

NOTICE IS HEREBY GIVEN THAT THE 26th ANNUAL GENERAL MEETING OF



Medical scheme

WILL BE HELD ON THURSDAY, 7 JULY 2022 VIA A ZOOM CONFERENCE MEETING

The link to the virtual zoom meeting is:

<https://protect-za.mimecast.com/s/YXsuCRgBXJFvWJrIntPgFdh?domain=picknpay.zoom.us>

AGENDA

1. Notice convening the Annual General Meeting
2. Minutes of the Annual General Meeting held on Thursday, 8 July 2021
3. Annual Report of the Chairperson of the Board of Trustees for the year ended 31 December 2021
4. Adoption of the annual financial statements for the year ended 31 December 2021
5. Confirmation of the Disputes Committee
The Disputes Committee comprises:
 - Ms M Magnussen
 - Ms C Hoffman
 - Mr M Marsden
6. To note the appointment of the external auditor for the ensuing year:
Ernst & Young
7. Any other business of which due notice has been given on or before Thursday, 7 July 2022

By order of the Board of Trustees

A handwritten signature in black ink, appearing to be "P. Botha", with a small dot to the right.

PAMELA BOTHA
PRINCIPAL OFFICER

**PICK N PAY MEDICAL SCHEME
MINUTES OF THE TWENTY-FIFTH ANNUAL GENERAL MEETING
HELD ON THURSDAY, 8 JULY 2021 AT 13:30 VIA ZOOM CONFERENCE**

MEMBERS IN ATTENDANCE: 85 (via video conference; a full list of attendees can be requested from the Administrator); one proxy was received

PRESENT

Helen de Light	Member-elected Trustee (Chairperson)
Vaughan Pierce	Employer-appointed Trustee (Vice-Chairperson)
Gary Lea	Employer-appointed Trustee
Jeff Dube	Employer-appointed Trustee
Ryan Johnson	Member-elected Trustee
Zahirah Ameeroedien	Member-elected Trustee
Radhia Sattar	Member-elected Trustee
Lucille Andrews	Alternate Member-elected Trustee
Riaan Faasen	Alternate Member-elected Trustee
Amile Visser	Principal Officer
Pamela Botha	Deputy Principal Officer

BY INVITATION

Munaaf Roshan	Momentum Health Solutions
Dawn Theron	Momentum Health Solutions
Zaida Mohidin	Momentum Health Solutions
Annette Prins	Momentum Health Solutions
Casper de Vries	NMG
Rod Leerkamp	NMG
Bontle Tshele	Council for Medical Schemes

APOLOGIES

Penny Gerber	Employer-appointed Trustee
Badrodin Hamdulay	Momentum Health Solutions

1. OPENING AND WELCOME

The Chairperson opened the meeting and welcomed all present at the video conference. She requested that those present adhere to the code of conduct document that had been distributed to all. She also requested that all attendees sign in with their full names so that attendance could be recorded accurately.

The Chairperson confirmed that a quorum was present. The Chairperson confirmed the following addition to the meeting agenda:

- a. POPIA.

2. MINUTES OF THE ANNUAL GENERAL MEETING (AGM) HELD ON 9 JULY 2020

The Chairperson proposed that the minutes of the 2020 AGM, as distributed to members prior to the AGM, be approved and adopted. This proposal was seconded by Mr Visser. The minutes were subsequently adopted and signed by the Chairperson.

3. ANNUAL REPORT OF THE CHAIRPERSON OF THE BOARD OF TRUSTEES

The Chairperson presented the Chairperson's Report, which had been circulated to members prior to the AGM as part of the meeting pack, drawing specific attention to various items, which included the following:

- The Trustees' priority was to ensure that, whilst continuing to provide members with a comprehensive and competitive benefit offering, the Scheme remained financially viable, thereby ensuring its long-term sustainability. The Scheme remained committed to ensuring that its contributions were competitive, without compromising on the quality of care that the members and their families received.
- Covid-19 had had an impact on everyone in 2020 and there was still much uncertainty facing the Scheme as we awaited the rollout of the next phases of the Covid-19 vaccinations in South Africa. The Board of Trustees continued to monitor and mitigate the impact of the outbreak on the Scheme and its members in the best way possible, would continue to provide updates regarding the vaccination rollout strategy as information became available and wished to assure members that Covid-19 vaccinations were covered from the Scheme's risk benefits and not from members' individual Personal Medical Spending Accounts (PMSAs).

**PICK N PAY MEDICAL SCHEME
MINUTES OF THE TWENTY-FIFTH ANNUAL GENERAL MEETING
HELD ON THURSDAY, 8 JULY 2021 AT 13:30 VIA ZOOM CONFERENCE (CONTINUED)**

3. ANNUAL REPORT OF THE CHAIRPERSON OF THE BOARD OF TRUSTEES (CONTINUED)

- Membership decreased by 518 principal members from January to December 2020. This was mainly due to voluntary severance packages and retrenchments that occurred during the year.
- The Scheme's reserve ratio of 117.7% as at 31 December 2020 was much higher than the required statutory 25% and served as a safeguard to guarantee the financial viability of the Scheme for many years to come.
- The outbreak of the coronavirus in the last quarter of 2019, which continued throughout 2020, disrupted the global economic markets. In making their estimates and judgements as at 31 December 2020, the Board of Trustees took into consideration the global economic conditions and forecasts as at that date. The Trustees would continue to consider the potential impact of the Covid-19 outbreak on significant estimates and judgements going forward.
- Although the market value of the long-term investments of the Scheme had decreased by 0.69% since December 2019, a strong recovery in the first quarter of 2021 was seen. This would not have a significant impact on the solvency of the Scheme and, while it was expected that healthcare costs for the pandemic would be incurred, the Board of Trustees was of the view that the Scheme would be able to withstand the impact of the Covid-19 pandemic.
- The Board of Trustees had an Investment Committee of five suitably qualified individuals constituted. The Committee was also assisted by representatives from the Scheme's Administrator, Actuarial Consultants and Willis Towers Watson, the Scheme's Investment Consultants. The actions of the Committee were governed by the Investment Committee Charter and the Statement of Investment Principles (SIP) and any changes to these two documents required approval from the Board of Trustees.
- Benefit changes for 2020 included a benefit limit increase of 5.1%. The prosthesis benefit was amended to allow more than one prosthesis per annum from the defined list.
- The Board of Trustees had kept contribution increases as low as possible in order to ensure that the Scheme remained financially viable for years to come. The contributions were increased by 6.5% on the Plus Option and 5% on the Primary Option for 2020. These increases were well below the average increases announced by other medical schemes.
- To further ease the burden on household budgets, each year the income bands are increased to prevent those members who are at the top of their income bands from being pushed into a higher bracket where they would have to pay higher contributions when increases come into effect. The income bands were increased by 6.5% on both options in 2020.
- Despite the impact of Covid-19, the Board of Trustees were still able to increase benefit limits by 4.3% and contributions by 3.5% for 2021, which should benefit the majority of the members of the Scheme.

The Chairperson expressed appreciation and thanks to the following people/organisations:

- the Company for its continued support;
- the members for their continued efforts in pro-actively managing their health and wellness, thereby ensuring the wellbeing of the Scheme;
- our colleagues on the Board of Trustees and the various sub-committees for their commitment to leadership;
- the management and staff at Momentum Health Solutions for the efficient manner in which they have managed the day-to-day affairs of the Scheme;
- the management and staff of the managed care providers – Private Health Administrators, MediKredit, ER24 Emergency Medical Services and the Centre for Diabetes and Endocrinology (CED) – for the efficient manner in which they have managed the various managed care programmes;
- the Medical Advisor, Dr Martin Bailey, for his dedication and commitment to the Scheme;
- the Principal Officer, Mr Amile Visser, and the Deputy Principal Officer, Ms Pamela Botha, for the daily management of the Scheme and for all the assistance and sound advice they provide to the members of the Scheme;
- Willis Towers Watson for their assistance in managing the Scheme's investments;
- the External Auditor, Ernst Young Inc., for the manner in which they conducted their audit;
- the Registrar for Medical Schemes and his staff for their assistance during the year; and
- all other service providers.

**PICK N PAY MEDICAL SCHEME
MINUTES OF THE TWENTY-FIFTH ANNUAL GENERAL MEETING
HELD ON THURSDAY, 8 JULY 2021 AT 13:30 VIA ZOOM CONFERENCE (CONTINUED)**

4. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Principal Officer presented an overview of the Annual Financial Statements for the year ended 31 December 2020.

With reference to page eight of the AGM document, namely the annual summary of results for the year ended 31 December 2020, the Principal Officer highlighted the following salient points:

- The Investment Committee's philosophy had not changed, particularly regarding the Scheme's investment in South African equities.
- The Investment Committee was chaired by Mr Gary Lea and the Investment Committee met on a quarterly basis.
- The Board of Trustees appointed Willis Towers Watson as its investment consultants to advise the Investment Committee and Board of Trustees on matters related to the Scheme's investments, including investment performance monitoring, asset allocation decisions and investment manager selection.
- Long-term assets included the strategic asset allocation for: SA equities (42%), SA Cash (30%), SA Listed Property (5%), SA bonds (16%) and International Bonds & Cash (7%). The aim was to grow the investments of the Scheme by 4% per annum above inflation over the long term.
- The investment analysis on page nine of the AGM document reflected the cash flow of the Scheme during 2020.
- The Personal Medical Spending Accounts (PMSAs) are invested mainly in cash and money-market investments, separately from liquidity assets and long-term assets.

Having confirmed that the Annual Financial Statements had been accepted by the Board of Trustees, as per the recommendation from the Audit Committee and External Auditors, the Chairperson invited members to pose questions regarding the Financial Statements for consideration and discussion.

No further questions were posed or any concerns raised by members regarding the Annual Financial Statements for the year ended 31 December 2020. Mr Marsden noted that he would raise his questions under 'General'.

Mr Pierce proposed that the Annual Financial Statements be accepted and approved. The proposal was seconded by Ms Magnussen.

5. RESULTS OF THE MEMBER TRUSTEE ELECTION

At the request of the Chairperson, the Principal Officer provided feedback regarding the election of Trustees and the election results.

The Principal Officer expressed appreciation to all who had participated in the election process, whether as nominees or as voters. A total of 523 votes had been received.

The Principal Officer reminded members that Trustees were elected once every three years and may serve two three-year terms. Eleven members had stood as nominees in the election.

The following seven nominees achieved the highest number of votes and would serve, as indicated below:

- | | |
|------------------------|-----------------------------------|
| - Helen de Light | Member-elected Trustee |
| - Ryan Johnson | Member-elected Trustee |
| - Lucille Andrews | Member-elected Trustee |
| - Riaan Faasen | Member-elected Trustee |
| - Radhia Sattar | Alternate Member-elected Trustee |
| - Veruschka de Nobrega | Alternate Member-elected Trustee |
| - Melissa Mannion | Alternate Member-elected Trustee. |

The Chairperson welcomed the new Trustees and Alternate Trustees to the Board and reminded all those present that this was a valuable commitment on their part.

**PICK N PAY MEDICAL SCHEME
MINUTES OF THE TWENTY-FIFTH ANNUAL GENERAL MEETING
HELD ON THURSDAY, 8 JULY 2021 AT 13:30 VIA ZOOM CONFERENCE (CONTINUED)**

6. CONFIRMATION OF THE DISPUTES COMMITTEE

The Chairperson explained the responsibilities of the Disputes Committee. The Disputes Committee members were appointed, as follows:

- Ms M Magnussen;
- Mr M Marsden; and
- Ms C Hoffman.

The Principal Officer proposed that the confirmation of the Disputes Committee be accepted and approved. The proposal was approved.

7. APPOINTMENT OF THE EXTERNAL AUDITORS

Following a recommendation by the Audit Committee, the Chairperson confirmed that the Board of Trustees would like to renew the appointment of Ernst & Young Inc. as the external auditors to the Scheme for the financial year ending 31 December 2021.

The Chairperson proposed that Ernst & Young Inc. be appointed as the external auditors to the Scheme for the financial year ending 31 December 2021. The appointment of Ernst & Young Inc. was approved.

8. GENERAL

The Chairperson took a moment to assure the members that the Board of Trustees was comfortable that the Administrator, Momentum Health Solutions, was fully compliant in terms of regulations required by the POPI Act.

The Chairperson then invited the members to address the meeting and pose any questions.

Mr Marsden expressed his gratitude towards Ms Pamela Botha for her commitment, kindness and empathy towards all members of the Scheme. There was much agreement between certain attendees that Ms Botha was a tremendous asset to the Scheme and should be awarded. Mr Marcus concurred that Ms Botha be awarded. The Chairperson stated that the Board of Trustees would discuss this. Mr Marsden also thanked Mr Visser for his assistance during the year.

Mr Marsden raised the following questions:

Enquiry/Question: The Scheme's accumulated reserve ratio was 117% and the claims provision R9 million, which was excessive. At the time the pensioner monthly contribution to the Scheme was 40% of the total pension received and was unaffordable. The Company needed to be made aware of this and should be requested to attend medical scheme Board of Trustee meetings to be kept abreast of issues. He requested that the Company find a way to assist pensioners with the payment of their medical scheme contributions. He questioned why the AGM was held after the Company Board meeting and felt that this should change in order for the Company's Board to be made aware of any issues from this meeting.

Response: Mr Lea responded that the Scheme and its Board of Trustees formed an independent body that ensured that the Scheme be run in the best interests of its members and be supported by the Company. The Company Board is aware of the views raised to support pensioners and will ensure that the Chairman of the Board be informed of the concerns raised again at this meeting.

The Principal Officer stated that the Board of Trustees constantly endeavoured to make the Scheme more affordable for all members, including pensioners.

Enquiry/Question: The performance of shares of 2% in investments, which Mr Marsden felt was not acceptable, and he enquired how much was invested in Naspers, as it controlled 40% of the JSE.

Response: Mr Lea responded that 13% of the equity portfolio was invested in Naspers and that all the Scheme's equity managers had a holding in Naspers. The 2% was disappointing due to the poor performance of the markets (decreased by 30%). The solvency ratio was over 100% due to a surplus made by the cancellation of elective procedures during the Covid-19 pandemic, but this was expected to return post-Covid-19 and the Scheme would then have the funds to cover this.

**PICK N PAY MEDICAL SCHEME
MINUTES OF THE TWENTY-FIFTH ANNUAL GENERAL MEETING
HELD ON THURSDAY, 8 JULY 2021 AT 13:30 VIA ZOOM CONFERENCE (CONTINUED)**

8. GENERAL (CONTINUED)

Enquiry/Question: Regarding National Health Insurance (NHI), how is the total cash of R243 million in the Scheme protected?

Response: Mr Lea responded that the Scheme's assets are secure and for member use only. The Principal Officer stated that currently R100 million in assets comprise member savings and that the Council for Medical Schemes has rules in place to ensure that this money remains with the member.

9. CLOSURE

There being no further questions from members and no further business for discussion, the Chairperson thanked all present for their attendance and participation and declared the meeting closed at 14:16.

HELEN DE LIGHT
CHAIRPERSON

DATE

PICK N PAY MEDICAL SCHEME CHAIRPERSON'S REPORT

As Chairperson of the Board of Trustees, I have pleasure in presenting my report for the year ended 31 December 2021.

It remains the Board of Trustees' priority to ensure that, whilst continuing to provide our members with a comprehensive and competitive benefit offering, the Scheme remains financially viable, thereby ensuring its long-term sustainability. Pick n Pay Medical Scheme remains committed to ensuring that its contributions are competitive, without compromising on the quality of care that you and your families receive.

Covid-19 continued to have an impact on us all in 2021, but we are pleased to see that a large number of our members have been vaccinated, reducing the risk of severe illness and death as a result of Covid-19. The Board of Trustees will continue to monitor and mitigate the impact of future outbreaks on the Scheme and its members in the best possible way.

The various Sub-Committees, which include Risk and Audit, Investment, Clinical and Ex Gratia, have continued to provide expert insight and guidance on the issues relating to the running of the Scheme, whilst holding the best interests of the members at heart.

The Scheme remains financially sound with a solvency ratio of 131% as at 31 December 2021. These reserves are well in excess of the legislated targets, but appropriate for the long-term sustainability of our Scheme.

Legislative developments, including proposals pertaining to the introduction of the National Health Insurance, are continuously closely monitored with the aim to pre-empt and minimise the impact on the Scheme.

Financial performance

During 2021 the Scheme paid out R268,676,789 in claims and claims-related expenses. The Trustees, as well as the managed care providers and actuaries, continue to keep a close eye on claims expenditure and costs relating to Covid-19 and vaccinations.

The reserve ratio of 131% is still higher than the Council for Medical Schemes requirement. This is a further safeguard that will guarantee the financial viability of the Scheme during the pandemic and for many years to come.

Including investment returns during the year, and together with the higher-than-expected claims expenditure, the Scheme made a net profit of R65,717,443 for the year ended 31 December 2021. The Scheme does remain financially sound and is able to meet its commitments in terms of the payment of claims.

Investments

Detailed information regarding the Scheme's investment performance for 2021 is provided after this report. We would, however, like to remind you of the following at this point:

- In managing the Scheme's Investments, the Board of Trustees has an Investment Committee constituted of five suitably qualified individuals. The Committee is assisted by representatives from the Scheme's Administrator, our Actuarial Consultants and Willis Towers Watson, the Scheme's Investment Consultants. The actions of the Committee are governed by the Investment Committee Charter and the Statement of Investment Principles (SIP) and any changes to these two documents requires approval from the Board of Trustees.
- The SIP outlines rules regarding what the Scheme can and cannot invest in, including asset classes, amongst others. In addition to the SIP, the Scheme's investments are governed by Regulation B of the Medical Schemes Act of 1998 that details specific limitations on certain asset classes.
- 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 cognisance of compliance with the Act, the risk returns of the various investment instruments and available surplus funds that ideally should be invested elsewhere to maximise the investment return.

Membership

Membership of the Scheme has decreased by 135 principal members from January to December 2021. The average age of beneficiaries was 31.3 and the pensioner ratio was 4.4%.

PICK N PAY MEDICAL SCHEME CHAIRPERSON'S REPORT (CONTINUED)

Benefit changes

To keep contribution increases as low as possible, the Board decided to keep all benefits the same for 2021 but approved an increase of 4.3% (2022: 4.6%) on benefit limits. This was done to minimise the impact of medical inflation, increased tariffs by medical professionals and to limit any out-of-pocket co-payments for members.

Contribution increases

The Trustees have tried very hard to keep contribution increases as low as possible, not only to limit the impact on household budgets amidst the rising cost of living, but also to ensure that the Scheme remains financially viable for years to come. The contributions increased by 3.3% (2022: 4%) on the Plus and Primary Options for 2021. These increases were well below the average increases announced by other medical schemes.

To further ease the burden on household budgets, each year we increase the income bands to prevent those members who are currently at the top of their income bands from being pushed into a higher bracket, where they will have to pay higher contributions when the contribution increases come into effect. The income bands were increased by 4.3% on both options in 2021.

In an effort to assist pensioner members, the calculation of the monthly contribution was adjusted by reducing the percentage by which the contribution is calculated from 60% of the last working salary to 40% of the last working salary. This resulted in a large number of pensioner members moving to lower income bands and lower monthly contributions for 2022. We trust that this exercise has brought some financial relief to many of our pensioner members.

While the reserve ratio may appear to be more than adequate to keep contribution increases low, we need to factor in the unpredictability of the ever-changing healthcare market and the volatility of year-on-year claims experience.

A moment of appreciation

On behalf of the Pick n Pay Medical Scheme, we would like to express our thanks to the following people/organisations:

- Mr Amile Visser who served as Principal Officer for the last 12 years and has now retired; our heartfelt thanks go out to Amile for his years of commitment and dedication and we wish him a healthy and happy retirement;
- Ms Pamela Botha, who has been our deputy Principal Officer for many years and has been appointed as the Principal Officer effective 1 April 2022; many of you have already had interactions with her;
- the Company for its continued support;
- our colleagues on the Board of Trustees and the various sub-committees for their commitment and leadership;
- the management and staff at Momentum Health Solutions for the efficient manner in which they managed the day-to-day affairs of the Scheme;
- the management and staff of our managed care providers – Private Health Administrators, MediKredit, ER24 Emergency Medical Services and the Centre for Diabetes and Endocrinology – for the efficient manner in which they have managed the various managed care programmes;
- the management and staff of our valued added services partners – Ambledown Gap Cover, HealthSaver and Multiply – for the efficient manner in which they have managed the additional products offered to our members;
- our Medical Advisor, Dr Martin Bailey, for his continued dedication and commitment to the Scheme;
- our Actuarial Consultants, NMG Consultants and Actuaries, for their invaluable contributions throughout the year;
- Willis Towers Watson for their assistance and guidance in managing our investments;
- the External Auditor, Ernst & Young Incorporated for the manner in which they conducted their audit;
- the Registrar for Medical Schemes and his staff for their assistance during the year;
- all other service providers.

Most importantly, we would like to thank our members for their continued efforts in proactively managing their health and wellness, thereby ensuring the well-being of the Pick n Pay Medical Scheme.



HELEN DE LIGHT
CHAIRPERSON

Pick n Pay Medical Scheme Annual Summary of Results for year ended 31 December 2021

Mandate of the Investment Committee

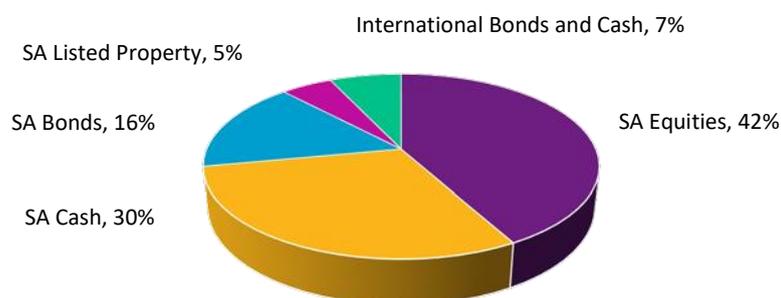
- The Board of Trustees has mandated the Investment Committee to monitor the investment performance and risk management of the Scheme's investments.
- The Board of Trustees has appointed Willis Towers Watson as their investment consultants to advise the Investment Committee and Board of Trustees on matters related to the Scheme's investments, including investment performance monitoring, asset allocation decisions and investment manager selection.
- The Investment Committee is chaired by Gary Lea and the Investment Committee meets on a quarterly basis.
- The Investment Committee receives a feedback presentation from the appointed investment management firms at each quarterly meeting.

Investment philosophy and investment strategy

- The Scheme's investments consist of two broad categories:
 1. Liquidity assets – these assets are invested in cash or money-market instruments and are used to meet the short-term cash flow needs of the Scheme.
 2. Long-term assets – these assets are invested in a mixture of SA Equities, SA Listed Property, SA Bonds and Cash and International Bonds and Cash where the aim is to grow the investments of the Scheme by 4% per annum above inflation over the long-term.
- With respect to the long-term assets, the Trustees believe that over long measurement periods (typically five years and longer), investment markets are efficient and so the price of a traded asset is the most accurate indication of its underlying value. However, over shorter timeframes, investment markets may be materially inefficient, resulting in big and non-random disparities which cause the price of an asset to deviate from its underlying value.
- If markets are indeed efficient over the long-term, it follows that a skilful and patient investor can earn superior returns over the long-term by exploiting these short-term mispricings. Therefore, the Trustees have appointed active investment managers who primarily follow a valuation investment approach, i.e. on SA equities, the investment managers assess the intrinsic value of a company and invest in companies whose share price is well below the investment manager's assessed intrinsic value.
- Although the Trustees believe that there is the scope to add value via the active management approach for most (but not all) asset classes, this belief is founded on the assumption that one can identify skilful investment managers with a high degree of confidence and also that the Scheme has a sufficiently large 'governance budget' to allow for the work involved in choosing skilful managers and reassessing the manager appointments on an ongoing basis. The Scheme has therefore adopted a passive investment approach for a part of the Scheme's investment in SA Equities.
- The Trustees believe in the benefits of diversification and that the risk of poor investment outcomes can be mitigated by allocating the investments of the Scheme's long-term assets between different asset classes. Further diversification is also achieved within a more risky asset class by allocating the assets to more than one investment manager.
- The Personal Member Spending Accounts (PMSAs) are invested mainly in cash and money-market investments, separately from the liquidity assets and long-term assets.

Strategic asset allocation (long-term assets)

The strategic asset allocation for the long-term assets is as follows:



Benchmarks

- SA Active Equities FTSE/JSE Capped All Share Index to 31 March 2018, and FTSE/JSE Capped Shareholder Weighted Index (Capped SWIX) from 1 April 2018
- SA Passive Equities FTSE / JSE Capped All Share Index (maximum exposure to any one counter limited to 10%)
- SA Cash STEFI Composite Index
- SA Listed Property FTSE/JSE listed property index to 30 June 2018, and FTSE/JSE All Property Index from 1 July 2018
- SA Bonds FTSE / JSE All Bond Index
- International Bonds Bloomberg Barclays Global Aggregate Index

Investment analysis for the year ended 31 December 2021

Asset Class	Opening market value (R'm)	Cashflow (R'm)	Investment (R'm)	Closing market value (R'm)	Portfolio	Calculated 12-month (net)	Index
	1-Jan-21	Nett	Returns	31-Dec-21	%	Return	Return
SA Active Equities	160.4	-40.0	46.2	166.6	28.6%	28.8%	27.1%
Allan Gray	58.4	-24.0	16.2	50.6	8.7%	29.5%	27.1%
Visio	38.5	-10.0	12.8	41.3	7.1%	34.5%	
ABAX	63.5	-6.0	17.2	74.7	12.8%	27.7%	
SA Passive Equities	-	40.0	1.3	41.3	7.1%		
Old Mutual Customised Solutions ¹	-	40.0	1.3	41.3	7.1%		
SA Cash	243.1	-7.4	10.1	245.8	42.2%	4.1%	3.8%
Ninety One Stable Money Fund	70.8	-	3.3	74.1	12.7%	4.6%	3.8%
Coronation Medical Cash Fund	70.2	-	3.5	73.7	12.6%	4.9%	
Ninety One Corporate Money Fund	72.6	-7.2	2.8	68.2	11.7%	4.2%	
Standard Bank Current	29.5	-0.2	0.5	29.8	5.1%	1.7%	
SA Listed Property	11.9	-	4.5	16.4	2.8%	38.0%	38.6%
Sesfikile Property Fund	11.9	-	4.5	16.4	2.8%	38.0%	38.6%
SA Bonds	67.1	-	7.5	74.6	12.8%	11.2%	8.4%
Coronation Strategic Bond Fund	67.1	-	7.5	74.6	12.8%	11.2%	8.4%
International Bonds²	36.5	-	1.2	37.7	6.5%	3.2%	3.5%
Stanlib Global Bond Fund	36.5	-	1.2	37.7	6.5%	3.2%	3.5%
SUBTOTAL (Excluding PMSA)	519.0	-7.4	70.8	582.4	100.0%	13.6%	
Ninety One PMSA Fund	99.2	-4.4	4.4	99.2		4.4%	
TOTAL	618.2	-11.8	75.2	681.6		12.2%	

¹Old Mutual Customised Solutions was appointed on 1 December 2021.

²International Bonds returns in the table above are in Rand terms. The 12-month net US dollar return was -4.8% (negative 4.8%) versus the Index return of -4.7% (negative 4.7%).

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**PICK N PAY MEDICAL SCHEME
SUMMARISED FINANCIAL STATEMENTS
for the year ended 31 December 2021**

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**PICK N PAY MEDICAL SCHEME
BOARD OF TRUSTEES RESPONSIBILITY STATEMENT**

The Trustees are responsible for the preparation and fair presentation of the summarised financial statements of Pick n Pay Medical Scheme, comprising the summarised statement of financial position as at 31 December 2021, summarised statement of comprehensive income, summarised statement of changes in equity and summarised statement of cash flows for the year then ended, and the notes to the summarised financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with the International Financial Reporting Standards (IFRS), and the requirements of the Medical Schemes Act of South Africa. In addition, the Trustees are responsible for preparing the report of the Board of Trustees.

The Trustees are also responsible for such internal control as the Trustees determine is necessary to enable the preparation of summarised 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.

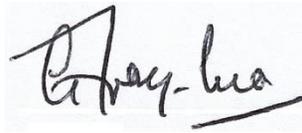
The auditor is responsible for reporting on whether the summarised financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The annual financial statements of Pick n Pay Medical Scheme were approved by the Board of Trustees on 19 April 2022. The summarised financial statements have been derived from information contained in the annual financial statements.



VAUGHAN PIERCE
VICE-CHAIRPERSON



GARY LEA
TRUSTEE



PAMELA BOTHA
PRINCIPAL OFFICER

20 May 2022

**PICK N PAY MEDICAL SCHEME
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 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 Trustees 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 Deputy Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

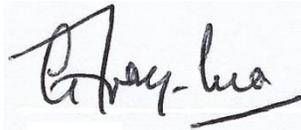
INTERNAL CONTROLS

The Administrator, Investment Managers and Actuaries of the Scheme maintain 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.

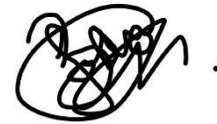
No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



VAUGHAN PIERCE
VICE-CHAIRPERSON



GARY LEA
TRUSTEE



PAMELA BOTHA
PRINCIPAL OFFICER

20 May 2022

**PICK N PAY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021**

The Board of Trustees hereby presents its report for the year ended 31 December 2021.

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	8 July 2021*	
V Pierce	8 July 2021*	
J Dube	8 July 2021*	
P Gerber	25 February 2021	
* Re-appointed		

Member elected	Date of appointment	Date of resignation
H de Light (Chairperson)	8 July 2021	
R Johnson	8 July 2021	
Z Ameeroedien	21 June 2018	30 June 2021
L Andrews (Alternate member Trustee until 8 July 2021)	8 July 2021*	
R Faasen (Alternate member Trustee from 25 February 2021 until 8 July 2021)	8 July 2021*	
M Mannion (Alternate Trustee)	8 July 2021	
V de Nobrega (Alternate Trustee)	8 July 2021	
R Sattar (Alternate Trustee; Trustee from 25 February 2021 until 8 July 2021)	8 July 2021*	

* Re-elected

1.2(a) PRINCIPAL OFFICER

A Visser (retired 31 March 2022)

Pick n Pay Office Park Corporate Building 101 Rosmead Avenue Kenilworth 7700	PO Box 23087 Claremont 7735
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1.2(b) DEPUTY PRINCIPAL OFFICER

P Botha (appointed as Principal Officer effective 1 April 2022)

Pick n Pay Office Park Corporate Building 101 Rosmead Avenue Kenilworth 7700	PO Box 23087 Claremont 7735
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**PICK N PAY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

1. MANAGEMENT (CONTINUED)

1.3 REGISTERED OFFICE ADDRESS AND POSTAL ADDRESS

Pick n Pay Medical Scheme

Parc du Cap Mispel Road Bellville 7530	PO Box 4313 Cape Town 8000
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1.4 MEDICAL SCHEME ADMINISTRATOR

Momentum Health Solutions (Pty) Ltd

268 West Avenue Centurion Gauteng 0157	PO Box 7400 Centurion 0046
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1.5 INVESTMENT MANAGERS

Allan Gray Propriety Ltd

1 Silo Square V&A Waterfront Cape Town 8001	PO Box 51318 V&A Waterfront Cape Town 8002
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Ninety One Plc

100 Grayston Drive Sandown Sandton 2196	PO Box 785700 Sandton 2146
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Coronation Fund Managers Ltd

Seventh Floor, Montclare Place C/o Campground and Main Roads Claremont 7708	PO Box 44684 Claremont 7735
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Abax Investments (Pty) Ltd

Second Floor, Colinton House The Oval 1 Oakdale Road Newlands 7700	Private Suite 255 PO Box X1005 Claremont 7735
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**PICK N PAY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

1. MANAGEMENT (CONTINUED)

1.5 INVESTMENT MANAGERS (CONTINUED)

Stanlib Asset Management Ltd

17 Melrose Boulevard
Sanlamhof
Johannesburg
2196

PO Box 202
Melrose Arch
2076

Sesfikile Capital (Pty) Ltd

Second Floor, 18 The High Street
Melrose Arch
Johannesburg
2076

Private Suite 334
Private Bag X1
Johannesburg
2076

Visio Capital Management (Pty) Ltd

The Place, Ground Floor, South Wing
1 Sandton Drive
Sandton
2146

PO Box 3625
Tygervalley
7536

Old Mutual Investment Group (Pty) Ltd

Mutual park, Jan Smuts Drive
Pinelands
Cape Town
7405

PO Box 66
Pinelands
Cape Town
7405

1.6 AUDITOR

Ernst & Young Inc.

Third Floor, Waterway House
3 Dock Road
V&A Waterfront
Cape Town
8001

PO Box 656
Cape Town
8000

1.7 ACTUARIAL CONSULTANTS

NMG Consultants and Actuaries (Pty) Ltd

NMG House
411 Main Avenue
Randburg
2125

PO 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
for the year ended 31 December 2021 (continued)**

1. MANAGEMENT (CONTINUED)

1.9 CAPITATION PROVIDERS

Centre for Diabetes & Endocrinology (Pty) Ltd

81 Central Street Houghton 2198	PO Box 2900 Saxonwold 2132
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ER24 EMS (Pty) Ltd

Manor 1, Cambridge Manor C/o Witkoppen and Stonehaven Streets Paulshof 2056	PO Box 242 Paulshof 2056
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Momentum Health Solutions (Pty) Ltd

268 West Avenue Centurion Gauteng 0157	PO Box 7400 Centurion 0046
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1.10 MANAGED CARE SERVICES PROVIDERS

Momentum Health Solutions (Pty) Ltd

268 West Avenue Centurion Gauteng 0157	PO Box 7400 Centurion 0046
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MediKredit Integrated Healthcare Solutions (Pty) Ltd

(A subsidiary of Universal Health [Pty] Ltd)

10 Kikuyu Road Sunninghill Sandton 2157	PO Box 692 Johannesburg 2193
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Private Health Administrators (Pty) Ltd

70 Buckingham Terrace Pharos House Building Westville Durban 3630	PO Box 343 Westville 3630
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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 as from 1 January 2017).

2. DESCRIPTION OF THE MEDICAL SCHEME (CONTINUED)

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.

Unexpended savings amounts are accumulated for the long-term benefit of members and interest is paid on credit balances at an interest rate that is determined by the Board of Trustees annually.

The liability to the members in respect of the personal medical savings account is reflected as a current liability in the financial statements.

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.

As from December 2012 the Scheme 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 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 and cash instruments during the year.

The Scheme's Investment Committee, which comprises Trustees, 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.

**PICK N PAY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

4. MANAGEMENT OF INSURANCE RISK (CONTINUED)

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.

5. REVIEW OF OPERATIONS

5.1 OPERATIONAL STATISTICS

The results of the Scheme's operations for the year under review at 31 December 2021 are set out in the financial statements, and the Trustees believe that no further clarification is required.

2021	Plus	Primary	Total
Number of members at year end	6,126	837	6,963
Average number of members for the year	6,218	791	7,008
Number of beneficiaries at year end	13,208	1,346	14,554
Average number of beneficiaries for the year	13,352	1,265	14,617
Proportion of dependants at year end	1.2	0.6	1.1
Average age of beneficiaries	31.5	28.6	31.3
Pensioner ratio	4.8%	0.7%	4.4%
Average contributions net of savings per member per month	R3,580	R1,825	R3,381
Average contributions net of savings per beneficiary per month	R1,667	R1,142	R1,621
Average claims net of savings incurred per member per month	R2,941	R450	R2,660
Average claims net of savings incurred per beneficiary per month	R1,369	R281	R1,275
Average administration costs per member per month	R298	R298	R298
Average managed care: Managed services per member per month	R120	R110	R119
Average members' funds per member at year end	n/a	n/a	R75,133
Relevant healthcare expenditure as a percentage of net contributions	94.8%	56.9%	92.5%
Relevant healthcare expenditure per average beneficiary per month	R1,581	R647	R1,500
Managed care: Management services as a percentage of net contributions	3.3%	6.1%	3.5%
Non-healthcare expenses as a percentage of gross contributions	6.7%	16.4%	7.3%
Non-healthcare expenditure per beneficiary per month	R139	R186	R143
Administration fees paid to the Administrator	R17,126,960	R2,340,070	R19,467,030
Average return on investments and cash	n/a	n/a	12.2%

**PICK N PAY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

5. REVIEW OF OPERATIONS (CONTINUED)

5.1 OPERATIONAL STATISTICS (CONTINUED)

2020	Plus	Primary	Total
Number of members at year end	6,361	737	7,098
Average number of members for the year	6,647	749	7,396
Number of beneficiaries at year end	13,563	1,167	14,730
Average number of beneficiaries for the year	14,104	1,187	15,291
Proportion of dependants at year end	1.1	0.6	1.1
Average age of beneficiaries	31.3	28.4	31.1
Pensioner ratio	4.8%	0.9%	4.5%
Average contributions net of savings per member per month	R3,477	R1,686	R3,296
Average contributions net of savings per beneficiary per month	R1,639	R1,064	R1,594
Average claims net of savings incurred per member per month	R2,951	R1,081	R2,761
Average claims net of savings incurred per beneficiary per month	R1,391	R682	R1,336
Average administration costs per member per month	R282	R282	R282
Average managed care: Managed services per member per month	R119	R96	R117
Average members' funds per member at year end	n/a	n/a	R66,611
Relevant healthcare expenditure as a percentage of net contributions	83.2%	61.7%	82.1%
Relevant healthcare expenditure per average beneficiary per month	R1,364	R656	R1,309
Managed care: Management services as a percentage of net contributions	3.4%	5.7%	3.6%
Non-healthcare expenses as a percentage of gross contributions	6.7%	19.3%	7.2%
Non-healthcare expenditure per beneficiary per month	R133	R178	R136
Administration fees paid to the Administrator	R17,909,257	R2,075,007	R19,984,264
Average return on investments and cash	n/a	n/a	2.7%

5.2 ACCUMULATED FUNDS RATIO

	2021	2020
	R	R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per statement of summarised financial position	558,371,015	492,653,572
Less: Cumulative unrealised gains on investments at fair value through profit or loss	<u>(98,666,080)</u>	<u>(66,714,082)</u>
Accumulated funds per Regulation 29 of the Act	<u>459,704,935</u>	<u>425,939,490</u>
Gross contributions	350,827,689	361,856,463
Accumulated funds ratio:		
Accumulated funds/gross contributions x 100 %	<u>131.0%</u>	<u>117.7%</u>

**PICK N PAY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

5. REVIEW OF OPERATIONS (CONTINUED)

5.3 OUTSTANDING CLAIMS

Movements in the outstanding claims provision are set out in note 5 to the summarised financial statements. The accuracy of the provision was tested against subsequent settlements.

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 8 to the summarised financial statements for related party disclosures.

7. FIDELITY COVER

The Scheme has a fidelity policy, placed through Marsh (Pty) Ltd, with Guardrisk Insurance Company (the insurer). The Scheme has cover of R120 million in aggregate (2020: R120 million) (limited to R60 million on any one claim – 2020: R60 million) and extends to Trustees, independent committee members, Principal Officer and Deputy 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.

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 five members of whom two are members of the Board of Trustees.

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

- 8 April 2021;
- 22 July 2021; and
- 14 October 2021.

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.

An independent member of the Risk and Audit Committee resigned on 7 July 2021, with the result that there were only two independent members during the year. This resulted in a non-compliance in accordance with the provisions of the Medical Scheme Act. This position was filled on 1 April 2022.

**PICK N PAY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

9. COMMITTEES OF THE BOARD OF TRUSTEES (CONTINUED)

9.1 RISK AND AUDIT COMMITTEE (CONTINUED)

The members of the committee are:

Name	Designation	Date of appointment	Date of resignation
C Cowley	Independent member/ Chairperson	23 November 2017	8 July 2021
L Clayton	Independent member/ Chairperson	8 July 2021*	
R Johnson	Member-elected Trustee	8 July 2021*	
G Lea	Employer-appointed Trustee	8 July 2021*	
R Faasen	Independent member	1 September 2019	25 February 2021
A Rolstone	Independent member	25 February 2021	
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-appointed

A Visser attends in his capacity as Principal Officer, resigned on 31 March 2022.

P Botha attends in her capacity as Deputy Principal Officer, appointed as Principal Officer on 1 April 2022.

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:

11 February 2021;
13 May 2021;
5 August 2021; and
11 November 2021.

The members of the committee are:

Name	Designation	Date of appointment	Date of resignation
G Lea	Employer-appointed Trustee/ Chairperson	8 July 2021*	
R Johnson	Member-elected Trustee	8 July 2021*	
P Gerber	Employer-appointed Trustee from 25 February 2021	8 July 2021	
V Pierce	Employer-appointed Trustee	8 July 2021*	
R Sattar	Alternate Trustee (member- elected Trustee from 25 February until 8 July 2021)	8 July 2021*	
A Visser	Independent member	1 September 2019	31 March 2022
P Botha	Independent member	1 September 2019	
H de Light	Invitee	21 June 2018	

* Re-elected

**PICK N PAY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

9. COMMITTEES OF THE BOARD OF TRUSTEES (CONTINUED)

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:

4 February 2021;
5 May 2021;
12 August 2021; and
21 October 2021.

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	Invitee	8 July 2021*	
R Sattar	Alternate Trustee (ember-elected Trustee from 25 February until 8 July 2021)	8 July 2021*	
A Visser	Independent member	1 September 2019	31 March 2022
P Botha	Independent member	1 September 2019	

* Re-elected

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 three occasions during the course of the year:

25 February 2021;
12 August 2021; and
25 November 2021.

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*	
R Sattar	Alternate Trustee (member-elected Trustee from 25 February until 8 July 2021)	8 July 2021*	
A Visser	Independent member	1 September 2019	31 March 2022
P Botha	Independent member	1 September 2019	

**PICK N PAY MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2021 (continued)**

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	-	-	-	-	4	3	3	3
Mr V Pierce	5	5	-	-	4	4	4	4	3	3
Mr G Lea	5	4	3	2	4	4	-	-	-	-
Mr J Dube	5	4	-	-	-	-	-	-	3	1
Mr R Johnson	5	5	3	3	4	4	-	-	-	-
Ms Z Ameeroedien	2	2	-	-	-	-	-	-	-	-
Ms R Sattar	5	4	-	-	4	1	4	4	3	2
Mr C Cowley	-	-	2	1	-	-	-	-	-	-
Ms P Gerber	4	2	-	-	4	3	-	-	-	-
Ms L Andrews	5	5	-	-	-	-	-	-	-	-
Mr L Clayton	-	-	3	3	-	-	-	-	-	-
Ms M Mannion	3	3	-	-	-	-	-	-	-	-
Ms V de Nobrega	3	3	-	-	-	-	-	-	-	-
Mr R Faasen	4	2	-	-	-	-	-	-	-	-
Dr M Bailey	5	5	-	-	-	-	4	4	3	3
Ms A Rolstone	-	-	3	3	-	-	-	-	-	-
Mr A Visser*	5	5	3	3	4	4	4	4	3	3
Ms P Botha#	5	5	3	3	4	4	4	4	3	3

A - Total possible number of meetings could have attended

B - Actual number of meetings attended

* - A Visser attends in his capacity as Principal Officer, resigned on 31 March 2022

- P Botha attends in her capacity as Deputy Principal Officer, appointed as Principal Officer on 1 April 2022

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 summarised 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, Visio 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, 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 Scheme applied for an exemption renewal on 27 March 2019 from the Council for Medical Schemes and received confirmation of an exemption on 11 December 2019. The exemption will be valid until 30 November 2022, subject to renewal.

13.2 NON-COMPLIANCE WITH SECTION 8(H) OF THE ACT – INVESTMENT IN DERIVATIVES

Nature and impact

The Scheme has an investment in Stanlib Brandywine which has an underlying investment in the Stanlib Global Bond Fund. The Stanlib Global Bond Fund makes use of foreign derivatives as part of its investment strategy. This is in contravention of Section 8(h) of the Act, as well as Regulation 30.

Causes of the non-compliance

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

Corrective course of action

The Scheme applied for an exemption renewal from the Council for Medical Schemes and received confirmation of an exemption on 17 December 2020. The exemption will be valid until 30 November 2022, subject to renewal.

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

13.3 CONTRAVENTION OF SECTION 36(10) OF THE MEDICAL SCHEMES ACT

Nature and impact

In terms of Section 36 (10) of the Act, the Audit Committee must have a minimum of at least five members, of which the majority shall be independent members. The Audit Committee of the Scheme had a vacancy for a period of the year which resulted in it being non-compliant with the minimum requirements of five members for the composition of an Audit Committee. No contentious debates or discussions occurred during this period. All recommendations to the Board of Trustees were unanimous. No situation arose requiring an independent, deciding vote.

13. NON-COMPLIANCE MATTERS (CONTINUED)

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

13.3 CONTRAVENTION OF SECTION 36(10) OF THE MEDICAL SCHEMES ACT (CONTINUED)

Causes of the non-compliance

Independent parties with the necessary technical or industry knowledge and skills were not readily available. The former Principal Officer's impending retirement afforded the Board of Trustees the opportunity to remedy the situation and he was appointed as the third Independent Risk and Audit Committee member at the 24 February 2022 meeting, effective 1 April 2022.

Corrective course of action

Mr A Visser was appointed as an independent member of the Audit Committee, effective 1 April 2022. The identification or development of independent alternate committee members has been recommended to the Board of Trustees for consideration.

13.4 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 three days after it is due. An amount of R178,199 (2020: R126,896) was still outstanding by more than three days after it was due, as at 31 December 2021.

Causes of the non-compliance

The non-compliance relates to several instances during the year when contributions, due to member discrepancies, were received more than three 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.

13.5 NON-COMPLIANCE WITH SECTION 33(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. As at the 31 December 2021, the Plus option was in a net healthcare loss position, thereby contravening Section 33(2) of the Act. The net healthcare loss amounted to R8,854,321 (2020 profit: R23,997,434).

Causes of the non-compliance

The Scheme experienced higher than anticipated high-cost claims during the year which resulted in claims incurred being greater than the budgeted amount.

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 131.03% (2020: 117.71%), the Board of Trustees is comfortable that the Scheme would remain compliant with the minimum solvency ratio prescribed by the Medical Schemes Act.

13. NON-COMPLIANCE MATTERS (CONTINUED)

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

13.6 CONTRAVENTION OF SECTION 59(2) OF THE MEDICAL SCHEMES ACT

Nature and impact

Section 59 (2) of the Medical Schemes Act states that a medical scheme shall pay a member or supplier of service any benefit owing to that member or supplier within 30 days of receipt of the medical claim. A number of claims were settled outside the statutory time frame of 30 days, resulting in non-compliance with the Medical Schemes Act.

Causes of the non-compliance

Management was waiting for confirmation of banking details from providers and members. This resulted in claims not being paid within the 30 days statutory time frame.

Corrective course of action

Management has a claims report to monitor claims and to ensure that claims are paid within the 30 days statutory time frame.

Independent Auditor's Report on the Summarised Financial Statements

To the Members of Pick n Pay Medical Scheme

Opinion

The summarised financial statements, as set out on pages 30 to 51, which comprise the Summarised Statement of Financial Position as at 31 December 2021, the Summarised Statement of Comprehensive Income, the Summarised Statement of Changes in Funds and Reserves and the Summarised Statement of Cash Flows for the year then ended, and related notes, are derived from the audited financial statements of Pick n Pay Medical Scheme for the year ended 31 December 2021.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Summarised Financial Statements

The summarised financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa. Reading the summarised financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 29 April 2022.

Trustees' Responsibility for the Summarised Financial Statements

The trustees are responsible for the preparation of the summarised financial statements in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarised financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance International Standards on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.



Report on Other Legal and Regulatory Requirements

As required by the Council for Medical Schemes' Circular 38 of 2018, *Audit Tenure*, we report that Ernst & Young Inc. has been the auditor of Pick n Pay Medical Scheme for 4 years.

The engagement partner, David Christian, has been responsible for the Pick n Pay Medical Scheme audit for 4 years.

DocuSigned by:
Ernst & Young Inc.
2B8388FD0682437...

Ernst & Young Inc.

Director: David Christian

Registered Auditor

Chartered Accountant (SA)

20 May 2022

3rd Floor, Waterway House

3 Dock Road

V&A Waterfront

Cape Town

**PICK N PAY MEDICAL SCHEME
SUMMARISED FINANCIAL STATEMENTS**

**SUMMARISED STATEMENT OF FINANCIAL POSITION
as at 31 December 2021**

	Notes	2021 R	2020 R
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	2	336,555,692	275,887,162
Current assets			
Insurance and other receivables		1,055,686	1,700,556
Cash and cash equivalents		345,028,289	342,350,362
Scheme cash and cash equivalents		245,802,671	243,114,125
Personal medical savings account investment	4	99,225,618	99,236,237
Total assets		682,639,667	619,938,080
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		558,371,015	492,653,572
Current liabilities			
Personal medical savings account liability	3	97,567,252	100,486,580
Insurance and financial liabilities		16,079,986	17,159,156
Outstanding risk claims provision	5	10,621,414	9,638,772
Total funds and liabilities		682,639,667	619,938,080

**PICK N PAY MEDICAL SCHEME
SUMMARISED FINANCIAL STATEMENTS**

**SUMMARISED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021**

	Notes	2021 R	2020 R
Risk contribution income	6	284,316,162	292,525,194
Relevant healthcare expenditure		(263,099,184)	(240,249,027)
Net claims incurred		(268,676,789)	(245,071,033)
Risk claims incurred	7	(258,746,618)	(235,174,846)
Accredited managed healthcare services		(9,983,144)	(10,385,499)
Third-party claim recoveries		52,973	489,312
Net income on risk transfer arrangements	7	5,577,605	4,822,006
Risk transfer arrangements premiums paid		(18,956,490)	(19,211,880)
Recoveries from risk transfer arrangements		24,534,095	24,033,886
Gross healthcare result		21,216,978	52,276,167
Administration fees and other operative expenses		(25,035,114)	(25,021,117)
Movement in provision for impairment on insurance receivables		(417,998)	18,308
Net healthcare result		(4,236,134)	27,273,358
Other income		75,675,295	15,444,688
Capitalised interest and dividends		18,549,542	21,374,741
Realised gains on financial assets		25,173,755	1,503,491
Unrealised gains/(losses) on financial assets		31,951,998	(8,121,012)
Sundry income		-	687,468
Other expenditure		(5,721,718)	(6,542,487)
Asset management fees		(1,191,460)	(601,715)
Interest paid on personal medical savings account	3	(4,530,258)	(5,940,772)
Net income for the year		65,717,443	36,175,559
Other comprehensive income		-	-
Total comprehensive income for the year		65,717,443	36,175,559

**PICK N PAY MEDICAL SCHEME
SUMMARISED FINANCIAL STATEMENTS**

**SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2021**

	R
	Members' funds and accumulated funds
Balance as at 1 January 2020	456,478,013
Net profit for the year	36,175,559
Balance as at 31 December 2020	492,653,572
Net profit for the year	65,717,443
Balance as at 31 December 2021	558,371,015

**PICK N PAY MEDICAL SCHEME
SUMMARISED FINANCIAL STATEMENTS**

**SUMMARISED STATEMENT OF CASH FLOWS
for the year ended 31 December 2021**

	Notes	2021 R	Restated 2020 R
CASH FLOW FROM OPERATING ACTIVITIES			
<i>Cash receipts from members and providers</i>		363,824,631	385,834,208
Cash receipts from members – contributions		351,652,118	363,183,742
Cash receipts from members and providers – others		12,172,513	22,650,466
<i>Cash paid to providers, employees and members</i>		(370,610,676)	(342,078,600)
Cash paid to providers, employees and members – claims		(336,489,402)	(310,089,815)
Cash paid to providers, employees and members – non-healthcare expenditure		(25,035,114)	(25,669,261)
Cash paid to members – savings plan refunds		(9,086,160)	(6,319,524)
<i>Cash (used in)/generated from operations</i>		(6,786,045)	43,755,608
Interest received		10,030,462	11,413,893
Dividend received		3,963,768	4,025,132
Interest paid	3	(4,530,258)	(5,940,772)
Net cash from operating activities		2,677,927	53,253,861
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	2	(40,000,000)	-
Proceeds on disposal of investments	2	40,000,000	-
Net cash from investing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		342,350,362	289,096,501
- As previously reported		342,350,362	289,096,501
Cash and cash equivalents at the end of the year		345,028,289	342,350,362

The direct method was used to report cash flows from operating activities as prescribed by the Council for Medical Schemes in Circular 52 of 2021 for the financial year ended 31 December 2021 onwards. Refer to note 1.2 on page 36 for the documentation of restatement on the full financial statements.

**PICK N PAY MEDICAL SCHEME
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
for the year ended 31 December 2021**

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the summarised financial statements are set out below. The policies applied are consistent with the prior year, except otherwise indicated.

Statement of compliance

The summarised financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and in accordance with the requirements of the Medical Schemes Act, No. 131 of 1998.

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 summarised 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 convention, except for financial assets at fair value through profit or loss.

The summarised financial statements are prepared:

- in accordance with the recognition and measurement requirements of IFRS;
- in the manner required by the Act; and
- in accordance with the presentation and disclosure requirements of International Financial Reporting Standards IAS 34, Interim Financial Reporting.

The Scheme's functional and presentation currency is the rand, rounded to the nearest rand.

These summarised consolidated audited financial statements are consistent in all respects with the audited annual financial statements of the company for the period ended 31 December 2021. A copy of these audited financial statements can be obtained from the Scheme on request by parties entitled to such information.

Standards issued and effective in the current year

Amendments to IFRS 3: Definition of a business:

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

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 is not expected to have a significant impact on the Scheme's financial statements for the year ended 31 December 2021.

**PICK N PAY MEDICAL SCHEME
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)**

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.1 BASIS OF PREPARATION (CONTINUED)

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.

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

The new and amended 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.

IFRS 17 insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure.

IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2004 and amended in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach) and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 will impact the measurement of the contracts with members in the Fund's financial statements. The Fund will qualify for the premium allocation approach which requires the Fund to recognise a liability for remaining coverage (with reference to the premiums received) and liability for incurred claims (calculated as the expected cash outflows and a risk adjustment). The Fund expects that the boundary of the contracts with members will be one year. The Fund will be required to assess for onerous contracts at the point members elect the benefit option for the following year.

The Scheme is in the process of assessing the impact of IFRS 17 on the financials.

Any other new standards and interpretations not yet effective (excluding IFRS 17 discussed above) is not expected to have a material impact to the Scheme.

The Fund shall adopt the standards, interpretations or amendments on their effective date.

Critical judgements

The preparation of the summarised 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 judgments refer to note 5.

PICK N PAY MEDICAL SCHEME
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 RESTATEMENT OF SUMMARISED STATEMENT OF CASH FLOWS

The impact of the change in accounting policy on the statement of cash flows line items is as follows:

	2020		
	As previously reported R	Adjustments R	
DIRECT METHOD			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from members and providers		385,834,208	385,834,208
Cash receipts from members – contributions	-	363,183,742	363,183,742
Cash receipts from members and providers – other	-	22,650,466	22,650,466
Cash paid to providers, employees and members	-	(342,078,600)	(342,078,600)
Cash paid to providers and members – claims	-	(310,089,815)	(310,089,815)
Cash paid to providers and employees – non-healthcare expenditure	-	(25,669,261)	(25,669,261)
Cash paid to members – savings plan refunds	-	(6,319,524)	(6,319,524)
INDIRECT METHOD			
Net income for the year			
Realised losses/(gains) on disposal of financial assets through profit and loss	36,175,559	(36,175,559)	-
Investment income	(208,844)	208,844	-
Capitalised interest and dividends	(15,433,969)	15,433,969	-
Unrealised (losses)/gains on financial assets through profit and loss	(4,811,656)	4,811,656	-
Interest expense on personal medical savings accounts	6,935,405	(6,935,405)	-
Cash flows generated in operations before working capital changes	5,940,772	(5,940,772)	-
	28,597,267	(28,597,267)	-
Working capital changes	15,158,341	(15,158,341)	-
- decrease in insurance and other receivables	1,348,734	(1,348,734)	-
- increase in insurance and financial liabilities	6,363,386	(6,363,386)	-
- increase in personal medical savings account liability	6,453,703	(6,453,703)	-
- increase/(decrease) in outstanding risk claims provision	992,518	(992,518)	-
Cash generated from operations	43,755,608	-	43,755,608

The cash flows from investing and financing activities have not been affected by this change and they were therefore not restated.

PICK N PAY MEDICAL SCHEME
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

2. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	R	R
Fair value at the beginning of the year	275,887,162	277,802,067
Additions	40,000,000	-
Capitalised interest and dividends	4,146,133	4,266,980
Disposals	(40,000,000)	-
Realised gains on financial assets at fair value through profit or loss	22,098,994	208,844
Unrealised gains/(losses) on revaluation of financial assets at fair value through profit or loss	35,085,805	(6,935,405)
Investment manager fees	(662,402)	544,676
Fair value at the end of the year	<u>336,555,692</u>	<u>275,887,162</u>

The investments included above represent investments in:

Allan Gray Equity Fund	50,583,846	58,422,934
Sesfikile Property Fund	16,444,320	11,913,405
Abax Prescient Equity Fund	74,744,400	63,459,381
Stanlib Brandywine	37,702,690	36,539,813
Visio Capital Fund	41,244,208	38,494,121
Coronation Strategic Bond Fund	74,549,139	67,057,508
Old Mutual Investment Group	41,287,089	-
	<u>336,555,692</u>	<u>275,887,162</u>

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

3. PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY – MANAGED BY THE SCHEME ON BEHALF OF ITS MEMBERS

Balance of personal medical savings account liability at the beginning of the year	100,486,580	94,032,877
Less: Prior year advances on personal medical savings account	<u>(74,127)</u>	<u>(50,247)</u>
Adjusted balance on personal medical savings account at the beginning of the year	100,412,453	93,982,630
Add:		
Savings account contributions received or receivable (note 6)	66,511,527	69,331,269
Interest earned on monies invested	4,530,258	5,940,772
Less:		
Claims paid out of savings (note 7)	(64,883,288)	(62,498,814)
Refunds on death or resignation in terms of Regulation 10(4)	(9,086,160)	(6,343,404)
Add:		
Advance on personal medical savings account	<u>82,462</u>	<u>74,127</u>
	<u>97,567,252</u>	<u>100,486,580</u>

**PICK N PAY MEDICAL SCHEME
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)**

3. PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY – MANAGED BY THE SCHEME ON BEHALF OF ITS MEMBERS (CONTINUED)

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 2021 but not yet reported will amount to R2,853,534 (2020: R3,303,647) (note 5).

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, actual 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 4. The difference between the investment and the liability is due to timing differences.

4. PERSONAL MEDICAL SAVINGS ACCOUNT INVESTMENT – MANAGED BY THE SCHEME ON BEHALF OF ITS MEMBERS

	2021	2020
	R	R
Ninety One Plc. Stable Money Fund	<u>99,225,618</u>	<u>99,236,237</u>

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 4.87% (2020: 8.02%). The total interest earned was R4,530,258 (2020: R5,943,001). 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.

**PICK N PAY MEDICAL SCHEME
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)**

5. OUTSTANDING RISK CLAIMS PROVISION

	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
	R	R
2021		
Outstanding claims provision	303,015	10,318,399
	<u>303,015</u>	<u>10,318,399</u>
Analysis of movements in outstanding claims		
Balance at beginning of year	156,622	9,482,150
Payments in respect of prior year	(156,622)	(9,173,114)
Over provision in respect of prior year	-	309,036
Adjustment for current year	303,015	10,009,363
Balance at end of year	<u>303,015</u>	<u>10,318,399</u>
Total outstanding claims provision at end of year		<u>10,621,414</u>
2020		
Outstanding claims provision	156,622	9,482,150
	<u>156,622</u>	<u>9,482,150</u>
Analysis of movements in outstanding claims		
Balance at beginning of year	173,357	8,472,897
Payments in respect of prior year	(173,357)	(6,903,412)
Under provision in respect of prior year	-	1,569,485
Adjustment for current year	156,622	7,912,665
Balance at end of year	<u>156,622</u>	<u>9,482,150</u>
Total outstanding claims provision at end of year		<u>9,638,772</u>
	2021	2020
Analysis of outstanding risk claims provision	R	R
Estimated gross claims	13,171,933	12,785,797
Less: Estimated recoveries from personal medical savings account (note 3)	(2,853,534)	(3,303,647)
IBNR covered by risk transfer arrangements	303,015	156,622
	<u>10,621,414</u>	<u>9,638,772</u>

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

It is likely that a relatively high proportion of Scheme beneficiaries received COVID-19 vaccines from State facilities. The State has not yet submitted the bulk of these claims to the Scheme.

According to Circular 55 of 2021, the CMS provided an exemption for late COVID-19 vaccine claims to the State, in which they can claim within 210 days instead of the regulated 120 days.

5. OUTSTANDING RISK CLAIMS PROVISION (CONTINUED)

The Scheme included R2.6 million for outstanding state vaccine claims in the provision for outstanding claims.

There is a significant amount of uncertainty around the number of outstanding state vaccine claims and the timing of when the state will submit those claims for payment to the Scheme.

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.

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 outstanding claims provision

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.

PICK N PAY MEDICAL SCHEME
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

5. OUTSTANDING RISK CLAIMS PROVISION (CONTINUED)

The assumed percentages of claims outstanding at the end of the period are as follows:

	2021	2020
	%	%
Claims outstanding for services rendered in:		
- December	8.0	8.0
- November	4.0	4.0
- October	3.0	3.0
- September	1.5	1.5
- August and prior	1.0	1.0

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:

	2021	2020
	R	R
Effect of a 1% increase	1,454,207	892,397
Effect of a 2% increase	2,399,884	1,803,896
Effect of a 3% increase	3,365,672	2,734,718

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.

6. RISK CONTRIBUTION INCOME

	2021	2020
	R	R
Gross contributions per registered rules	350,827,689	361,856,463
Less: Personal medical savings contributions received (note 3)	<u>(66,511,527)</u>	<u>(69,331,269)</u>
Risk contribution income per statement of comprehensive income	<u>284,316,162</u>	<u>292,525,194</u>

The savings contributions are received by the Scheme in terms of Regulation 10(1) and the Scheme's registered rules. Refer to note 3 to the financial statements for more detail on how these monies were utilised.

7. RISK CLAIMS INCURRED

Claims incurred excluding claims incurred in respect of risk transfer arrangements

Current year claims per registered rules	288,777,412	264,157,624
Movement in outstanding risk claims provision	10,318,399	9,482,150
Over provision in the prior year (note 5)	<u>309,036</u>	<u>1,569,485</u>
Adjustment for current year (note 5)	<u>10,009,363</u>	<u>7,912,665</u>
	<u>299,095,811</u>	<u>273,639,774</u>
Less:		
Claims paid from personal medical savings accounts (note 3)	<u>(64,883,288)</u>	<u>(62,498,814)</u>
Risk claims incurred	<u>234,212,523</u>	<u>211,140,960</u>

**PICK N PAY MEDICAL SCHEME
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)**

7. RISK CLAIMS INCURRED (CONTINUED)

Claims incurred excluding claims incurred in respect of risk transfer arrangements (continued)

	2021	2020
	R	R
Total claims incurred excluding risk transfer arrangements	234,212,523	211,140,960
Claims incurred in respect of risk transfer arrangements		
Current year claims	24,534,095	24,033,886
Claims incurred per the statement of comprehensive income	<u>258,746,618</u>	<u>235,174,846</u>
Net income on risk transfer arrangements		
Premiums paid	(18,956,490)	(19,211,880)
Recoveries received	<u>24,534,095</u>	<u>24,033,886</u>
Net income on risk transfer arrangements	<u>5,577,605</u>	<u>4,822,006</u>

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 programme for members on the Plus option of the Scheme with diabetes at a fixed monthly rate per beneficiary on the programme.

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.

Claims paid on behalf of members from their personal medical savings accounts are in terms of Regulation 10(3) and the Scheme's registered benefits. Refer to note 3 for a breakdown of the movement in these balances.

8. 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 does 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 does 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.

**PICK N PAY MEDICAL SCHEME
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)**

8. 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, Deputy Principal Officer and members of committees.

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

	2021	2020
	R	R
Statement of comprehensive income		
Gross contributions received (key management personnel)	915,609	814,610
Claims incurred (key management personnel)	1,475,071	1,378,849
Interest paid on personal medical savings account (key management personnel)	10,545	11,983
Compensation (key management personnel)		
- Medical advisor (key management personnel)	908,642	872,952
Administrator's fee (MHS)	19,467,030	19,984,264
Risk transfer arrangement fee and Managed Care fee (MHS)	6,671,978	6,651,111
Consulting fee (NMG)	3,075,496	2,985,920
Investment consulting fee (WTW)	160,483	128,886

Transactions and balances with related parties and parties with significant influence over the Scheme (continued)

	2021	2020
	R	R
Statement of financial position		
Personal medical savings account liability (key management personnel)	258,148	212,049
Investment consulting fee (WTW) (included in accrued expenses)	38,180	11,021
Reimbursement of postage/printing cost payable to MHS (included in accrued expenses)	25,736	30,701
NMG actuaries	256,291	248,827

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

Contributions received (key management personnel)

This constitutes the contributions paid by the related parties as members of the Scheme, in their individual capacities. All contributions 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 medical advisor in terms of the contract with the Scheme. The Trustees, Principal Officer and Deputy Principal Officer are not remunerated by the Scheme.

8. RELATED PARTY DISCLOSURES (CONTINUED)

The terms and conditions of the related party transactions and transactions with those who 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 months' 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 and consulting 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.

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

Investment consulting fees

The agreement with WTW 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 month's notice. The outstanding balance bears no interest and is due within 30 days.

9. FINANCIAL RISK MANAGEMENT

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 illustrate the fair values of financial assets by hierarchy level.

Management assessed that 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.

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

- The fair values of the quoted notes and bonds are based on price quotations at the reporting date. 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.

PICK N PAY MEDICAL SCHEME
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation (continued)

At 31 December 2021	Level 1	Level 2	Level 3	Reclassification
	R	R	R	R
Financial assets at fair value through profit or loss				
Collective investment schemes	-	170,135,618	-	-
Market linked policies	-	166,420,074	-	-
Cash and cash equivalents				
Collective investment schemes	-	68,267,439	-	-
Market linked policies	-	246,996,604	-	-
Current accounts	-	29,764,247	-	-
Total	-	681,583,982	-	-

At 31 December 2020	Level 1	Level 2	Level 3	Reclassification
	R	R	R	R
Financial assets at fair value through profit or loss				
Collective investment schemes	-	150,406,720	-	-
Market linked policies	-	125,480,442	-	-
Cash and cash equivalents				
Collective investment schemes	-	72,611,278	-	-
Market linked policies	-	240,278,382	-	-
Current accounts	-	29,460,702	-	-
Total	-	618,237,524	-	-

The hierarchy levels are defined as follows:

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

The 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.

10. CONTINGENT ASSET

At 31 December 2021 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 R5,522,588 (2020: R5,765,643).

11. 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 summarised financial statements that the Trustees consider should be brought to the attention of the members of the Scheme.

12. NON-COMPLIANCE MATTERS

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

12.1 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, Visio 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, 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 Scheme has applied for an exemption renewal on 27 March 2019 from the Council for Medical Scheme and received confirmation of an exemption on 11 December 2019. The exemption will be valid until 30 November 2022, subject to renewal.

12.2 NON-COMPLIANCE WITH SECTION 8(H) OF THE ACT – INVESTMENT IN DERIVATIVES

Nature and impact

The Scheme has an investment in Stanlib Brandywine which has an underlying investment in the Stanlib Global Bond Fund. The Stanlib Global Bond Fund makes use of foreign derivatives as part of its investment strategy. This is in contravention of Section 8(h) of the Act as well as Regulation 30.

Causes of the non-compliance

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

Corrective course of action

The Scheme has applied for an exemption renewal from the Council for Medical Scheme and received confirmation of an exemption on 17 December 2020. The exemption will be valid until 30 November 2022, subject to renewal.

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

12.3 CONTRAVENTION OF SECTION 36(10) OF THE MEDICAL SCHEMES ACT

Nature and impact

In terms of Section 36 (10) of the Act the Audit Committee must have a minimum of at least five members, of whom the majority shall be independent members. The Audit Committee of the Scheme had a vacancy for a period of the year which resulted in it being non-compliant with the minimum requirements of five members for the composition of an Audit Committee. No contentious debates, discussions occurred during this period. All recommendations to the Board of Trustees were unanimous. No situation arose requiring an independent, deciding vote.

12. NON-COMPLIANCE MATTERS (CONTINUED)

*Contraventions for which exemption was not applied for from the Council for Medical Schemes (CMS)
(continued)*

12.3 CONTRAVENTION OF SECTION 36(10) OF THE MEDICAL SCHEMES ACT (CONTINUED)

Causes of the non-compliance

Independent parties with the necessary technical or industry knowledge and skills were not readily available. The former Principal Officer's impending retirement afforded the Board of Trustees the opportunity to remedy the situation and he was appointed as the third independent Risk and Audit Committee member at the 24 February 2022 meeting, effective 1 April 2022.

Corrective course of action

Mr A Visser was appointed as an independent member of the Audit Committee, effective 1 April 2022. The identification or development of independent alternate committee members has been recommended to the Board of Trustees for consideration.

12.4 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 three days after it is due. An amount of R178,199 (2020: R126,896) was still outstanding by more than three days after it was due, as at 31 December 2021.

Causes of the non-compliance

The non-compliance relates to several instances during the year when contributions, due to member discrepancies, were received more than three 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.

12.5 NON-COMPLIANCE WITH SECTION 33(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. As at the 31 December 2021, the Plus option was in a net healthcare loss position, thereby contravening Section 33(2) of the Act. The net healthcare loss amounted to R8,854,321 (2020 profit: R23,997,434).

Causes of the non-compliance

The Scheme experienced higher than anticipated high-cost claims during the year which resulted in claims incurred being greater than the budgeted amount.

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 131.03% (2020: 117.71%), the Board of Trustees is comfortable that the Scheme would remain compliant with the minimum solvency ratio prescribed by the Medical Schemes Act.

12. NON-COMPLIANCE MATTERS (CONTINUED)

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

12.6 CONTRAVENTION OF SECTION 59(2) OF THE MEDICAL SCHEMES ACT

Nature and Impact

Section 59 (2) of the Medical Schemes Act states that a medical scheme shall pay a member or supplier of service, any benefit owing to that member or supplier within 30 days of receipt of the medical claim. A number of claims were settled outside the statutory time frame of 30 days, resulting in non-compliance with the Medical Schemes Act.

Causes of the non-compliance

Management was waiting on confirmation of banking details from providers and members. This resulted in claims not being paid within the 30 days statutory time frame.

Corrective course of action

Management has a claims report to monitor claims and to ensure that claims are paid within the 30 days statutory time frame.

13. COMPLETE SET OF AUDITED FINANCIAL STATEMENTS

A complete set of audited financial statements can be obtained from the following address:

Registered office address:

Pick n Pay Medical Scheme
Parc du Cap
7 Mispel Road
Bellville
7530

PICK N PAY MEDICAL SCHEME
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
for the year ended 31 December 2021 (continued)

14. PROFIT PER BENEFIT OPTION

2021	Plus	Primary	Total
	R	R	R
Risk contribution income	267,054,086	17,262,076	284,316,162
Relevant healthcare expenditure	(253,280,282)	(9,818,902)	(263,099,184)
Net claims incurred	(257,981,513)	(10,695,276)	(268,676,789)
- Risk claims incurred	(249,100,246)	(9,646,372)	(258,746,618)
- Accredited managed healthcare services	(8,934,240)	(1,048,904)	(9,983,144)
- Third party claim recoveries	52,973	-	52,973
Net income on risk transfer arrangement	4,701,231	876,374	5,577,605
- Risk transfer arrangements premiums paid	(14,469,233)	(4,487,257)	(18,956,490)
- Recoveries from risk transfer arrangements	19,170,464	5,363,631	24,534,095
Gross healthcare result	13,773,804	7,443,174	21,216,978
Administration fees and other operative expenses	(22,210,127)	(2,824,987)	(25,035,114)
Net impairment losses on healthcare receivables	(417,998)	-	(417,998)
Net healthcare result	(8,854,321)	4,618,187	(4,236,134)
Other income	67,126,553	8,548,742	75,675,295
Capitalised interest and dividends	16,448,990	2,100,552	18,549,542
Realised gains on financial assets	22,179,460	2,994,295	25,173,755
Unrealised gain on financial assets	28,498,103	3,453,895	31,951,998
Sundry Income	-	-	-
Other expenditure	(5,584,877)	(136,841)	(5,721,718)
Asset management fees	(1,054,619)	(136,841)	(1,191,460)
Interest paid on personal medical savings account	(4,530,258)	-	(4,530,258)
Net profit for the year	52,687,355	13,030,088	65,717,443

PICK N PAY MEDICAL SCHEME
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
for the year ended 31 December 2021 (CONTINUED)

14. PROFIT PER BENEFIT OPTION (CONTINUED)

2020	Plus	Primary	Total
	R	R	R
Risk contribution income	277,371,720	15,153,474	292,525,194
Relevant healthcare expenditure	(230,905,286)	(9,343,741)	(240,249,027)
Net claims incurred	(235,350,923)	(9,720,110)	(245,071,033)
- Risk claims incurred	(226,319,930)	(8,854,916)	(235,174,846)
- Accredited managed healthcare services	(9,520,305)	(865,194)	(10,385,499)
- Third-party claim recoveries	489,312	-	489,312
Net income on risk transfer arrangement	4,445,637	376,369	4,822,006
- Risk transfer arrangements premiums paid	(15,123,577)	(4,088,302)	(19,211,879)
- Recoveries from risk transfer arrangements	19,569,214	4,464,671	24,033,885
Gross healthcare result	46,466,434	5,809,733	52,276,167
Administration fees and other operative expenses	(22,487,308)	(2,533,809)	(25,021,117)
Net impairment gains on healthcare receivables	18,308	-	18,308
Net healthcare result	23,997,434	3,275,924	27,273,358
Other income	13,642,923	1,801,765	15,444,688
Investment income	19,223,221	2,151,520	21,374,741
Realised gains on financial assets	1,348,811	154,680	1,503,491
Unrealised loss on financial assets	(7,545,099)	(575,913)	(8,121,012)
Other income	615,990	71,478	687,468
Other expenditure	(6,481,483)	(61,004)	(6,542,487)
Asset management fees	(540,711)	(61,004)	(601,715)
Interest paid on personal medical savings account	(5,940,772)	-	(5,940,772)
Net profit for the year	31,158,874	5,016,685	36,175,559

All items of income or expenditure that do not relate directly to a specific option are allocated across all options on a proportional basis with reference to membership of each option.

Pick n Play

Medical scheme