53,804,919
55 - 64	14,097,644	822,054	464,054	16,883,305	164,482	3,529,400	4,524,085	40,485,024
65+	19,705,107	891,529	368,067	25,774,752	77,496	5,575,361	8,562,683	60,954,995
Total	84,897,450	7,101,634	4,703,654	120,137,856	1,408,746	22,312,511	25,350,106	265,911,957
Outstanding claims provision - write back of prior year over provision								75,862
Outstanding claims provision - current year								10,845,028
								276,832,847

2022

Age grouping (in years)	Specialists	General Practitioners	Dentistry	Hospital	Optometry	Support Health Services	Medicines	Total
	R	R	R	R	R	R	R	R
00 - 24	10,259,948	1,846,661	1,334,191	19,095,294	270,096	1,854,503	1,791,591	36,452,284
25 - 34	7,216,802	935,310	578,108	10,955,468	135,623	1,987,515	1,336,810	23,145,636
35 - 44	15,611,804	1,710,971	1,013,279	21,989,245	316,512	4,036,665	3,438,737	48,117,213
45 - 54	19,379,378	1,518,694	770,138	27,106,293	332,098	5,880,406	6,137,142	61,124,149
55 - 64	14,306,139	872,102	463,151	19,466,254	155,653	4,152,388	4,123,788	43,539,475
65+	16,666,065	870,578	321,435	21,402,680	79,853	3,650,798	8,226,980	51,218,389
Total	83,440,136	7,754,316	4,480,302	120,015,234	1,289,835	21,562,275	25,055,048	263,597,146
Outstanding claims provision - write back of prior year over provision								1,298,449
Outstanding claims provision - current year								9,215,093
								274,110,688

The strategy is reviewed annually, and specifies the benefits to be provided as well as the contributions payable.

22. SUBSEQUENT EVENTS

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

23. NON-COMPLIANCE MATTERS

Contraventions for which exemption was applied for from the Council for Medical Schemes

23.1 Contravention of Section 35(8)(a) and Section 35(8)(c)

Nature and impact
The Scheme holds an indirect investment in the participating employer via investments placed with Allan Gray, Coronation and Old Mutual. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

The Scheme holds an indirect investment in Momentum Metropolitan Holdings Limited and Discovery Limited, via investment placed with Allan Gray, Coronation and Old Mutual. This is in contravention of Section 35(8)(c) of the Act, as the Scheme is not allowed to hold shares in the holding company of an administrator.

Causes of the non-compliance
The holding of these shares in the portfolio is incidental, as the Scheme does not have control over the underlying assets in the portfolio.

Corrective course of action
The Council for Medical Schemes granted the Scheme an exemption until 30 November 2025.

Contraventions for which exemption was not applied for from the Council for Medical Schemes

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

Nature and Impact
In terms of section 26(7) of the Act, contributions should be received at the latest 3 days after it is due. An amount of R49 355 (2022: R29 006) was still outstanding by more than 3 days after it was due, as at 31 December 2023.

Causes of the non-compliance
The non-compliance relates to several instances during the year when contributions, mostly due to pensioner discrepancies, were received more than 3 days after the due date.

Corrective course of action
Management continues to communicate to all concerned parties, including individual members to emphasise the importance of prompt payment.

23.3 Non compliance with S33(2) of the Act - Option operating loss

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 will be financially sound. For the year ended 31 December 2023, the Plus option was in a loss position, thereby contravening Section 33(2) of the Act, the total insurance service result loss amounted to R 39 402 203. The Plus option experienced a net healthcare loss of R 42 774 487 as at 31 December 2023 (2022 loss: R 33 991 512).

Causes of the non-compliance
The operating deficit experienced by the Scheme was in line with the budget. Given the high solvency ratio of the Scheme the trustees budgeted for a deficit in 2023 utilising some of the accumulated funds to subsidise members' contribution increases and thereby limiting members' contribution increases.

Corrective course of action
The trustees continue to monitor the performance of the Scheme and they will make appropriate interventions during the annual benefit review process. As the solvency ratio at reporting date was 132.2% (2022: 131.1%), the Board of Trustees are comfortable that the Scheme would remain compliant with the minimum solvency ratio prescribed by the Medical Schemes Act.

24. FIDELITY COVER

The Scheme has a fidelity policy, placed through Marsh (Pty) Ltd, with Guardrisk Insurance Company (The insurer). The Scheme has a cover of R120 million in aggregate (2022: R120 Million) (Limited to R60 million on any one claim - 2022: R60 million) and extends to trustees, independent committee members, Principal Officer of the Scheme.

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

25. BREAKDOWN PER BENEFIT OPTION

2023	Plus R	Primary R	Total R
Insurance revenue	261,127,916	20,724,125	281,852,041
Insurance service expenses*	(308,108,901)	(17,876,378)	(325,985,279)
Claims incurred	(287,363,882)	(14,097,140)	(301,461,022)
Accredited management healthcare services	(7,594,370)	(610,375)	(8,204,745)
Attributable expenses incurred	(13,150,649)	(3,168,863)	(16,319,512)
Net expenses from risk transfer arrangement reinsurance	4,206,498	524,537	4,731,035
- Amount recovered from risk transfer arrangement reinsurance	19,161,249	6,262,594	25,423,843
- Amount allocation of premiums paid	(14,954,751)	(5,738,057)	(20,692,808)
Insurance service result	(42,774,487)	3,372,284	(39,402,203)
Other income	44,521,625	7,665,791	52,187,416
Investment income	43,909,231	7,604,500	51,513,731
Sundry income	612,394	61,291	673,685
Other expenditure	(17,761,876)	(320,267)	(18,082,143)
Administration fees and other insurance expenses	(6,364,960)	(127,729)	(6,492,689)
Asset management fees	(1,125,437)	(192,538)	(1,317,975)
Net finance expense from insurance contracts	(8,606,614)	-	(8,606,614)
Net impairment loss on healthcare receivables	(1,664,865)	-	(1,664,865)
Profit/(loss) for the year	**(16,014,738)**	**10,717,808**	**(5,296,930)**

* Insurance services expenses does not include Amount attributable to future members (as disclosed on the Statement of Comprehensive Income) due to the requirements as set out by the regulator to show Insurance Service result gross of this re-allocation.

2022	Plus R	Primary R	Total R
Insurance revenue	267,086,085	18,729,186	285,815,271
Insurance service expenses*	(306,639,681)	(20,885,096)	(327,524,777)
Claims incurred	(281,426,907)	(16,483,216)	(297,910,123)
Accredited management healthcare services	(8,883,667)	(1,208,105)	(10,091,772)
Attributable expenses incurred	(16,329,107)	(3,193,775)	(19,522,882)
Net expenses from risk transfer arrangement reinsurance	5,562,083	1,109,708	6,671,791
- Amount recovered from risk transfer arrangement reinsurance	20,398,752	6,373,273	26,772,025
- Amount allocation of premiums paid	(14,836,669)	(5,263,565)	(20,100,234)
Insurance service result	(33,991,513)	(1,046,202)	(35,037,715)
Other income	25,017,155	3,779,599	28,796,754
Investment income	24,665,678	3,779,599	28,445,277
Sundry income	351,477	-	351,477
Other expenditure	(13,017,447)	(225,605)	(13,243,052)
Administration fees and other insurance expenses	(5,913,840)	(54,655)	(5,968,495)
Asset management fees	(1,115,639)	(170,950)	(1,286,589)
Interest paid on savings plan liability	(5,926,210)	-	(5,926,210)
Net impairment loss on healthcare receivables	(61,758)	-	(61,758)
Profit/(loss) for the year	**(21,991,805)**	**2,507,792**	**(19,484,013)**