NOTICE IS HEREBY GIVEN THAT THE 22nd ANNUAL GENERAL MEETING OF

Pick n Pay

Medical scheme

WILL BE HELD ON THURSDAY, 21 JUNE 2018 AT 13:00 IN ROOM 1, CONFERENCE CENTRE, PICK N PAY OFFICE PARK, 101 ROSMEAD AVENUE, KENILWORTH

VIDEO-CONFERENCING FACILITIES WILL ALSO BE AVAILABLE AT THE FOLLOWING VENUES:

- **IR SMALL BOARDROOM, KENSINGTON, JOHANNESBURG**
- **REGIONAL VC ROOM, DURBAN**
- **VC ROOM, PORT ELIZABETH**

AGENDA

1. Notice convening the Annual General Meeting

2. Minutes of the Annual General Meeting held on Thursday, 23 May 2017

3. Annual Report of the Chairperson of the Board of Trustees for the year ended 31 December 2017

4. Adoption of the annual financial statements for the year ended 31 December 2017

5. Results of the member-elected Trustee election

6. Confirmation of the Disputes Committee

   The current Disputes Committee comprises:

   Mr C Vlok
   Ms M Magnussen
   Ms M Mannion
   Mr M Marsden

7. To note the appointment of the external auditor for the ensuing year

   Ernst & Young

8. Any other business of which due notice has been given on or before Thursday, 21 June 2018

By order of the Board of Trustees

AMILE VISSER
PRINCIPAL OFFICER

As Chairperson of the Board of Trustees, I have pleasure in presenting my report for the year ended 31 December 2017.

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.

The Administrator changed their IT platform in January 2017 and, despite the best of intentions, the impact of this was felt by our members, service providers and my colleagues on the Board of Trustees. We are confident that all the challenges have been attended to and we would like to take this opportunity to thank our members and service providers for their patience and to MMI for the efficient manner in which the challenges and queries were addressed.

The various Sub-Committees, which include Risk and Audit, Investment, Clinical ad 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 112.2% as at 31 December 2017. These reserves are well in excess of the legislated targets, but appropriate for the long-term sustainability of our Scheme.

Legislative developments will be monitored closely on an ongoing basis to pre-empt and minimise the impact on the Scheme and its members.

Financial performance

During 2017, the Scheme paid out R205 845 151 in claims and claims-related expenses. This was R11.5 million less than in 2016. This can be attributed in part to the restructuring of some of the Scheme's benefits and also in part to a good claims experience for the Scheme. Early indications are that the claims experience for 2018 may be considerably higher than budgeted for, although we are hopeful that claiming will smooth out during the remainder of the year. The Trustees, as well as the managed care providers and actuaries, are keeping a close eye on this expenditure.

The reserve ratio of 112.2% is still much higher than the required statutory 25%. As mentioned previously, this is a further safeguard that will guarantee the financial viability of the Scheme for many years to come.

Contribution income for 2017 amounted to R252 157 326. After claims and healthcare expenses were deducted, the Scheme showed a net healthcare profit of R25 063 735.

Due to the higher investment returns and other income earned due to realised gains on disinvestments made during the year, the Scheme is able to report a net surplus for the year of R45 192 673, after investment income. The Scheme remains financially sound and is more than able to meet its commitments in terms of payment of claims.

Investments

More detailed information regarding the Scheme's investment performance for 2017 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 Trustees. 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 require 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.

Investments (continued)

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 surplus available funds that ideally should be invested elsewhere so as to maximise the investment return.

Membership

Membership of the Scheme has decreased by 9.49% from January to December 2017. This was due the voluntary severance packages that were offered by the employer mid-year. The total number of members at the end of December 2017 was 6 998 compared to 7 732 at the end of December 2016. The average age of beneficiaries was 30.7 and the pensioner ratio 4.5%.

Benefit changes and introduction of a new option

The Board's focus in 2017 was the introduction of the Primary option on 1 January 2017. This option provides all members with access to basic healthcare at a lower contribution rate. It is network-based and aimed at providing comprehensive primary care benefits. Basic optical, dental and radiology benefits are available and access to specialists is on a referral basis only through the general practitioner (GP) network.

The option does not have a savings component, but rather funds day-to-day benefits from insured benefits. GP and medication benefits from the network providers are unlimited for clinically necessary and medically appropriate conditions. In-hospital benefits are also unlimited, provided that a network hospital is used.

Members have been slower to join the Primary option than anticipated. With the pending regulation changes in the medical scheme industry, the Board may need to make a decision with regard to the sustainability of this option within the next year or two.

As a result of the very favourable financial results in 2017, the Board was able to 'give back' to members and introduced some benefit enhancements on the Plus option that we hope will benefit the majority of the members of the Scheme. These benefits were:

- A dental benefit of R2 000 per family per year was introduced and will be paid from insured benefits, not from medical savings,
- The co-payment for MRI and CT scans was reduced from R1 500 to R500.
- The R2 000 co-payment for admissions to a Netcare facility has been removed.
- Three additional chronic conditions were added on the Plus option, namely gastro-oesophageal reflux disease (GORD), non-prescribed minimum benefit cardiac arrhythmias and gout.
- A R15 000 post-oncology insured benefit was introduced for members who are in remission, but still need to have regular screening tests and follow-up appointments.
- The Scheme will now pay for the pneumococcal vaccine Pneumovax as part of preventative care benefits for those beneficiaries who meet the qualifying criteria.
- Depression medication has been increased to R299 per month.

Contribution increases

Again, as a result of the financially favourable experience in 2017, the Scheme was able to keep the contribution increases really low – at just 4%! This increase was well below the average increases announced by other schemes in the industry and well below healthcare cost inflation.

To further ease the burden on household budgets, every 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.

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

Every three years, the Scheme's members elect four Trustees. While the results of the elections will be announced during the Annual General Meeting, it would be remiss of me not to thank two Trustees in particular for their years of selfless dedication and commitment to the Board of Trustees and Pick n Pay Medical Scheme.

Both Isaac Motuang and Erna Vause indicated that they would not be making themselves available for re-election and that as such their terms of office would come to an end on 21 June 2018.

Both Erna and Isaac have served on the Pick n Pay Medical Scheme Board for well in excess of 10 years each and their invaluable input and guidance will be missed.

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

- the Company for its continued support
- our colleagues on the Board of Trustees and the various sub-committees for their commitment to leadership
- the management and staff at MMI Health (Pty) Ltd for the efficient manner in which they have 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
- our Medical Advisor, Dr Martin Bailey, for his dedication and commitment to the Scheme
- our Principal Officer, Mr Amile Visser, and Deputy Principal Officer for the daily management of the Scheme and for the assistance and sound advice they provide to our members
- 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, KPMG Inc, for the manner in which they conducted their audit
- the Registrar of 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 financial wellbeing of the Pick n Pay Medical Scheme.

HELEN DE LIGHT
CHAIRPERSON

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

- 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 shares (equities), bonds and cash, both local and offshore, where the aim is to grow the investments of the Scheme by 5% per annum above inflation over the long term.

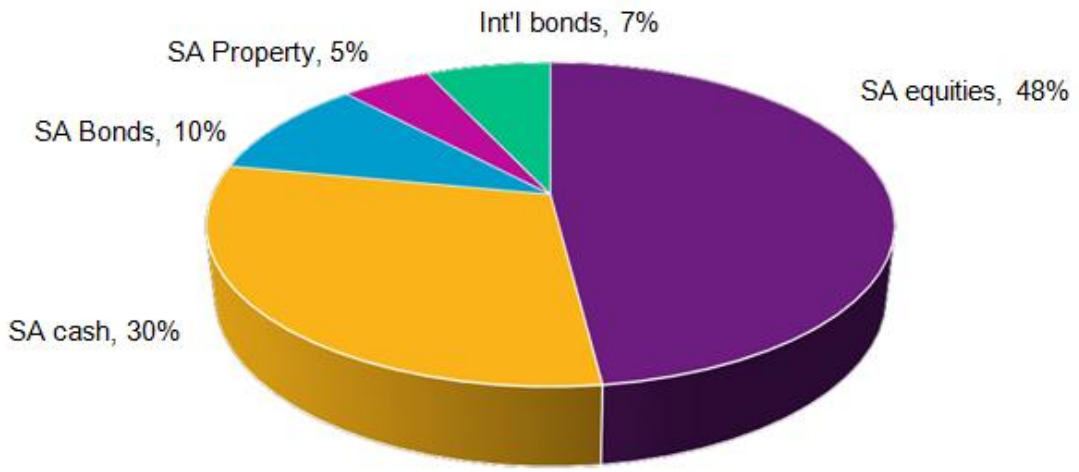
- With respect to the long-term assets, the Trustees believe that overly long measurement periods (typically 5 years and longer) investment markets are efficient and so the price of a traded asset is the most accurate indication of its underlying value. However, over shorter timeframes, investment markets 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, then it follows that an intelligent and patient investor can earn superior returns over the long term by exploiting these short-term mispricing. Therefore, the Trustees have appointed active investment managers who primarily follow a valuation investment approach, i.e. on SA equities, the investment managers look to assess the intrinsic value of a company and buy companies whose share price is well below their assessed intrinsic value.

- 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

STRATEGIC ASSET ALLOCATION (LONG-TERM ASSETS)

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



PICK N PAY MEDICAL SCHEME
ANNUAL SUMMARY OF INVESTMENT RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

BENCHMARKS

-	SA Equities	FTSE/JSE Capped All Share Index to 31 March 2017, and FTSE/JSE Capped Shareholder Weighted Index (Capped SWIX) from 1 April 2017
-	SA Cash	STEFI Composite Index
-	SA Property	FTSE / JSE listed property index
-	SA Bonds	BE ASSA All Bond Index
-	International Bonds	Barclays Global Aggregate Index

INVESTMENT ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2017

	Opening market value (R'm)	Cash-flow (R'm)	Invest-ment (R'm)	Closing market value (R'm)	Port-folio	Calculated 12-month return	Index
	1 Jan 2017	Nett	Return	31 Dec 2017	%	Return	Return
Asset Class SA equity	**159.7**	**-**	**23.5**	**183.3**	**40.0%**	**14.7%**	**17.5%**
Allan Gray	60.5	-	8.9	69.4	15.1%	14.7%	
Visio	38.1	-	3.6	41.7	9.1%	9.4%	17.5%
ABAX	61.2	-	11.1	72.2	15.7%	18.1%	
SA cash	157.2	4.4	24.3	185.9	40.5%	8.6%	7.5%
SA Property	17.3	-	3.3	20.6	4.5%	19.2%	17.2%
Sesfikile Property Fund	17.3	-	3.3	20.6	4.5%	19.2%	17.2%
SA Bonds	38.8	-	4.2	42.9	9.4%	10.7%	10.2%
Coronation Strategic Bond Fund	38.8	-	4.2	42.9	9.4%	10.7%	10.2%
International Bonds	25.8	-	0.1	25.9	5.6%	0.3%	-3.0%
Stanlib	25.8	-	0.1	25.9	5.6%	0.3%	-3.0%
SUB-TOTAL (Excluding PMSA)	398.8	4.4	55.4	458.6	100%	11.6%	
Investec PMSA Fund	84.5	-12.4	7.3	79.4	100%	8.6	
TOTAL	483.4	-8.0	62.7	538.0			

The Board of Trustees hereby presents its report for the year ended 31 December 2017.

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

P Gerber	(Resigned 31 January 2017)
G Lea	
P Maphoshe	
V Pierce	(Appointed 25 May 2017, Vice-Chairperson)
V Ramakuela	

Member elected

H de Light	(Chairperson)
R Johnson	
I Motaung	
E Vause	
K Black	(Alternate member)

1.2a PRINCIPAL OFFICER

A Visser

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

PO Box 23087
Claremont
7735

1.2b DEPUTY PRINCIPAL OFFICER

K Martin (Resigned 31 March 2017)
P Botha (Appointed 1 April 2017)

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

PO Box 23087
Claremont
7735

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

1.4 MEDICAL SCHEME ADMINISTRATOR

MMI Health (Pty) Ltd

268 West Avenue
Centurion
Gauteng
0157

PO Box 7400
Centurion
0046

1. MANAGEMENT (CONTINUED)

1.5 INVESTMENT MANAGERS

Allan Gray Life Limited

Granger Bay Court
Beach Road
V&A Waterfront
Cape Town
8002

PO Box 51318
V&A Waterfront
8002

Investec Asset Management (Pty) Ltd

100 Grayston Drive
Sandown
Sandton
2196

PO Box 785700
Sandton
2146

Coronation Fund Managers Ltd

7th Floor Montclare Place
C/o Campground and Main Roads
Claremont
7708

PO Box 44684
Claremont
7735

Abax Investments (Pty) Ltd

Ground Floor Coronation House
The Oval
1 Oakdale Road
Newlands
7700

PO Box 23851
Claremont
7735

Stanlib Asset Management Ltd

17 Melrose Boulevard
Sanlamhof
Johannesburg
2196

PO Box 202
Melrose Arch
2076

Sesfikile Capital

1st Floor, 30 Melrose Boulevard
Melrose Arch
Johannesburg
2076

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

1.6 AUDITOR

KPMG Inc

MSC House
1 Mediterranean Street
Foreshore
Cape Town
8001

PO Box 4609
Cape Town
8000

1. MANAGEMENT (CONTINUED)

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
7700

Private Bag X30
Rondebosch
7701

1.9 CAPITATION PROVIDERS

Centre for Diabetes & Endocrinology (Pty) Ltd

81 Central Street
Houghton
2198

PO Box 2900
Saxonwold
2132

ER24 EMS (Pty) Ltd

Manor 1, Cambridge Manor,
C/o Witkoppen and Stonehaven Streets
Paulshof
2056

PO Box 242
Paulshof
2056

MMI Health (Pty) Ltd (for the provision of services on the Primary option)

268 West Avenue
Centurion
Gauteng
0157

PO Box 7400
Centurion
0046

1.10 MANAGED CARE SERVICES PROVIDERS

MMI Health (Pty) Ltd

268 West Avenue
Centurion
Gauteng
0157

PO Box 7400
Centurion
0046

MediKredit Integrated Healthcare Solutions (Pty) Ltd
(A subsidiary of Performance Health (Pty) Ltd)

10 Kikuyu Road
Sunninghill
Sandton
2157

PO Box 692
Johannesburg
2193

1. MANAGEMENT (CONTINUED)

1.10 MANAGED CARE SERVICES PROVIDERS (CONTINUED)

Private Health Administrators (Pty) Ltd

70 Buckingham Terrace
Pharos House Building
Westville
Durban
3630

PO Box 343
Westville
3630

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 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).

2.2 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 summarised annual 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 Investec 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;

3. INVESTMENT STRATEGY OF THE MEDICAL SCHEME (CONTINUED)

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

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

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

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

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

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

5. REVIEW OF OPERATIONS

5.1 OPERATIONAL STATISTICS

The results of the Scheme's operations for the year under review at 31 December 2017 are set out in the summarised financial statements, and the Trustees believe that no further clarification is required.

2017	Plus	Primary	Total
Number of members at year end	6 793	205	6 998
Average number of members for the year	7 131	143	7 274
Number of beneficiaries at year end	14 276	347	14 623
Average number of beneficiaries for the year	14 964	107	15 207
Proportion of dependants at year end	1.10	0.69	1.09
Average age of beneficiaries	30.7	26.9	30.6
Pensioner ratio	4.5%	0.6%	4.4%
Average contributions net of savings per member per month	R2 912	R1 721	R2 889
Average contributions net of savings per beneficiary per month	R1 388	R2 314	R1 382

5. REVIEW OF OPERATIONS (CONTINUED)

5.1 OPERATIONAL STATISTICS (CONTINUED)

2017 (continued)	Plus	Primary	Total
Average claims net of savings incurred per member per month	R2 377	R769	R2 345
Average claims net of savings incurred per beneficiary per month	R1 133	R1 033	R1 122
Average administration costs per member per month	R249	R249	R249
Average managed care: Managed services per member per month	R86	R85	R86
Average members' funds per member at year end	n/a	n/a	R63 934
Relevant healthcare expenditure as a percentage of net contributions	81.6%	44.7%	81.2%
Relevant healthcare expenditure per average beneficiary per month	R1 133	R1 033	R1 122
Managed care: Management services as a percentage of net contributions	2.9%	5.0%	3.0%
Non-healthcare expenses as a percentage of gross contributions	7.0%	0.1%	7.1%
Non-healthcare expenditure per beneficiary per month	R122	R335	R123
Administration fees paid to the Administrator	R16 751 711	R215 297	R16 967 008
Average return on investments and cash	n/a	n/a	10.7%

2016	Plus	Primary	Total
Number of members at year end	7 732	-	7 732
Average number of members for the year	7 680	-	7 680
Number of beneficiaries at year end	16 137	-	16 137
Average number of beneficiaries for the year	16 062	-	16 062
Proportion of dependants at year end	1.09	-	1.09
Average age of beneficiaries	29.9	-	29.9
Pensioner ratio	3.9%	-	3.9%
Average contributions net of savings per member per month	R2 694	-	R2 694
Average contributions net of savings per beneficiary per month	R1 288	-	R1 288
Average claims net of savings incurred per member per month	R2 357	-	R2 357
Average claims net of savings incurred per beneficiary per month	R1 127	-	R1 127
Average administration costs per member per month	R231	-	R231
Average managed care: Managed services per member per month	R86	-	R86
Average members' funds per member at year end	R48 982	-	R48 982
Relevant healthcare expenditure as a percentage of net contributions	87.5%	-	87.5%
Relevant healthcare expenditure per average beneficiary per month	R1 127	-	R1 127
Managed care: Management services as a percentage of net contributions	3.2%	-	3.2%
Non-healthcare expenses as a percentage of gross contributions	6.9%	-	6.9%
Non-healthcare expenditure per beneficiary per month	R111	-	R111
Administration fees paid to the Administrator	R16 721 158	-	R16 721 158
Average return on investments and cash	5.8%	-	5.8%

The are no 2016 comparative figures for the Primary option as it was only introduced on 1 January 2017.

5. REVIEW OF OPERATIONS (CONTINUED)

5.2 ACCUMULATED FUNDS RATIO

The accumulated funds ratio is calculated on the following basis:	2017 R	2016 R
Total members' funds per summarised statement of financial position	447 407 437	378 732 399
Less: Revaluation reserve	(94 770 617)	(71 288 252)
Accumulated funds per Regulation 29 of the Act	352 636 820	307 444 147
Gross contributions	314 215 980	310 030 288
Accumulated funds ratio:		
Accumulated funds/gross contributions X 100%	112.2%	99.2%

5.3 REVALUATION RESERVE

The revaluation reserve in the summarised statement of financial position reflects the unrealised gains on the Scheme's investment portfolios with Allan Gray, Coronation, Abax, Sesfikile, Stanlib and Visio.

There was no unusual movement in the revaluation reserve, and the Trustees believe that no further clarification is required.

5.4 OUTSTANDING CLAIMS

Movements in the outstanding claims provision are set out in note 5 to the summarised annual 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 Alexander Forbes, with Guardrisk Insurance Company. The sum insured is R120 million (2016: R120 million) (with a single claim not exceeding R60 million - 2016: R60 million) and extends to the 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. COMMITTEES OF THE BOARD OF TRUSTEES (CONTINUED)

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:

23 March 2017;
13 July 2017; and
2 November 2017.

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.

The members of the committee are:

Name	Designation	Date of appointment	Date of resignation
R Livingstone	Independent member/Chairperson	9 November 2011	23 November 2017
C Cowley	Independent member/Chairperson	23 November 2017	
M Pienaar	Independent member	11 June 2015	
L Clayton	Independent member	1 November 2015	
R Johnson	Member-elected Trustee	11 June 2015	
G Lea	Employer-appointed Trustee	11 June 2015	
P Gerber	Employer-appointed Trustee	3 August 2011	31 January 2017
V Pierce	By invitation (Vice-Chairperson of the Board of Trustees)	3 August 2017	
H de Light	By invitation (Chairperson of the Board of Trustees)	11 June 2015	

A Visser attends in his capacity as Principal Officer
K Martin and P Botha attend in their capacity as Deputy Principal Officer

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:

2 February 2017;
11 May 2017;
17 August 2017; and
2 November 2017.

The members of the committee are:

Name	Designation	Date of appointment
G Lea	Employer-appointed Trustee/Chairperson	11 June 2015
V Ramakuela	Employer-appointed Trustee	11 June 2015

9. COMMITTEES OF THE BOARD OF TRUSTEES (CONTINUED)

9.2 INVESTMENT COMMITTEE (CONTINUED)

Name	Designation	Date of appointment
R Johnson	Member-elected Trustee	11 June 2015
E Vause	Member-elected Trustee	11 June 2015
P Gerber	Independent member	3 August 2017

A Visser attends in his capacity as Principal Officer
K Martin and P Botha attend in their capacity as Deputy Principal Officer

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:

26 January 2017;
20 April 2017;
27 July 2017 and
26 October 2017.

The members of the committee are:

Name	Designation	Date of appointment
M Bailey	Medical advisor/Chairperson	11 June 2015
E Vause	Member-elected Trustee	11 June 2015
V Pierce	Employer-appointed Trustee	3 August 2017
V Ramakuela	Employer-appointed Trustee	11 June 2015
K Black	Alternate member-elected Trustee	11 June 2015
I Jordaan	Independent member	1 September 2014

A Visser attends in his capacity as Principal Officer
K Martin and P Botha attend in their capacity as Deputy Principal Officer

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 monthly from January to December during the course of the year.

The members of the committee are:

Name	Designation	Date of appointment
M Bailey	Medical advisor/Chairperson	11 June 2015
E Vause	Member-elected Trustee	11 June 2015
H de Light	Member-elected Trustee	11 June 2015

A Visser attends in his capacity as Principal Officer
K Martin and P Botha attend in their capacity as Deputy Principal Officer

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 meetings		Investment Committee meetings		Clinical Committee meetings		Ex Gratia Committee meetings	
	A	B	A	B	A	B	A	B	A	B
H de Light	5	5	-	-	4	2	4	1	12	10
P Gerber	1	1	-	-	4	4	-	-	-	-
A Visser*	5	5	3	3	4	3	4	4	12	12
K Martin#	1	1	1	1	1	1	1	1	3	3
P Botha#	4	4	2	2	3	3	3	3	9	9
G Lea	5	3	3	3	4	4	-	-	-	-
I Motaung	5	3	-	-	-	-	-	-	-	-
E Vause	5	5	-	-	4	2	4	2	12	10
M Pienaar		-	3	3	-	-	-	-	-	-
R Livingstone	5	2	3	3	-	-	-	-	-	-
M Bailey	5	5	-	-	-	-	4	4	12	12
R Johnson	5	4	2	1	4	3	-	-	-	-
V Pierce	5	5	3	1	-	-	4	4	-	-
L Clayton	-	-	3	2	-	-	-	-	-	-
I Jordaan	-	-	-	-	-	-	4	4	-	-
V Ramakuela	5	5	-	-	4	4	-	-	-	-
K Black	5	1	-	-	-	-	4	4	-	-
P Maphoshe	5	-	-	-	-	-	-	-	-	-

A – Total possible number of meetings could have attended
B – Actual number of meetings attended
* – A Visser attends in his capacity as Principal Officer
# – K Martin and P Botha attend in their capacity as Deputy Principal Officer

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 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.
- MMI Health (Pty) Ltd (MMI Health) – in terms of the arrangement, MMI Health provides defined primary care services for the Primary option at a fixed rate per beneficiary per month.

12. NON-COMPLIANCE MATTERS

Contraventions for which exemption was obtained from the Council for Medical Schemes (CMS)

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 and Visio. 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.

12. NON-COMPLIANCE MATTERS (CONTINUED)

Contraventions for which exemption was obtained from the Council for Medical Schemes (CMS)(continued)

12.1 CONTRAVENTION OF SECTION 35(8)(A) AND SECTION 35(8)(C) (CONTINUED)

Nature and impact (continued)

The Scheme holds an indirect investment in MMI Holdings Ltd and Liberty Holdings Ltd via an investment placed with Allan Gray. 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

An exemption was granted by the Council for Medical Schemes from complying with Section 35(8)(a) and Section 35(8)(c) of the Act until 13 December 2017, subject to renewal. The Scheme has applied for an exemption renewal in March 2018.

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

An exemption was granted by the Council for Medical Schemes from complying with Section 8(h) of the Act until December 2018, subject to renewal.

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

12.3 CONTRAVENTION OF SECTION 59(2)

Nature and Impact

A number of claims were settled outside the statutory 30-day timeframe. These claims were not erroneous or unacceptable for payment.

Causes for the failure

A change in the operating system used by the Administrator in December 2016 resulted in claims being settled outside the statutory 30-day timeframe.

Corrective action

The settlement of claims that might fall outside the statutory timeframe was prioritised to ensure that future claims that are received are paid in the 30-day timeframe.

12. NON-COMPLIANCE MATTERS (CONTINUED)

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

12.4 CONTRAVENTION OF REGULATION 6 OF THE MEDICAL SCHEMES ACT, NO 131 OF 1988

Nature and impact

In terms of Regulation 6 of the Medical Schemes Act, no 131 of 1998, a claim is defined as stale if it is submitted for the first time for payment after the end of the fourth month from the last date of service (treatment date), as stated in the account or claim. Such claims are approved in terms of a stale claims mandate. It was noted that there were claim lines that were settled after the stale claims period and were settled without following the stale claims mandate. In addition, it was noted that claim lines were incorrectly rejected as stale, resulting in non-compliance with the Medical Schemes Act.

Causes for the failure

The stale claims mandate was not fully applied to resubmitted claims. In addition to this, medicine claims received via Medikredit were incorrectly rejected upfront by Medikredit and only reprocessed after the stale date had passed.

Corrective action

Management reports are being checked daily by the claims team and reviewed by the claims manager to ensure the stale claims mandate is being applied. In addition, Medikredit amended their systems to allow these claims through so that the administration system can perform the stale claims period validation.

12.5 CO-PAYMENTS INCORRECTLY APPLIED AS PER APPROVED SCHEME RULES

Nature and impact

In order to ensure that the Scheme is financially viable, co-payments are due on certain benefits when used or when members obtain these benefits voluntarily from non-designated service providers (DSPs). Instances were noted where co-payments were applied incorrectly, resulting in non-compliance with the Scheme rules.

Causes for the failure

The imposition of co-payments was not flagged correctly on the authorisation screen.

Corrective action

System enhancements were made on the administration system to automatically flag the co-payment in line with the Scheme rules.

12.6 CONTRAVENTION OF REGULATION 8(1) OF THE MEDICAL SCHEMES ACT, NO 131 OF 1988

Nature and impact

Subject to the provisions of this regulation, any benefit option that is offered by a medical scheme must pay in full, without co-payments or the use of deductibles, for the diagnosis, treatment and care costs of prescribed minimum benefits (PMBs). There were instances noted where PMB-related claim lines were not paid in full and/or rejected, resulting in non-compliance with the Scheme rules.

Causes for the failure

The PMB ICD-10 codes were not linked to the relevant PMB treatment plans in error.

Corrective action

The system configuration was amended and all claims were subsequently reversed, reprocessed and paid in accordance with the Medical Schemes Act.

12. NON-COMPLIANCE MATTERS (CONTINUED)

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

12.7 CONTRAVENTION OF THE MEDICAL SCHEMES ACT, NO 131 OF 1988 – DUAL MEMBERSHIP

Nature and impact

The Medical Scheme Act states that no person shall be a member of more than one medical scheme at the same time. There was one instance noted where the beneficiary was active on both Pick n Pay Primary option and Plus option.

Causes for the failure

This was as a result of oversight during the review of the dual membership report.

Corrective action

The incorrect membership was cancelled. No contributions were received or claims paid on the incorrect number.

12.8 CONTRAVENTION OF SECTION 26(7) OF THE MEDICAL SCHEMES ACT

Nature and impact

In terms of section 26(7) of the Act, contributions should be received at the latest 3 days after it is due. An amount of R267 096 was still outstanding by more than 3 days after it was due, as at 31 December 2017.

Causes for the failure

System and process changes at both employer and administrator levels, have contributed largely to the outstanding contribution debt.

Corrective action

The necessary discrepancy reports and control measures will be implemented, and reinforced, at both employer and administrator levels to ensure that reconciliations and corrective actions are executed timeously. A stricter sign-off procedure at executive level will be implemented to ensure compliance with the provisions of the Medical Schemes Act.

12.9 AMENDED 2017 CONTRIBUTION TABLES NOT SIGNED AS APPROVED BY THE COUNCIL FOR MEDICAL SCHEMES

Nature and impact

Contributions tables applied by the Scheme for the year should be approved by the Council for Medical Schemes (CMS). An amendment to the original 2017 contribution tables that was approved by the CMS in principle, were not formally signed off by the CMS as approved.

Causes for the failure

Although the amended tables were submitted to the CMS timeously, formal sign-off was not obtained from the CMS. The amended tables were signed off by the actuaries and the Board of Trustees and submitted to the CMS in March 2017. The implementation of the amended tables was discussed with the Scheme prior to loading it on the Administrator's contribution system to avoid members being negatively impacted by any delays in the sign-off process from the CMS. The administrator has contacted the CMS on numerous occasions, but has not yet received the signed versions back from the CMS.

Corrective action

The administrator will continue to liaise with the CMS to obtain the necessary approval.

To the Members of the Pick n Pay Medical Scheme

Opinion

The summarised financial statements, as set out on pages 21 to 37, which comprise the summarised statement of financial position as at 31 December 2017 and the summarised statement of comprehensive income, summarised statement of changes in members' funds and summarised cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of Pick n Pay Medical Scheme (the Scheme) for the year ended 31 December 2017.

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 summarised 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 24 April 2018. That report also included the communication of key audit matters.

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 with International Standards on Auditing (ISA) 810 (revised), *Engagements to Report on Summary Financial Statements*.

KPMG Inc.
Registered Auditor

Per EA Belstead

Chartered Accountant (SA)
Registered Auditor
Director
11 May 2018

1 Mediterranean Street
Foreshore
Cape Town
8000

SUMMARISED STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Notes	2017 R	2016 R
ASSETS			
Non-current assets		272 704 995	241 604 306
Available-for-sale investments	2	272 704 995	241 604 306
Current assets		266 110 986	241 977 215
Insurance and other receivables		830 567	335 807
Cash and cash equivalents		265 280 419	241 641 408
Scheme cash and cash equivalents		185 904 645	157 101 381
Personal medical savings account trust investment	4	79 375 774	84 540 027
Total assets		538 815 981	483 581 521
FUNDS AND LIABILITIES			
Members' funds		447 407 437	378 732 399
Accumulated funds		352 636 820	307 444 147
Revaluation reserve: Available-for-sale investments		94 770 617	71 288 252
Current liabilities		91 408 544	104 849 122
Personal medical savings account trust liability	3	78 049 057	86 054 927
Insurance and financial liabilities		7 348 978	2 349 660
Outstanding risk claims provision	5	6 010 509	16 444 535
Total funds and liabilities		538 815 981	483 581 521

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Notes	2017 R	2016 R
Risk contribution income	6	252 157 326	248 239 021
Relevant healthcare expenditure		(204 711 148)	(217 186 819)
Net claims incurred		(205 845 151)	(217 365 146)
Risk claims incurred	7	(198 585 765)	(209 577 635)
Accredited managed healthcare services		(7 475 048)	(7 928 803)
Third-party claim recoveries		215 662	141 292
Net income on risk transfer arrangements	7	1 134 003	178 327
Risk transfer arrangements premiums paid		(13 157 433)	(12 917 569)
Recoveries from risk transfer arrangements		14 291 436	13 095 896
Gross healthcare result		47 446 178	31 052 202
Administration fees and other operative expenses		(21 730 489)	(21 322 103)
Net impairment losses on healthcare receivables		(651 954)	(53 207)
Net healthcare result		25 063 735	9 676 892
Other income		27 767 368	26 315 597
Investment income		27 743 567	26 291 663
Sundry income		23 801	23 934
Other expenditure		(7 638 430)	(8 971 056)
Asset management fees		(605 721)	(2 041 452)
Interest paid on personal medical savings account	3	(7 032 709)	(6 929 604)
Net surplus for the year		45 192 673	27 021 433
Other comprehensive income			
Fair value adjustment on available-for-sale investments		25 147 425	3 095 341
Less: Reclassification adjustment on realised gains		(1 665 060)	(1 414 116)
Total comprehensive income for the year		68 675 038	28 702 658

SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES
for the year ended 31 December 2017

	2017 R	2016 R
Accumulated funds		
Balance at the beginning of the year	307 444 147	280 422 714
Net surplus for the year	45 192 673	27 021 433
Balance at the end of the year	352 636 820	307 444 147
Revaluation reserve: Available-for-sale investments		
Balance at the beginning of the year	71 288 252	69 607 027
Unrealised gains on revaluation of available-for-sale investments	25 147 425	3 095 341
Realised gains on disposal of available-for-sale investments	(1 665 060)	(1 414 116)
Balance at the end of the year	94 770 617	71 288 252
Members' funds	447 407 437	378 732 399

SUMMARISED STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

		2017 R	2016 R
CASH FLOW FROM OPERATING ACTIVITIES			
Net surplus for the year		45 192 673	27 021 433
- Realised gain on disposal of available-for-sale investments		(1 665 060)	(1 414 116)
- Investment income		(17 853 317)	(18 856 440)
- Capitalised interest and dividends		(7 619 469)	(4 339 882)
- Interest expense on personal medical savings accounts		7 032 709)	6 929 604
Cash flows generated in operations before working capital changes		25 087 536	9 340 599
Working capital changes		(13 864 549)	7 334 632
- Increase in insurance and other receivables		(423 971)	(141 083)
- Increase in insurance and financial liabilities		4 999 318	1 205 797
- Decrease in personal medical savings accounts trust liability		(8 005 870)	(161 058)
- (Decrease)/Increase in outstanding risk claims provision		(10 434 026)	6 430 976
Cash generated in operations		11 222 987	16 675 231
Interest and dividends received		17 782 528	16 814 988
Interest paid on personal medical savings accounts		(7 032 709)	(6 929 604)
Net cash flow generated in operating activities		21 972 806	26 560 615
CASH FLOWS FROM INVESTING ACTIVITIES		1 666 205	105 046
Proceeds on disposal of available-for-sale investments		1 666 205	484 923
Additions to available-for-sale investments		-	(379 877)
NET INCREASE IN CASH AND CASH EQUIVALENTS		23 639 011	26 665 661
Cash and cash equivalents at the beginning of the year		241 641 408	214 975 747
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4,6	265 280 419	241 641 408

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.

Statement of compliance

The summarised financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in accordance with the requirements of the Medical Schemes Act of South Africa. In addition the summarised statement of comprehensive income is prepared in accordance with Circular 41 of 2012 issued by the Council for Medical Schemes that set out their interpretation of IFRS as it relates to the summarised statement of comprehensive Income for Medical Schemes in South Africa.

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 historical cost convention, except for available-for-sale financial assets, which are measured at fair value.

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 South African rand.

Use of estimates

The preparation of the financial statements necessitates the use of estimates and assumptions including the outstanding claims provision. These estimates and assumptions affect the reported amount of assets, liabilities and contingent liabilities at the reporting date as well as affecting the reported income and expenditure for the year. The actual outcome may differ from these estimates, possibly significantly. For further information on critical estimates and judgments refer to note 5.

1.2 STANDARDS AND INTERPRETATIONS

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

The following new standards and amendments to IFRS are not yet effective for the current financial year. The Scheme will comply with the new standards and interpretations from the various effective dates.

IFRS 9 financial instruments

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Scheme is considering to either apply the temporary exemption from IFRS 9, or alternatively adopt the standard in the first annual period beginning on or after the mandatory effective date.

The implementation of IFRS 9 will result in certain available-for-sale investments currently measured at fair value through other comprehensive income to be measured as investments at fair value through profit or loss. In addition, the revaluation reserve will be reclassified to the general reserve.

The new expected credit loss model for calculating impairment on financial assets is not expected to have a material impact on the Scheme.

1.3 COMPARATIVES

Where appropriate, reclassifications have been made to comparative information to conform to changes in the current year's disclosure.

2. AVAILABLE-FOR-SALE INVESTMENTS

	2017 R	2016 R
Fair value at the beginning of the year	241 604 306	232 232 677
Additions	-	379 877
Capitalised interest and dividends	8 225 190	8422 786
Disposals	(1 666 205)	(484 923)
Unrealised gains on revaluation of available-for-sale investments	25 147 425	3 095 341
Investment expenses	(605 721)	(2 041 452)
Fair value at the end of the year	272 704 995	241 604 306

The investments included above represent investments in:

Allan Gray Equity Fund	69 381 442	60 493 893
Sesfikile Property Fund	20 645 188	17 323 155
Abax Prescient Equity Fund	72 225 155	61 160 485
Stanlib Brandywine	25 864 346	25 784 927
Visio Capital Fund	41 684 518	38 089 182
Coronation Strategic Bond Fund	42 904 346	38 752 664
	272 704 995	241 604 306

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

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

	2017 R	2016 R
Balance of personal medical savings account trust liability at the beginning of the year	86 054 927	86 215 985
Less: Prior year advances on personal medical savings account	(4 280)	(1 059)
Adjusted balance on personal medical savings account at the beginning of the year	86 050 647	86 214 926
Add:		
Savings account contributions received or receivable	62 058 654	61 791 267
Interest earned on trust monies invested	7 032 709	6 929 604
Less:		
Claims paid out of savings (note 7)	(63 574 322)	(64 512 832)
Refunds on death or resignation in terms of Regulation 10(4)	(13 644 353)	(4 372 318)
Add:		
Advance on personal medical savings account	125 722	4 280
Balance on personal medical savings account at the end of the year	78 049 057	86 054 927

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.

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

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 2017 but not yet reported will amount to R1 394108 (2016: R961 690) (note 5).

As from December 2012 the Scheme had ring fenced the investment of the personal medical savings account funds in a separate Investec 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 TRUST INVESTMENT MANAGED BY THE SCHEME ON BEHALF OF ITS MEMBERS

	2017 R	2016 R
Investec Stable Money Fund	79 375 774	84 540 027

The personal medical savings account trust monies were invested on behalf of the members in a market-linked policy. The effective interest rate on the personal medical savings accounts was 8.89% (2016: 7.80%). The total interest earned was R7 032 709 (2016: R6 929 604). 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.

5. OUTSTANDING RISK CLAIMS PROVISION

	2017 R	2016 R
Analysis of movements in outstanding risk claims		
Balance at the beginning of the year	16 444 535	10 013 559
Payments in respect of the prior year	(11 146 987)	(10 845 105)
(Over)/under provision in the prior year	5 297 548	(831 546)
Adjustment for the current year	712 961	17 276 081
Balance at the end of the year	6 010 509	16 444 535
Analysis of outstanding risk claims provision		
Estimated gross claims	7 404 618	17 406 225
Less: Estimated recoveries from personal medical savings account (note 5)	(1 394 109)	(961 690)
	6 010 509	16 444 535

The provision for outstanding claims in terms of risk transfer arrangements for the year ended 31 December 2017 was Rnil (2016: Rnil).

5. OUTSTANDING RISK CLAIMS PROVISION (CONTINUED)

Process used to determine the assumptions made in respect of claims provisioning

The process used to determine the assumptions made in respect of claims provisioning is intended to result in realistic estimates of the most likely or expected outcome. The sources of data used as inputs for the claims run-off assumptions are internal, using detailed studies that are carried out on a regular basis. More emphasis is placed on current trends.

The actual method or blend of methods used varies by category of claims and observed historical claims development. To the extent that the historical claims development method is used, we assume that the historical 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 claims submission mechanisms;
- changes in composition of members and their dependants;
- random fluctuations; and
- legislative changes.

Notified claims are assessed with due regard to the claim circumstances, category, anticipated development, expected seasonal fluctuations and information available from managed care management services (specifically hospital pre-authorisation). The provisions are best estimates based on the most recent information 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 (i.e. hospital [major medical benefit], chronic medication and day-to-day) 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.

Independent actuaries perform separate calculations of the outstanding claims provision, which is compared to the estimates, as prepared by management. Where variances arise, an understanding thereof is sought and any applicable adjustments catered for.

Assumptions

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

Sensitivity of outstanding claims provision

The percentages used as assumptions are listed in the table below. The table also outlines the sensitivity of these percentages, and the impact on the 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.
- Utilisation escalation incorporates the impact of HIV/AIDS.

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

	2017 %	2016 %
Claims outstanding for services rendered in:		
- December	15.6	83.5
- November	7.5	4.8
- October	3.1	2.5
- September	1.7	0.8
- August and prior	0.8	0.5

5. OUTSTANDING RISK CLAIMS PROVISION (CONTINUED)

Other assumptions (continued)

The higher increase in the claims outstanding percentage in December 2016 is due to the much lower claims that were paid in December 2016 when compared to prior year settlements.

The impact of the sensitivity of these percentages is set out below:

	2017	2016
	R	R
Effect of a 1% change in assumptions	775 203	1 776 539
Effect of a 2% change in assumptions	1 527 104	3 739 544
Effect of a 3% change in assumptions	2 315 999	5 916 447

The Scheme believes that the liability for claims reported in the summarised 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

	2017	2016
	R	R
Gross contributions per registered rules	314 215 980	310 030 288
Less: Personal medical savings contributions received (note 3)	(62 058 654)	(61 791 267)
Risk contribution income per summarised statement of comprehensive income	252 157 326	248 239 021

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 summarised financial statements for more detail on how these monies were utilised.

7. RISK CLAIMS INCURRED

	2017	2016
	R	R
Claims incurred excluding claims incurred in respect of risk transfer arrangements		
Current year claims per registered rules	241 858 142	244 550 036
Movement in outstanding risk claims provision	6 010 509	16 444 535
(Over)/under provision in the prior year (note 5)	5 297 548)	(831 546)
Adjustment for current year (note 5)	712 961	17 276 081
	247 868 651	260 994 571
Less:		
Claims paid from personal medical savings accounts (note 3)	(63 574 322)	(64 512 832)
Risk claims incurred	184 294 329	196 481 739
Total claims incurred excluding risk transfer arrangements	184 294 329	196 481 739
Claims incurred in respect of risk transfer arrangements		
Current year claims	14 291 436	13 095 896
Claims incurred per the summarised statement of comprehensive income	198 585 765	209 577 635
Net income on risk transfer arrangements		
Premiums paid	(13 157 433)	(12 917 569)
Recoveries received	14 291 436	13 095 896
Net income on risk transfer arrangements	1 134 003	178 327

7. RISK CLAIMS INCURRED (CONTINUED)

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 of the Scheme with diabetes at a fixed monthly rate per beneficiary on the programme.

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

8. RELATED PARTY DISCLOSURES

Parties with significant influence over the Scheme

MMI Health (Pty) Ltd (MMI Health) 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. MMI Health provides administration services and risk transfer arrangements to the Scheme.

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

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

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

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.

	2017	2016
	R	R
Summarised statement of comprehensive income		
Gross contributions received (key management personnel)	602 400	631 170
Claims incurred (key management personnel)	2 276 380	547 697
Interest paid on personal medical savings account (key management personnel)	32 691	30 325
Compensation (key management personnel)		
- Medical advisor	743 107	700 988
Administrator's fee (MMI Health)	16 967 008	16 721 158
Risk transfer arrangement fee (MMI Health)	581 060	-
Consulting fee (NMG)	2 705 417	2 552 280
Investment consulting fee (WTW)	111 635	105 365

8. RELATED PARTY DISCLOSURES (CONTINUED)

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

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

	2017	2016
	R	R
Summarised statement of financial position		
Personal medical savings account liability (key management personnel)	413 105	388 093
Investment consulting fee (WTW) (included in accrued expenses)	28 956	27 560
Reimbursement of postage/printing cost payable to MMI Health (included in accrued expenses)	-	62 477

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.

Administration fees

The administration agreement 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 MMI Health (Pty) Ltd is in accordance with instructions given by the Board of Trustees. The duration of the agreement is indefinite, but subject to the right of either party to terminate the agreement by giving not less than one month's notice. The outstanding balance bears no interest and is due within 30 days.

Personal medical savings account balances and related interest

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

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):

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.

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. CONTINGENT ASSET

At 31 December 2017 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 R3 202 835 (2016: R1 665 085).

10. NON-COMPLIANCE MATTERS

Contraventions for which exemption was obtained from the Council for Medical Schemes (CMS)

10.1 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 and Visio. 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 MMI Holdings Ltd and Liberty Holdings Ltd via an investment placed with Allan Gray. 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

An exemption was granted by the Council for Medical Schemes from complying with Section 35(8)(a) and Section 35(8)(c) of the Act until 13 December 2017, subject to renewal. The Scheme has applied for an exemption renewal in March 2018.

10.2 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.

10. NON-COMPLIANCE MATTERS (CONTINUED)

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

Corrective course of action

An exemption was granted by the Council for Medical Schemes from complying with Section 8(h) of the Act until December 2018, subject to renewal.

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

10.3 CONTRAVENTION OF SECTION 59(2)

Nature and impact

A number of claims were settled outside the statutory 30-day timeframe. These claims were not erroneous or unacceptable for payment.

Causes for the failure

A change in the operating system used by the administrator in December 2016 resulted in claims being settled outside of the statutory 30-day timeframe.

Corrective action

The settlement of claims that might fall outside the statutory timeframe was prioritised to ensure that future claims received are paid in the 30-day timeframe.

10.4 CONTRAVENTION OF REGULATION 6 OF THE MEDICAL SCHEMES ACT, NO 131 OF 1988

Nature and impact

In terms of Regulation 6 of the Medical Schemes Act, No 131 of 1998, a claim is defined as stale if it is submitted for the first time for payment after the end of the fourth month from the last date of service (treatment date) as stated in the account or claim. Such claims are approved in terms of a stale claims mandate. It was noted that there were claim lines that were settled after the stale claims period and were settled without following the stale claims mandate. In addition it was also noted that claim lines were incorrectly rejected as stale, resulting in non-compliance with the Medical Schemes Act.

Causes for the failure

The stale claims mandate was not fully applied to resubmitted claims. In addition to this, medicine claims received via Medikredit were incorrectly rejected upfront by Medikredit and only reprocessed after the stale date had passed.

Corrective action

Management reports are being checked daily by the claims team and reviewed by the claims manager to ensure the stale claims mandate is being applied. In addition Medikredit amended their systems to allow these claims through so that the administration system performs the stale period validation.

10.5 CO-PAYMENTS INCORRECTLY APPLIED AS PER APPROVED SCHEME RULES

Nature and impact

In order to ensure that the Scheme is financially viable certain benefits are charged co-payments when utilised or when members obtain these benefits voluntarily from non-designated services providers. Instances were noted where co-payments were incorrectly applied, resulting in non-compliance with the Scheme rules.

10. NON-COMPLIANCE MATTERS (CONTINUED)

10.5 CO-PAYMENTS INCORRECTLY APPLIED AS PER APPROVED SCHEME RULES (CONTINUED)

Causes for the failure

The imposition of co-payments was not flagged correctly on the authorisation screen.

Corrective action

System enhancements were done on the administration system to automatically flag the co-payment in line with the scheme rules.

10.6 CONTRAVENTION OF REGULATION 8(1) OF THE MEDICAL SCHEMES ACT, NO 131 OF 1988

Nature and impact

Subject to the provisions of this regulation, any benefit option that is offered by a medical scheme must pay in full, without co-payment or the use of deductibles, for the diagnosis, treatment and care costs of the prescribed minimum benefits. (PMBs). There were instances noted where PMB-related claims lines were not paid in full and/or rejected, resulting in non-compliance with the Scheme rules.

Causes for the failure

The PMB ICD-10 codes did not link to the relevant PMB treatment plans in error.

Corrective action

The system configuration was amended, and all claims were subsequently reversed, reprocessed and paid in accordance with the Medical Schemes Act.

10.7 CONTRAVENTION OF THE MEDICAL SCHEMES ACT, NO 131 OF 1988 – DUAL MEMBERSHIP

Nature and impact

The Medical Scheme Act states that no person shall be a member of more than one medical scheme at the same time. There was one instance noted where the beneficiary was active on both Pick n Pay Primary and Plus options.

Causes for the failure

This was as a result of oversight during the review of the dual membership report.

Corrective action

The incorrect membership was cancelled. No contributions were received or claims paid on the incorrect number.

10.8 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 R267 096 was still outstanding by more than three days after it was due, as at 31 December 2017.

Causes for the failure

System and process changes at both employer and administrator levels have contributed largely to the outstanding contribution debt.

10. NON-COMPLIANCE MATTERS (CONTINUED)

10.8 CONTRAVENTION OF SECTION 26(7) OF THE MEDICAL SCHEMES ACT (CONTINUED)

Corrective action

The necessary discrepancy reports and control measures will be implemented, and reinforced, at both sites to ensure that reconciliations and corrective actions are executed timeously. A stricter sign-off procedure at executive level will be implemented to ensure compliance with the provisions of the Medical Schemes Act.

10.9 AMENDED 2017 CONTRIBUTION TABLES NOT SIGNED AS APPROVED BY THE COUNCIL FOR MEDICAL SCHEMES

Nature and impact

Contributions tables applied by the Scheme for the year should be approved by the Council for Medical Schemes (CMS). An amendment to the original 2017 contribution tables that was approved by CMS in principle, was not formally signed off by the CMS as approved.

Causes for the failure

Although the amended tables were submitted to the CMS timeously, formal sign-off was not obtained from the CMS. The amended tables were signed off by the actuaries and the Board of Trustees and submitted to the CMS in March 2017. The implementation of the amended tables was discussed with the Scheme prior to loading it on the Administrator's contribution system to avoid members being negatively impacted by any delays in the sign-off process from the CMS. The administrator has contacted the CMS on numerous occasions, but has not yet received the signed versions back from the CMS.

Corrective action

The administrator will continue to liaise with the CMS to obtain the necessary signed approval.

11. 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

12. SURPLUS PER BENEFIT OPTION

2017	Plus	Primary	Total
	R	R	R
Risk contribution income	249 200 040	2 957 286	252 157 326
Relevant healthcare expenditure	(203 390 568)	(1 320 580)	(204 711 148)
Net claims incurred	(204 762 563)	(1 082 588)	(205 845 151)
Risk claims incurred	(197 649 659)	(936 106)	(198 585 765)
Accredited managed healthcare services	(7 328 566)	(146 482)	(7 475 048)
Third party claim recoveries	215 662	-	215 662
Net income/(expense) on risk transfer arrangement	1 371 995	(237 992)	1 134 003
Risk transfer arrangements premiums paid	(12 544 504)	(612 929)	(13 157 433)
Recoveries from risk transfer arrangements	13 916 499	374 937	14 291 436
Gross healthcare result	45 809 472	1 636 706	47 446 178
Administration fees and other operative expenses	(21 302 911)	(427 578)	(21 730 489)
Net impairment losses on healthcare receivables	(651 954)	-	(651 954)
Net healthcare result	23 854 607	1 209 128	25 063 735
Other income	27 216 676	550 692	27 767 368
Investment income	25 567 613	510 894	26 078 507
Realised gain on available-for-sale investments	1 625 262	39 798	1 665 060
Other income	23 801	-	23 801
Other expenditure	(7 627 389)	(11 041)	(7 638 430)
Asset management fees	(594 680)	(11 041)	(605 721)
Interest paid on personal medical savings account	(7 032 709)	-	(7 032 709)
Net surplus for the year	43 443 894	1 748 779	45 192 673

12. SURPLUS PER BENEFIT OPTION (CONTINUED)

2016	Plus	Primary	Total
	R	R	R
Risk contribution income	248 239 021	-	248 239 021
Relevant healthcare expenditure	(217 186 819)	-	(217 186 819)
Net claims incurred	(217 365 146)	-	(217 365 146)
Risk claims incurred	(209 577 635)	-	(209 577 635)
Accredited managed healthcare services	(7 928 803)	-	(7 928 803)
Third party claim recoveries	141 292	-	141 292
Net income on risk transfer arrangement	178 327	-	178 327
Risk transfer arrangements premiums paid	(12 917 569)	-	(12 917 569)
Recoveries from risk transfer arrangements	13 095 896	-	13 095 896
Gross healthcare result	31 052 202	-	31 052 202
Administration fees and other operative expenses	(21 322 103)	-	(21 322 103)
Net impairment losses on healthcare receivables	(53 207)	-	(53 207)
Net healthcare result	9 676 892	-	9 676 892
Other income	26 315 597	-	26 315 597
Investment income	24 877 547	-	24 877 547
Realised gain on available-for-sale investments	1 414 116	-	1 414 116
Sundry income	23 934	-	23 934
Other expenditure	(8 971 056)	-	(8 971 056)
Asset management fees	(2 041 452)	-	(2 041 452)
Interest paid on personal medical savings account	(6 929 604)	-	(6 929 604)
Net surplus for the year	27 021 433	-	27 021 433

There are no 2016 comparative figures for 2016 on the Primary Option, as the option was only introduced on 1 January 2017.

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.

Medical scheme