

**PICK N PAY MEDICAL SCHEME**

**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2024**

**PICK N PAY MEDICAL SCHEME**

**FINANCIAL STATEMENTS**  
**for the year ended 31 December 2024**  
Registration number: 1563

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

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## PICK N PAY MEDICAL SCHEME

### FINANCIAL STATEMENTS

for the year ended 31 December 2024

### BOARD OF TRUSTEES RESPONSIBILITY STATEMENT

The trustees are responsible for the preparation and fair presentation of the financial statements of Pick n Pay Medical Scheme, comprising the statement of financial position as at 31 December 2024, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with the IFRS Accounting Standards, and the requirements of the Medical Schemes Act of South Africa. In addition, the Trustees are responsible for preparing the report of the Board of Trustees.

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

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

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

### Approval of the financial statements

The financial statements of Pick n Pay Medical Scheme, as identified in the first paragraph, were approved by the Board of Trustees on 15 May 2025 and signed on its behalf by:



.....  
V Pierce  
VICE-CHAIRPERSON



.....  
R Johnson  
TRUSTEE



.....  
D Theron  
PRINCIPAL OFFICER

15 May 2025

**PICK N PAY MEDICAL SCHEME****FINANCIAL STATEMENTS  
for the year ended 31 December 2024****STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES**

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

**BOARD OF TRUSTEES**

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

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

**INTERNAL CONTROLS**

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

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



.....  
V Pierce  
VICE-CHAIRPERSON



.....  
R Johnson  
TRUSTEE



.....  
D Theron  
PRINCIPAL OFFICER

15 May 2025

**PICK N PAY MEDICAL SCHEME****REPORT OF THE BOARD OF TRUSTEES  
for the year ended 31 December 2024**

The Board of Trustees hereby presents its report for the year ended 31 December 2024.

**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:

<u>Employer Appointed</u>		<u>Date of appointment</u>	<u>Date of resignation</u>
V Pierce	Vice-Chairperson	1 February 2024*	
R Sattar	Trustee	4 July 2024	
J Mahabeer	Trustee	1 October 2023	19 July 2024
M Mokobane	Trustee	22 July 2024	31 January 2025
* Re-appointment date			

<u>Member Elected</u>		<u>Date of appointment</u>	<u>Date of resignation</u>
H de Light	Chairperson	4 July 2024*	
R Johnson	Trustee	4 July 2024*	
R Faasen	Trustee	4 July 2024*	
R Sattar	Trustee	8 July 2021	3 July 2024
L Andrews	Alternate Trustee	4 July 2024*	
M Mannion	Alternate Trustee	4 July 2024*	
* Re-elected date			

**1.2 PRINCIPAL OFFICER**

D Theron	1 May 2024	
Pick n Pay Office Park Corporate Building 101 Rosmead Avenue Kenilworth 7700		P O Box 23087 Claremont 7735

**1.3 REGISTERED OFFICE ADDRESS AND POSTAL ADDRESS**

Pick n Pay Medical Scheme Parc Du Cap Mispel Road Bellville 7530	P O Box 4313 Cape Town 8000
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**1.4 MEDICAL SCHEME ADMINISTRATOR**

Momentum Health Solutions (Pty) Ltd - as of 1 January 2025 Momentum Health (Pty) Ltd 268 West Avenue Centurion Gauteng 157	P O Box 7400 Centurion 0046
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**PICK N PAY MEDICAL SCHEME****REPORT OF THE BOARD OF TRUSTEES (continued)  
for the year ended 31 December 2024****1.5 INVESTMENT MANAGERS**

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

P O Box 51318  
V&A Waterfront  
Cape Town  
8002

Ninety One Plc  
100 Grayston Drive  
Sandown  
Sandton  
2196

P O Box 785700  
Sandton  
2146

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

P O Box 44684  
Claremont  
7735

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

P. Suite 255, P O Box X1005  
Claremont  
7735

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

P O Box 66  
Pinelands  
Cape Town  
South Africa  
7405

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

P O Box 535  
Pinegowrie  
2123

**1.6 AUDITOR**

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

P O Box 2275  
Cape Town  
8000  
South Africa

**1.7 ACTUARIAL CONSULTANTS**

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

P O Box 3075  
Randburg  
2125

**1.8 INVESTMENT CONSULTANTS**

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

Private Bag X30  
Rondebosch  
7701

**PICK N PAY MEDICAL SCHEME****REPORT OF THE BOARD OF TRUSTEES (continued)  
for the year ended 31 December 2024****1.9 CAPITATION PROVIDERS**

Centre for Diabetes & Endocrinology (Pty) Ltd 81 Central Street Houghton 2198	P O Box 2900 Saxonwold 2132
ER24 EMS (Pty) Ltd Manor 1, Cambridge Manor Cnr. Witkoppen and Stonehaven Streets Paulshof 2056	P O Box 242 Paulshof 2056
Momentum Health Solutions (Pty) Ltd 268 West Avenue Centurion Gauteng 157	P O Box 7400 Centurion 0046

**1.10 MANAGED CARE SERVICES PROVIDERS**

Momentum Health Solutions (Pty) Ltd 268 West Avenue Centurion Gauteng 157	P O Box 7400 Centurion 0046
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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).

**2.2 PERSONAL MEDICAL SAVINGS ACCOUNT**

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

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

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

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

Unexpended savings balances are refundable when a member leaves the Scheme or when the member moves to the Primary option.

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

**PICK N PAY MEDICAL SCHEME****REPORT OF THE BOARD OF TRUSTEES (continued)  
for the year ended 31 December 2024****3. INVESTMENT STRATEGY OF THE MEDICAL SCHEME**

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

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

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

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

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

**4. MANAGEMENT OF INSURANCE RISK**

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

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

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

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

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



**PICK N PAY MEDICAL SCHEME****REPORT OF THE BOARD OF TRUSTEES (continued)**  
**for the year ended 31 December 2024****5. REVIEW OF OPERATIONS****5.1 OPERATIONAL STATISTICS**

The results of the Scheme's operations for the year under review at 31 December 2024 are set out in the Financial Statements, and the Trustees believe that no further clarification is required.

<b>2024</b>	<b>Plus</b>	<b>Primary</b>	<b>Total</b>
Number of members at year end	4,865	1,182	6,047
Average number of members for the year	4,928	1,074	6,002
Number of beneficiaries at year end	10,242	1,897	12,139
Average number of beneficiaries for the year	10,419	1,719	12,138
Dependants to member ratio at year-end	1.11	0.60	1.01
Average age of beneficiaries	32.4	28.3	31.8
Pensioner ratio (%)	6.1%	0.7%	5.2
Average insurance revenue per member per month	R 4,381	R 1,811	R 3,879
Average insurance revenue per beneficiary per month	R 2,081	R 1,128	R 1,932
Average insurance service expenses per member per month	R 4,968	R 1,300	R 4,251
Relevant healthcare expenditure as a percentage of net contributions	112.0%	71.1%	108.2%
Relevant healthcare expenditure per average beneficiary per month (pabpm).	R 2,290	R 885	R 2,091
Administration fees paid to the Administrator	R 11,336,617	R 2,394,243	R 13,730,860
Average administration costs per member per month	R 194	R 169	R 189
Average managed care: Managed services per member per month	R 105	R 56	R 95
Managed care: Management services as a percentage of net contributions	2.4%	3.1%	2.5%
Average attributable, administration and other expenses per member per month (R)	R 288	R 258	R 282
Average attributable, administration and other expenses per beneficiary per month (R)	R 137	R 161	R 141
Directly Attributable Insurance Service Expenses ratio	4.88%	6.84%	5.06%
Directly Attributable Insurance Service Expenses per average beneficiary per month (pabpm)	R 100	R 85	R 98
Average members funds per member at 31 December (R)	n/a	n/a	R 91,185
Average return on investments and cash	n/a	n/a	11.4%

<b>2023</b>	<b>Plus</b>	<b>Primary</b>	<b>Total</b>
Number of members at year end	5,024	974	5,998
Average number of members for the year	5,518	938	6,456
Number of beneficiaries at year end	10,711	1,568	12,279
Average number of beneficiaries for the year	11,801	1,511	13,312
Dependants to member ratio at year-end	1.13	0.61	1.05
Average age of beneficiaries	32.8	29.3	32.4
Pensioner ratio (%)	6.2%	0.8%	5.5
Average insurance revenue per member per month	R 4,331	R 1,773	R 3,916
Average insurance revenue per beneficiary per month	R 2,032	R 1,101	R 1,913
Average insurance service expenses per member per month	R 5,086	R 1,787	R 4,550
Relevant healthcare expenditure as a percentage of net contributions	117.0%	83.7%	114.6%
Relevant healthcare expenditure per average beneficiary per month (pabpm).	R 2,157	R 957	R 2,021
Administration fees paid to the Administrator	R 14,043,468	R 2,022,648	R 16,066,116
Average administration costs per member per month	R 233	R 173	R 223
Average managed care: Managed services per member per month	R 126	R 52	R 114
Managed care: Management services as a percentage of net contributions	2.9%	2.9%	2.9%
Average attributable, administration and other expenses per member per month (R)	R 351	R 282	R 340
Average attributable, administration and other expenses per beneficiary per month (R)	R 165	R 175	R 166
Directly Attributable Insurance Service Expenses ratio	5.04%	15.29%	5.79%
Directly Attributable Insurance Service Expenses per average beneficiary per month (pabpm)	R 93	R 175	R 102
Average members funds per member at 31 December (R)	n/a	n/a	R 93,039
Average return on investments and cash	n/a	n/a	8.4%

**PICK N PAY MEDICAL SCHEME****REPORT OF THE BOARD OF TRUSTEES (continued)  
for the year ended 31 December 2024****5.2 SOLVENCY RATIO**

	<b>2024</b> <b>R</b>	<b>2023</b> <b>R</b>
The solvency ratio is calculated on the following basis:		
Insurance contract liabilities to future members	564,744,238	533,265,100
Less: Cumulative unrealised gains on investments at fair value through profit or loss	<u>(81,570,530)</u>	<u>(74,450,475)</u>
Accumulated Funds per Regulation 29 of the Act	<u>483,173,708</u>	<u>458,814,625</u>
Gross Contributions	345,307,087	346,971,723
Solvency ratio: Accumulated Funds/Gross Contributions X 100 %	<u>139.9%</u>	<u>132.2%</u>

**5.3 OUTSTANDING CLAIMS PROVISION**

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

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

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

**7. FIDELITY COVER**

The Scheme has a fidelity policy, placed through Marsh (Pty) Ltd, with Guardrisk Insurance Company (The insurer). The Scheme has a cover of R120 million in aggregate (2023: R120 Million) (Limited to R60 million on any one claim - 2023: R60 million) and extends to trustees, independent committee members and Principal Officer of the Scheme.

**8. ACTUARIAL SERVICES**

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

**9. COMMITTEES OF THE BOARD OF TRUSTEES**

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

**9.1 RISK AND AUDIT COMMITTEE**

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

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

25 April 2024;  
18 July 2024; and  
10 October 2024.

The Administrator, its internal auditors and the external auditor of the Scheme are invited to attend all committee meetings and have unrestricted access to the Chairperson of the committee.

In accordance with the provisions of the Act, the primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems and financial reporting practices. Further objectives include ensuring that all material risks to which the Scheme is exposed, as identified by the Board of Trustees, are adequately managed. The external auditor formally reports to the committee on findings arising from the audit.

**PICK N PAY MEDICAL SCHEME****REPORT OF THE BOARD OF TRUSTEES (continued)  
for the year ended 31 December 2024****9.1 RISK AND AUDIT COMMITTEE (continued)**

The members of the committee are:

<b>Name</b>	<b>Designation</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>
L Clayton	Independent Member / Chairperson	4 July 2024*	
R Johnson	Member-Elected Trustee	4 July 2024*	
A Rolstone	Independent Member	4 July 2024*	
D Rae	Independent Member	18 August 2022	30 June 2024
R Mazema	Alternate Independent Member	4 July 2024*	30 October 2024
R Mazema	Independent Member	1 November 2024	
A Visser	Independent Member	4 July 2024*	
V Pierce	By Invitation (Vice-Chairperson of the Board of Trustees)	4 July 2024*	
H de Light	By Invitation (Chairperson of the Board of Trustees)	4 July 2024*	

\* Re-appointment date

D Theron attended in her capacity as Principal Officer during the period.

**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:

29 February 2024;  
8 May 2024;  
1 August 2024; and  
7 November 2024.

The members of the committee are:

<b>Name</b>	<b>Designation</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>
G Lea	Independent member / Chairperson	1 October 2023	30 November 2024
R Johnson	Member-Elected Trustee	4 July 2024*	
V Pierce	Employer-Appointed Trustee	4 July 2024*	
R Sattar	Employer-Appointed Trustee	4 July 2024*	
S Carrott	Independent Member	1 October 2023	
P Botha	Independent Member	1 September 2019	31 January 2024
H de Light	Invitee	4 July 2024*	

\* Re-appointment date

D Theron attended in her capacity as Principal Officer during the period.

**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:

22 February 2024;  
16 May 2024;  
29 August 2024; and  
24 October 2024.

The members of the committee are:

<b>Name</b>	<b>Designation</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>
M Bailey **	Medical Advisor / Chairperson	4 July 2024*	
V Pierce	Employer-Appointed Trustee	4 July 2024*	
H de Light	Member-elected Trustee	4 July 2024*	
R Johnson	Member-elected Trustee	19 October 2023	
P Botha	Independent Member	1 September 2019	31 January 2024
D Theron	Independent Member	1 May 2024	

\* Re-appointment date

\*\* Dr Bailey's contract is reviewed and renewed on an annual basis.

D Theron attended in her capacity as Principal Officer during the period.

**PICK N PAY MEDICAL SCHEME****REPORT OF THE BOARD OF TRUSTEES (continued)  
for the year ended 31 December 2024****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 ten occasions during the course of the year:

22 February 2024;	27 June 2024;	
28 March 2024;	25 July 2024;	24 October 2024; and
2 May 2024;	29 August 2024;	28 November 2024
30 May 2024;	3 October 2024;	

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

The members of the committee are:

<b>Name</b>	<b>Designation</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>
M Bailey**	Medical Advisor / Chairperson	11 June 2015	
H de Light	Member-Elected Trustee	4 July 2024*	
V Pierce	Employer-Appointed Trustee	4 July 2024*	
D Theron	Principal Officer	1 May 2024	
P Botha	Independent Member	1 September 2019	31 January 2024

\* Re-appointment date

\*\* Dr Bailey's contract is reviewed and renewed on an annual basis.

D Theron attended in her capacity as Principal Officer during the period.

**10. MEETING ATTENDANCES**

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

Trustee/sub-committee member	Board meetings		Risk and Audit Committee		Investment Committee		Clinical Committee		Ex-Gratia Committee	
	A	B	A	B	A	B	A	B	A	B
Ms H de Light	5	5	3	1	4	2	4	4	10	9
Mr V Pierce	5	5	3	2	4	3	4	3	10	9
Mr G Lea	5	2			4	4				
Ms M Mokobane	3	3								
Mr R Johnson	5	4	3	3	4	4	4	3		
Ms R Sattar	5	1	3	1	4	-	4	-		
Ms J Mahabeer	1	1								
Ms L Andrews	5	4			4	1				
Mr L Clayton			3	3						
Ms M Mannion	5	5								
Mr S Carrott					4	2				
Mr R Faasen	5	4								
Dr M Bailey	5	3					4	4	10	10
Ms A Rolstone			3	3						
Mr D Rae			1	-						
Mr R Mazema			3	-						
Mr A Visser			3	3						
Ms D Theron (as PO)	4	4	2	2	3	3	3	3	7	7

A - Total possible number of meetings could have attended

B - Actual number of meetings attended

\* - D Theron attended in her capacity as 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 on the Plus option of the Scheme with diabetes at a fixed monthly rate per beneficiary on the programme.
- ER24 EMS (Pty) Ltd (ER24) - In terms of the arrangement, ER24 provides ambulance services to the beneficiaries of the Scheme at a fixed rate per member per month.
- Momentum Health Solutions (Pty) Ltd (MHS) - In terms of the arrangement, MHS provides defined primary care services for the Primary Option at a fixed rate per beneficiary per month.

**12. SUBSEQUENT EVENTS**

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

**PICK N PAY MEDICAL SCHEME****REPORT OF THE BOARD OF TRUSTEES (continued)  
for the year ended 31 December 2024****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 and Old Mutual. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

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

**Causes of the non-compliance**

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

**Corrective course of action**

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

***Contraventions for which exemption was not applied for from the Council for Medical Schemes*****13.2 Contravention of section 26(7) of the Medical Schemes Act****Nature and Impact**

In terms of section 26(7) of the Act, contributions should be received at the latest 3 days after it is due. An amount of R29 184 (2023: R49 355) was still outstanding by more than 3 days after it was due, as at 31 December 2024.

**Causes of the non-compliance**

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

**Corrective course of action**

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

**13.3 Non compliance with S33(2) of the Act - Option operating loss****Nature and impact**

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and will be financially sound. For the year ended 31 December 2024, the Plus option was in a net healthcare loss position of R30 589 752 (2023 loss: R 44 439 352) thereby contravening Section 33(2) of the Act. The scheme budgeted for a loss of R21 737 044 on the Plus option due to the high solvency reserves. The pricing for 2024 was approved by the CMS on 27 October 2023, therefore the scheme is in line with the budgeted expectations for this non-compliance.

**Causes of the non-compliance**

The operating deficit experienced by the Scheme was in line with the budget. Given the high solvency ratio of the Scheme the trustees budgeted for a deficit in 2024 utilising some of the accumulated funds to subsidise members' contribution increases and thereby limiting members' contribution increases.

**Corrective course of action**

The trustees continue to monitor the performance of the Scheme and they will make appropriate interventions during the annual benefit review process. As the solvency ratio at reporting date was 139.9% (2023: 132.2%), the Board of Trustees are comfortable that the Scheme would remain compliant with the minimum solvency ratio prescribed by the Medical Schemes Act.



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## Independent Auditor's Report

To the members of

### Pick n Pay Medical Scheme

#### Report on the Financial Statements

##### Opinion

We have audited the financial statements of Pick n Pay Medical Scheme (the Scheme), set out on pages 16 to 47, which comprise the Statement of Financial Position as at 31 December 2024, and the Statement of Comprehensive Income and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Pick n Pay Medical Scheme as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act of South Africa.

##### Basis for Opinion

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

##### Key Audit Matters

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

#### 1. Liability for incurred claims - Outstanding Claims Provision (Note 10)

Key audit matter	How our audit addressed the key audit matter
The Liability for incurred claims (LIC) provision of R16.1 million (2023: R10.8 million) forms part of the Insurance contract liability. The insurance contract liability is described in note 8 to the financial statements. The LIC includes the estimated cost of healthcare benefits that have been incurred by the members before the end of the financial year but that have not been reported to the Scheme, as well as insurance accounts payable and the personal medical savings liability.	<p>Our audit procedures for the Liability of incurred claims (LIC) provision included the following:</p> <ul style="list-style-type: none"> <li>We obtained an understanding of the inherent risk factors in relation to the complexity, subjectivity and the change of the LIC provision estimate ;</li> <li>We have gained a detailed understanding of the end-to-end claims and LIC estimation process through performing the system descriptions and process walkthroughs of the various business cycles pertaining</li> </ul>

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

Chief Executive Officer: LD Mokoena

A full list of all company directors is available on [www.bdo.co.za](http://www.bdo.co.za)

The company's principal place of business is at The Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg where a list of directors' names is available for inspection. BDO South Africa Incorporated, a South African personal liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Per *IFRS 17*, the Scheme measures the LIC provision as the fulfilment cash flows plus a risk adjustment at year-end. The estimate of the future cash flows in terms of the LIC provision is adjusted to reflect the compensation that the Scheme requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk including claims risk, membership risk, and expense risk.

The Rules of the Scheme provide that claims may only be paid if the Scheme is notified of the claim and documentation is submitted within 4 months of the date of the healthcare service.

At year-end, the cost of outstanding incurred claims is estimated by the Scheme's actuaries, using the Bootstrap Model in the calculation of the Scheme's LIC provision. Considering the *IFRS 17* requirements, the LIC estimate shows the LIC provision at various percentiles of the simulated LIC estimates, each allowing for a different assumed risk adjustment factor. A LIC provision at the 75th percentile (2023: 75<sup>th</sup> percentile) of the simulated LIC estimates has been selected by the Scheme.

We considered the Liability for incurred Claims - Claims incurred but not yet reported (Note 10) as a matter of most significance to the current year audit of the financial statements due to the following:

- The degree of estimation uncertainty and complexity of the fulfilment cashflows;
- Significant judgment in selecting the related risk adjustment for non-financial risk factors; and
- The materiality of this liability.

to claims and the process to calculate the provision. In performing an assessment of the design and implementation of the controls in the business cycles we obtained an understanding of the relevant controls.

- We assessed the appropriateness and recognition of the related LIC provision against the requirements of *IFRS 17 - Insurance contracts*;
- We obtained the report of the Scheme's independent actuary of the LIC provision at year end. With the assistance of our actuarial expert, we tested the appropriateness of the significant estimate as follows:
  - Evaluated the competence, capabilities and objectivity of the Scheme's independent actuary;
  - Obtained an understanding of the method and models used in calculating the LIC provision estimate and assessed whether it is appropriate in terms of acceptable methodologies, industry standards, and that they meet the measurement objectives of *IFRS 17*;
  - Obtained an understanding of the significant assumptions used in the estimate and, evaluated whether the assumptions are appropriate for the estimate of the LIC provision and the risk adjustment factors, in terms of acceptable methodologies, industry standards, and that they meet the measurement objectives of *IFRS 17*;
  - Obtained an understanding of the data utilised in the calculation of the estimate and agreed the inputs to the source data;
  - Assessed the estimate for indicators of possible management bias.

Based on our assessment of the report of the Scheme's independent actuary of the LIC provision at year end, we did not identify any matters that would require additional assessment or investigation.

- We obtained audit evidence from events occurring after the reporting period as a retrospective review of the LIC provision estimate that was set at year end:
  - We compared the calculation of claims run-off triangles against current and historical claims development patterns to assess the reasonability thereof in comparison to the LIC provision (which includes the risk adjustment percentile selected) at year-end;
  - We assessed the claims received subsequent to year-end for claims incurred relating to the 2024 financial year;

Based on our assessment of the events and claims occurring after the reporting period as a retrospective review, we did not identify any matters that would require additional audit procedures to be performed.

- We evaluated the presentation of the disclosure relating to the LIC provision in the current year, against the requirements of *IFRS Accounting Standards* and relevant industry guidance.



### **Other Information**

The Scheme's trustees are responsible for the other information. The other information comprises the information in the document titled "Pick n Pay Medical Scheme Annual Financial Statements for the year ended 31 December 2024", which includes the Report of the Chairman and Principal Officer and the Board of Trustees Report as required by the Medical Schemes Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Scheme's Trustees for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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





adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

#### Non-compliance with the Medical Schemes Act of South Africa

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

#### Audit tenure

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

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

#### BDO South Africa Incorporated

Registered Auditors

*BDO South Africa Inc.*

BDO South Africa Inc. (May 20, 2025 16:27 GMT+2)

#### T Weston

Director

Registered Auditor

20 May 2025

119-123 Hertzog Boulevard

Foreshore

Cape Town, 8001

**PICK N PAY MEDICAL SCHEME****STATEMENT OF FINANCIAL POSITION  
as at 31 December 2024**

	Notes	2024 R	2023 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	2	414,229,007	420,401,717
<b>Current assets</b>		264,638,502	214,433,130
Cash and cash equivalents		264,139,093	214,082,804
- Scheme	4	172,469,265	124,216,908
- Investment of Medical Savings Accounts	6	91,669,828	89,865,896
Trade and other receivables	3	272,621	168,944
Reinsurance contract assets	9	226,788	181,382
<b>Total assets</b>		<b>678,867,509</b>	<b>634,834,847</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Insurance contract liability amounts attributable to future members *	8.1	551,394,134	514,112,091
<b>Current liabilities</b>		127,473,375	120,722,756
Insurance contract liability amounts attributable to future members *	8.1	13,350,104	19,153,009
Insurance contract liability	8.2	113,314,965	100,904,656
Trade and other payables	7	808,306	665,091
<b>Total liabilities</b>		<b>678,867,509</b>	<b>634,834,847</b>

\* Insurance contract liability amounts attributable to future members was disclosed in the prior year under Current liabilities. As this liability is not to be realised within the next year, only the budgeted deficit was disclosed under Current liabilities.

## PICK N PAY MEDICAL SCHEME

STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2024

	Notes	2024 R	2023 R
<b>Insurance revenue</b>	11	281,444,764	281,759,662
<b>Insurance service expenses</b>		(308,494,127)	(327,557,765)
Claims incurred	9 & 12	(287,349,856)	(303,033,508)
Accredited management healthcare services	13	(6,904,177)	(8,204,745)
Directly attributable expenses incurred	14	(14,240,094)	(16,319,512)
Net expenses from risk transfer arrangement reinsurance		3,889,190	4,731,035
- Amount recovered from risk transfer arrangement reinsurance	9	25,416,468	25,423,843
- Amount allocation of premiums paid	9	(21,527,278)	(20,692,808)
<b>Insurance service result</b>		(23,160,173)	(41,067,068)
<b>Other income</b>		70,636,197	52,187,416
Investment income	15	70,634,197	51,513,731
Sundry income	16	2,000	673,685
<b>Other expenditure</b>		(15,996,886)	(16,417,278)
Other administration fees	14.1	(6,241,497)	(6,492,689)
Asset management fees		(1,623,856)	(1,317,975)
Net finance expense from insurance contracts		(8,131,533)	(8,606,614)
Profit/(loss) for the year before amounts due to future members		31,479,138	(5,296,930)
Transfers to Insurance contract liability due to future members *	8.1	(31,479,138)	5,296,930
Profit or loss for the year		-	-
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		-	-

\* Transfers to Insurance contract liability to future members was disclosed in the prior year under Insurance service expenses.  
Net impairment loss on healthcare receivables was disclosed in the prior year under Other expenditure.

## PICK N PAY MEDICAL SCHEME

STATEMENT OF CASH FLOWS  
for the year ended 31 December 2024

	Notes	2024 R	2023 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<i>Cash receipts from members and providers</i>		344,720,783	347,401,765
Cash receipts from members - insurance contract revenue		344,328,949	347,170,444
Cash receipts from members and providers - others		391,834	231,321
<i>Cash paid to providers, employees and members</i>		(372,940,555)	(429,230,551)
Cash paid to providers, employees and members - insurance service expenses		(361,218,054)	(403,869,649)
Cash paid to providers, employees and members - non-healthcare expenditure		(7,825,815)	(7,810,664)
Cash paid to members - savings plan refunds	5	(3,896,686)	(17,550,238)
<b>Cash utilised in operations</b>		<b>(28,219,772)</b>	<b>(81,828,786)</b>
Net finance expense from insurance contracts	5	(8,131,533)	(8,606,614)
<b>Net cash utilised in operating activities</b>		<b>(36,351,305)</b>	<b>(90,435,400)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	2	(45,000,000)	(68,046,269)
Proceeds on disposal of investments	2	100,400,000	85,215,682
Interest received	15	28,293,634	26,980,367
Dividend received	15	2,713,960	4,989,107
<b>Net cash generated from investing activities</b>		<b>86,407,594</b>	<b>49,138,887</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>50,056,289</b>	<b>(41,296,513)</b>
Cash and cash equivalents at the beginning of the year		214,082,804	255,379,317
<b>Cash and cash equivalents at the end of the year</b>	4 & 6	<b>264,139,093</b>	<b>214,082,804</b>
Investment of Medical Savings Accounts	6	91,669,828	89,865,896
Scheme cash and cash equivalents	4	172,469,265	124,216,908

## PICK N PAY MEDICAL SCHEME

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2024

#### 1. PRINCIPAL ACCOUNTING POLICIES

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

##### Statement of compliance

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

##### Going Concern

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

#### 1.1 Basis of preparation

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

##### 1.1.1 Standards issued and effective in the current year

Effective Date	Standard, Amendment or Interpretation	Summary of Requirements
Annual periods beginning on or after 1 January 2024	Amendments to IAS 1, 'Presentation of Financial Statements' - Non-current liabilities with covenants	<p><i>Classification of Liabilities as Current or Non-current:</i> Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.</p> <p>There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.</p> <p>The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.</p> <p><i>Disclosure of Accounting Policies:</i> The amendments require schemes to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.</p>

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

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

Effective Date	Standard, Amendment or Interpretation	Summary of Requirements	Early Application Permitted
Annual periods beginning on or after 1 January 2026	Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments	<p>These amendments:</p> <ul style="list-style-type: none"> <li>clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;</li> <li>clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;</li> <li>add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and</li> <li>make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).</li> </ul>	Yes

## PICK N PAY MEDICAL SCHEME

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024**

**1.1 Basis of preparation (continued)**

**1.1.2 Standards and interpretations applicable to the Scheme that are not yet effective (continued)**

Effective Date	Standard, Amendment or Interpretation	Summary of Requirements	Early Application Permitted
1-Jan-27	IFRS 18 Presentation and Disclosure in Financial Statements	<p>IFRS 18 Presentation and Disclosure in Financial Statements:</p> <p>The new IFRS Accounting Standard IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 Presentation of Financial Statements.</p> <p>IAS 1 Presentation of Financial Statements did not have detailed requirements on:</p> <ul style="list-style-type: none"> <li>• classification of income and expenses in the statement of profit or loss.</li> <li>• presentation of subtotals above 'profit or loss' in the statement of profit or loss; or</li> <li>• aggregation and disaggregation of information presented in the primary financial statements or disclosed in the notes.</li> </ul> <p>This lack of detailed requirements led to diversity in practice as entities defined their own subtotals and performance measures. Investors found it difficult to analyse and compare companies' financial performance.</p> <p>IFRS 18 Presentation and Disclosure in Financial Statements, issued by the IASB on 9 April 2024, will improve the quality of financial reporting by:</p> <ul style="list-style-type: none"> <li>• requiring defined subtotals in the statement of profit or loss;</li> <li>• requiring disclosure about management-defined performance measures; and</li> <li>• adding new principles for aggregation and disaggregation of information.</li> </ul> <p>The IASB expects these improvements will enable investors to make more informed decisions leading to better allocations of capital that will contribute to long-term financial stability.</p>	Yes

**1.1.3 CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the process of applying the Scheme's accounting policies, management has made the following judgements that has the most significant effect on the amounts recognised in the financial statements.

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

**Outstanding risk claims provision**

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

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

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

## PICK N PAY MEDICAL SCHEME

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2024

#### 1.2 Financial instruments

##### **Financial assets**

###### *Initial recognition and measurement:*

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

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

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

###### *Subsequent measurement*

##### **Financial assets at amortised cost**

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

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

##### **Financial assets at fair value**

This category includes derivative instruments and listed equity investments. Dividends on listed equity investments are recognised as investment income in the statement of profit or loss when the right of payment has been established.

The Scheme's financial instruments at fair value through profit or loss consists of Financial assets at fair value through profit or loss in the statement of financial position.

##### **Impairment**

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

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

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

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

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

##### **Financial liabilities**

###### *Initial recognition and measurement*

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

###### *Subsequent measurement*

##### **Financial liabilities at amortised cost**

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

## PICK N PAY MEDICAL SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2024

#### 1.3 Provisions

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

#### 1.4 Insurance contracts

##### *Identification of insurance contracts*

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

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

##### *Separating components from an insurance contract*

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

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

##### *Level of aggregation*

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

##### *Recognition and derecognition*

Insurance contracts issued shall be recognised from the earliest of the following:

- (a) The beginning of the coverage period;
- (b) The date when the first payment from a policyholder becomes due; and
- (c) For onerous contracts, when the contracts become onerous.

An insurance contract is derecognised when it is extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled).

##### *Premium allocation approach (PAA)*

The contract boundary for contracts issued does not exceed 12 months and consequently the scheme elected to apply the PAA.

The classification of medical schemes as mutual entities does not impact the extent of insurance cover/ insurance contract services to be provided by the Scheme in terms of the member contracts and therefore the PAA is still applicable.

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

##### *Liability for incurred Claims*

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

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

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

##### *Liability for remaining coverage*

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

##### *Insurance revenue*

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



**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024****1.4 Insurance contracts (continue)***Insurance service expenses*

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

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

*Accredited managed healthcare services*

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

**1.5 Risk transfer arrangements**

Contracts entered into by the Scheme with third party service providers under which the Scheme is compensated for losses/claims Risk transfer claims and benefits reimbursed are presented in the statement of profit or loss and other comprehensive income and statement of financial position on a gross basis. Similar to the insurance contracts, risk transfer arrangements are also accounting for using the premium allocation approach as these contracts have a boundary of one year or less.

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

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

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

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

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

Risk transfer arrangements are accounting for using the premium allocation approach as these contracts have a boundary of one year or less.

**1.6 Accredited managed healthcare services**

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

**1.7 Reimbursements from the Road Accident Scheme (RAF)**

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

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

## PICK N PAY MEDICAL SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2024

#### 1.8 Investment income

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

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

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

#### 1.9 Taxation

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

#### 1.10 Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Scheme. Fair values are determined according to the following hierarchy based on the requirements of IFRS 13: 'Fair Value Measurement':

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

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

#### 1.11 Allocation of income and expenditure to benefit options

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

#### 1.12 Structured entities

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

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

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

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

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

#### 1.13 Comparative disclosures

During the current year certain disclosure updates were made to align with industry best practice and recommendations. Where applicable the comparative disclosures were updated to allow for comparability.

**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024**

	<b>2024</b> <b>R</b>	<b>2023</b> <b>R</b>
<b>2. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
Fair value at the beginning of the year	420,401,717	406,402,962
Additions	45,000,000	68,046,269
Disposals	(100,400,000)	(85,215,682)
Investment income on financial assets at fair value	11,615,711	13,392,347
Realised income on financial assets at fair value through profit or loss	23,574,329	13,853,169
Unrealised income on revaluation of financial assets at fair value through profit or loss	15,193,993	4,346,515
Investment manager fees	(1,156,743)	(423,863)
Fair value at the end of the year	<u>414,229,007</u>	<u>420,401,717</u>

The investments included above represent investments in:

Allan Gray Life Limited	54,962,636	55,760,173
Abax Investments (Pty) Ltd	51,578,983	52,253,497
Coronation Fund Managers Ltd	55,373,196	72,029,854
Old Mutual Investment Group	53,526,217	53,467,809
Ninety One Diversified Income	98,844,789	134,810,255
Ninety One Multi Asset Credit Stable	46,649,770	-
Truffle Asset Management	53,293,416	52,080,129
	<u>414,229,007</u>	<u>420,401,717</u>

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

**3. TRADE AND OTHER RECEIVABLES**

<b>Financial assets at amortised cost</b>	211,181	118,373
Interest receivable	<u>211,181</u>	<u>118,373</u>
<b>Non-financial assets</b>	61,440	50,571
Prepaid expenses	<u>12,320</u>	<u>11,760</u>
Personal medical savings account advances	<u>49,120</u>	<u>38,811</u>
	<u>272,621</u>	<u>168,944</u>

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

**4. SCHEME CASH AND CASH EQUIVALENTS**

Money market investments	145,938,536	99,717,506
Current account	<u>26,530,729</u>	<u>24,499,402</u>
	<u>172,469,265</u>	<u>124,216,908</u>

The effective interest rate on cash and cash equivalents was 8.11% (2023: 6.29%). These deposits have an average maturity of less than 30 days. Cash and cash equivalents are carried at fair value. The total interest earned on the current account and money market instruments was R11 260 379 (2023: R9 730 628), which is included in investment income in the statement of comprehensive income.

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

**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024****5. PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY***Managed by the Scheme on behalf of its members*

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Balance of personal medical savings account liability at the beginning of the year	89,709,872	99,040,854
Less: Prior year advances on personal medical savings account	(38,811)	(103,808)
Adjusted balance on personal medical savings account at the beginning of the year	89,671,061	98,937,046
Savings account contributions received or receivable (note 11)	63,656,758	65,119,682
Interest earned on monies invested	8,131,533	8,606,614
Less:		
Claims paid out of savings (note 12)	(60,995,729)	(65,442,043)
Refunds on death or resignation in terms of Regulation 10(4)	(3,896,686)	(17,550,238)
Add:		
Advance on personal medical savings account (note 3)	49,120	38,811
Balance on personal medical savings account at the end of the year	<u>96,616,057</u>	<u>89,709,872</u>

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 2024 but not yet reported will amount to R1 561 335 (2023: R1 092 286) (note 10).

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

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

The Personal Medical Savings Account Liability - Managed by the Scheme on behalf of its Members is included in the Liability for Incurred Claims balance in note 8 - Insurance Contract Liability.

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

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Ninety One Plc. Stable Money Fund	<u>91,669,828</u>	<u>89,865,896</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 8.11% (2023: 8.01%). The total interest earned was R8 131 532 (2023: R8 606 614). The investment is aligned in the following month after the month-end claims run has occurred and when interest earned for the month has been received. The monies are immediately available on request from the Scheme.

**7. TRADE AND OTHER PAYABLES***Financial liabilities*

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Accrued expenses	51,647	56,603
Accrual for audit fees	756,659	608,488
	<u>808,306</u>	<u>665,091</u>

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

## PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 December 2024

## 8. ANALYSIS OF INSURANCE CONTRACT LIABILITIES

	2024 R	2023 R
<b>8.1 INSURANCE CONTRACT LIABILITY - AMOUNTS ATTRIBUTABLE TO FUTURE MEMBERS</b>		
Opening balance	533,265,100	538,562,030
Movement in insurance contract liability attributable to future members	31,479,138	(5,296,930)
Closing balance	<u>564,744,238</u>	<u>533,265,100</u>
Insurance contract liability amounts attributable to future members - Non Current liabilities	551,394,134	514,112,091
Insurance contract liability amounts attributable to future members - Current liabilities	<u>13,350,104</u>	<u>19,153,009</u>
Closing balance	<u>564,744,238</u>	<u>533,265,100</u>

Insurance contract liability amounts attributable to future members was disclosed in the prior year under Current liabilities. As this liability is not to be realised within the next year, only the budgeted deficit was disclosed under Current liabilities.

## 8.2 INSURANCE CONTRACT LIABILITY

	Liability for Remaining Coverage R	Liability for Incurred Claims R	2024 Total R
Opening assets	(1,470,844)	(781,491)	(2,252,335)
Opening liabilities	-	103,156,991	103,156,991
<b>Net opening balance</b>	<b>(1,470,844)</b>	<b>102,375,500</b>	<b>100,904,656</b>
<b>Insurance revenue</b>	(281,444,764)	-	(281,444,764)
<b>Insurance service expenses</b>			
Movement in liability for incurred claims	-	15,332,051	15,332,051
Incurred claims and other insurance service expenses	-	293,162,076	293,162,076
<b>Insurance service result</b>	<b>(281,444,764)</b>	<b>308,494,127</b>	<b>27,049,363</b>
Net finance expense from insurance contracts	-	8,131,533	8,131,533
Total changes in the statement of profit or loss and OCI	(281,444,764)	316,625,660	35,180,896
Premium debtors to LIC	978,138	(978,138)	-
<b>Cash flows</b>			
Premiums received	280,466,626	63,656,758	344,123,384
Savings plan refunds	-	(3,896,686)	(3,896,686)
Incurred claims and other insurance service expenses paid	-	(362,997,285)	(362,997,285)
<b>Total cash flows</b>	<b>280,466,626</b>	<b>(303,237,213)</b>	<b>(22,770,587)</b>
Closing assets	(2,448,982)	223,902	(2,225,080)
Closing liabilities	-	115,540,045	115,540,045
<b>Net closing balance</b>	<b>(2,448,982)</b>	<b>115,763,947</b>	<b>113,314,965</b>
<b>Closing assets</b>			
Contributions receivable			(2,448,982)
Member and provider debt			<u>223,902</u>
			<u>(2,225,080)</u>
<b>Closing liabilities</b>			
Outstanding claims provision (note 10)			16,111,138
Personal Medical Savings Account Liability (PMSA) (note 5)			96,616,057
Insurance payables - due to members and providers			<u>2,812,850</u>
			<u>115,540,045</u>
<b>Total Insurance contract liability</b>			<u><u>113,314,965</u></u>

## PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 December 2024

## 8.2 ANALYSIS OF INSURANCE LIABILITIES

	Liability for Remaining Coverage R	Liability for Incurred Claims R	2023 Total R
Opening assets	(1,669,565)	(176,421)	(1,845,986)
Opening liabilities	-	124,923,996	124,923,996
<b>Net opening balance</b>	<b>(1,669,565)</b>	<b>124,747,575</b>	<b>123,078,010</b>
<b>Insurance revenue</b>	(281,852,041)	-	(281,852,041)
<b>Insurance service expenses</b>			
Movement in liability for incurred claims	-	10,492,743	10,492,743
Incurred claims and other insurance service expenses	-	315,492,536	315,492,536
<b>Insurance service result</b>	<b>(281,852,041)</b>	<b>325,985,279</b>	<b>44,133,238</b>
Net finance expense from insurance contracts	-	8,606,614	8,606,614
Total changes in the statement of profit or loss and OCI	(281,852,041)	334,591,893	52,739,852
<b>Cash flows</b>			
Premiums received	282,050,762	65,119,682	347,170,444
Savings plan refunds	-	(17,550,238)	(17,550,238)
Incurred claims and other insurance service expenses paid	-	(404,533,412)	(404,533,412)
<b>Total cash flows</b>	<b>282,050,762</b>	<b>(356,963,968)</b>	<b>(74,913,206)</b>
Closing assets	(1,470,844)	(781,491)	(2,252,335)
Closing liabilities	-	103,156,991	103,156,991
<b>Net closing balance</b>	<b>(1,470,844)</b>	<b>102,375,500</b>	<b>100,904,656</b>
<b>Closing assets</b>			
Contributions receivable			(1,470,844)
Member and provider debt			(781,491)
			(2,252,335)
<b>Closing liabilities</b>			
Outstanding claims provision (note 10)			10,845,028
Personal Medical Savings Account Liability (PMSA) (note 5)			89,709,872
Insurance payables - due to members and providers			2,602,091
			103,156,991
<b>Total Insurance contract liability</b>			<b>100,904,656</b>

## PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 December 2024

## 9. REINSURANCE CONTRACT ASSETS

	R	R	2024 R
	Asset for Remaining Coverage	Assets for Incurred Claims	Total
<b>Net opening balance</b>	-	181,382	181,382
<b>Net income/(expenses) from reinsurance contract held</b>			
Reinsurance premiums	21,527,278	-	21,527,278
- Centre for Diabetes & Endocrinology (Pty) Ltd	13,030,151	-	13,030,151
- ER24 EMS (Pty) Ltd	2,096,827	-	2,096,827
- Momentum Health Solutions (Pty) Ltd	6,400,300	-	6,400,300
Recoveries for incurred claims and other insurance services expenses	-	(25,416,468)	(25,416,468)
- Centre for Diabetes & Endocrinology (Pty) Ltd	-	(16,767,744)	(16,767,744)
- ER24 EMS (Pty) Ltd	-	(2,093,601)	(2,093,601)
- Momentum Health Solutions (Pty) Ltd	-	(6,555,123)	(6,555,123)
Adjustment of asset for incurred claims	-	45,406	45,406
- Centre for Diabetes & Endocrinology (Pty) Ltd	-	-	-
- ER24 EMS (Pty) Ltd	-	25,446	25,446
- Momentum Health Solutions (Pty) Ltd	-	19,960	19,960
<b>Total changes in the statement of profit or loss and OCI</b>	21,527,278	(25,189,680)	(3,662,402)
<b>Cash flows</b>			
Premiums paid	(21,527,278)	-	(21,527,278)
- Centre for Diabetes & Endocrinology (Pty) Ltd	(13,030,151)	-	(13,030,151)
- ER24 EMS (Pty) Ltd	(2,096,827)	-	(2,096,827)
- Momentum Health Solutions (Pty) Ltd	(6,400,300)	-	(6,400,300)
Amounts received	-	25,416,468	25,416,468
- Centre for Diabetes & Endocrinology (Pty) Ltd	-	16,767,744	16,767,744
- ER24 EMS (Pty) Ltd	-	2,093,601	2,093,601
- Momentum Health Solutions (Pty) Ltd	-	6,555,123	6,555,123
<b>Total cash flows</b>	(21,527,278)	25,416,468	3,889,190
<b>Net closing balance</b>	-	226,788	226,788

	R	R	2023 R
	Asset for Remaining Coverage	Assets for Incurred Claims	Total
<b>Net opening balance</b>	-	256,421	256,421
<b>Net income/(expenses) from reinsurance contract held</b>			
Reinsurance premiums	20,692,808	-	20,692,808
- Centre for Diabetes & Endocrinology (Pty) Ltd	13,062,280	-	13,062,280
- ER24 EMS (Pty) Ltd	2,214,173	-	2,214,173
- Momentum Health Solutions (Pty) Ltd	5,416,355	-	5,416,355
Recoveries for incurred claims and other insurance services expenses	-	(25,423,843)	(25,423,843)
- Centre for Diabetes & Endocrinology (Pty) Ltd	-	(17,378,370)	(17,378,370)
- ER24 EMS (Pty) Ltd	-	(2,128,525)	(2,128,525)
- Momentum Health Solutions (Pty) Ltd	-	(5,916,948)	(5,916,948)
Adjustment of asset for incurred claims	-	(75,039)	(75,039)
- Centre for Diabetes & Endocrinology (Pty) Ltd	-	-	-
- ER24 EMS (Pty) Ltd	-	(90,721)	(90,721)
- Momentum Health Solutions (Pty) Ltd	-	15,682	15,682
<b>Total changes in the statement of profit or loss and OCI</b>	20,692,808	(25,498,882)	(4,806,074)
<b>Cash flows</b>			
Premiums paid	(20,692,808)	-	(20,692,808)
- Centre for Diabetes & Endocrinology (Pty) Ltd	(13,062,280)	-	(13,062,280)
- ER24 EMS (Pty) Ltd	(2,214,173)	-	(2,214,173)
- Momentum Health Solutions (Pty) Ltd	(5,416,355)	-	(5,416,355)
Amounts received	-	25,423,843	25,423,843
- Centre for Diabetes & Endocrinology (Pty) Ltd	-	17,378,370	17,378,370
- ER24 EMS (Pty) Ltd	-	2,128,525	2,128,525
- Momentum Health Solutions (Pty) Ltd	-	5,916,948	5,916,948
<b>Total cash flows</b>	(20,692,808)	25,423,843	4,731,035
<b>Net closing balance</b>	-	181,382	181,382

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

A risk transfer arrangement was entered with ER24 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.

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.

## PICK N PAY MEDICAL SCHEME

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024**

**10. OUTSTANDINGS CLAIMS PROVISION**

	<b>Risk Adjustment</b>	<b>Outstanding claims provision</b>
	<b>R</b>	<b>R</b>
<b>2024</b>		
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	352,285	10,492,743
Payments in respect of prior year	-	(10,550,812)
Over/(under) provision in respect of prior year	352,285	(58,069)
Adjustment for current year	426,802	15,390,120
Balance at end of year	<u>779,087</u>	<u>15,332,051</u>
Total outstanding claims provision		<u><b>16,111,138</b></u>
<b>2023</b>		
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	404,375	8,958,672
Payments in respect of prior year	-	(8,882,810)
Over provision in respect of prior year	404,375	75,862
Adjustment for current year	(52,090)	10,416,881
Balance at end of year	<u>352,285</u>	<u>10,492,743</u>
Total outstanding claims provision		<u><b>10,845,028</b></u>
<b>Analysis of liability for incurred claims</b>	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Outstanding claims provision	16,893,386	11,585,029
Less: Estimated recoveries from personal medical savings account (note 5)	(1,561,335)	(1,092,286)
Risk Adjustment	<u>779,087</u>	<u>352,285</u>
	<u><b>16,111,138</b></u>	<u><b>10,845,028</b></u>

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

**Assumptions and sensitivities***Process used to determine the assumptions :*

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

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



**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024****10. OUTSTANDING CLAIMS PROVISION (continued)****Assumptions and sensitivities (continued)**

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

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

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

**Sensitivity of liability for incurred claims**

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

**Other assumptions**

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

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

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Effect of a 1% increase	1,086,897	966,530
Effect of a 2% increase	2,194,143	1,958,711
Effect of a 3% increase	3,322,420	2,977,660

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

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

**11. INSURANCE REVENUE**

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Gross insurance revenue per registered rules	345,307,087	346,971,723
Less:		
Personal medical savings revenue received (note 5)	(63,656,758)	(65,119,682)
Net impairment loss on healthcare receivables - contributions *	(205,565)	(92,379)
Insurance revenue per statement of comprehensive income	<u>281,444,764</u>	<u>281,759,662</u>

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

\* Net impairment loss on healthcare receivables for contributions was disclosed in the prior year under Other expenditure.

**12. RISK CLAIMS INCURRED**

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
<b>Claims incurred excluding claims incurred in respect of risk transfer arrangements</b>		
Current year claims per registered rules	333,966,137	330,986,479
Movement in liability for incurred claims	15,332,051	10,492,743
(Under)/over provision in the prior year (note 10)	(58,069)	75,862
Adjustment for current year (note 10)	<u>15,390,120</u>	<u>10,416,881</u>
	349,298,188	341,479,222
Less:		
Claims paid from personal medical savings accounts (note 5)	(60,995,729)	(65,442,043)
Net impairment (loss)/gain on healthcare receivables- claims *	(952,603)	1,572,486
Risk claims incurred	<u>287,349,856</u>	<u>277,609,665</u>

\* Net impairment loss on healthcare receivables for claims was disclosed in the prior year under Other expenditure.

## PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 December 2024

<b>13. ACCREDITED MANAGED HEALTHCARE SERVICES</b>	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Active disease risk management services	1,678,234	2,698,774
Disease risk management support services	958,851	666,629
Dental benefit management services	533,157	366,998
Hospital benefit management services	2,159,071	2,491,533
Managed care network management services and risk management	265,957	332,661
Pharmacy benefit management services	1,308,907	1,648,150
Accredited management healthcare services	<u>6,904,177</u>	<u>8,204,745</u>
<b>14. DIRECTLY ATTRIBUTABLE EXPENSES INCURRED</b>	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
Actuarial fees	3,149,298	3,149,298
Accredited Administration services	10,070,281	12,153,048
Benefit management services	205,654	204,480
Member communication	268,372	333,213
Third party claims recovery administration fees	546,489	479,473
	<u>14,240,094</u>	<u>16,319,512</u>
<b>14.1 OTHER ADMINISTRATION EXPENSES</b>		
Audit fees - external	756,659	737,610
Bank charges	26,633	26,178
BHF Levies	75,113	82,083
<i>Compensation</i>		
- Chairperson	79,500	72,000
- Medical advisor	1,051,752	992,256
- Principal Officer	930,988	887,755
Council for Medical Schemes levies	296,342	322,577
Fidelity guarantee insurance premium	73,360	70,561
Health Funders Association	-	19,119
Investment consulting fees	159,008	231,486
<i>Non-accredited administration fees</i>		
- Audit fees - internal	351,890	351,101
- Compliance and governance compliance services rendered	1,696,507	1,909,710
- Fraud investigation services	591,667	635,091
Printing	24,246	37,919
Seminar	12,350	14,513
Sundry expense	2,985	1,288
Telephone and postage	109,484	96,176
Travel & Accommodation - local	3,013	5,266
	<u>6,241,497</u>	<u>6,492,689</u>

**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024**

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
<b>15. INVESTMENT INCOME</b>		
<i>Interest and dividend income</i>		
Interest on financial assets at fair value through profit or loss	1,044,033	490,313
Dividends on financial assets at fair value through profit or loss	2,713,960	4,989,107
Interest on cash and cash equivalents	19,118,068	17,883,440
Interest on personal medical savings account trust investment	8,131,533	8,606,614
	<u>31,007,594</u>	<u>31,969,474</u>
<i>Realised income on financial assets</i>		
Realised income on investments at fair value through profit or loss	23,710,786	14,593,351
Realised income on investments at amortised cost	2,819,347	7,195,374
	<u>26,530,133</u>	<u>21,788,725</u>
<i>Unrealised (loss)/income on financial assets</i>		
Unrealised income on investments at fair value through profit or loss	15,893,705	4,662,514
Unrealised loss on investments at amortised cost	(2,797,235)	(6,906,982)
	<u>13,096,470</u>	<u>(2,244,468)</u>
<b>TOTAL INVESTMENT INCOME</b>	<u><u>70,634,197</u></u>	<u><u>51,513,731</u></u>
<b>16. SUNDRY INCOME</b>		
Asset managers performance fees - rebate	-	435,731
Income from breach in SLA	2,000	-
Write back of prescribed balances	-	237,954
	<u>2,000</u>	<u>673,685</u>
<b>17. RELATED PARTY DISCLOSURES</b>		

**Parties with significant influence over the Scheme**

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

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

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

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

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

**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024****17. RELATED PARTY DISCLOSURES (continued)****Key management personnel and their close family members**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees, the Principal Officer and members of the executive committee. The full-time personnel that are compensated on a salary basis and part-time personnel that are compensated on a fee basis, where applicable.

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

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

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

	<b>2024</b>	<b>2023</b>
	<b>R</b>	<b>R</b>
<b>Statement of comprehensive income</b>		
Administration fees paid (MHS)	13,730,860	16,066,116
Insurance revenue received (key management personnel)	510,121	816,964
Claims incurred (key management personnel)	854,598	1,511,920
Interest paid on personal medical savings account (key management personnel)	19,136	20,131
Compensation (key management personnel)		
- Chairperson	79,500	72,000
- Medical advisor	1,051,752	992,256
- Principal Officer	930,988	887,755
Risk transfer arrangement fee and Managed Care fee (MHS)	13,304,477	11,028,760
Actuarial fees(NMG)	3,149,298	3,149,298
Investment consulting fee (WTW)	159,008	231,486
<b>Statement of financial position</b>		
Insurance Contract Liability - Personal medical savings account liability (key management personnel)	228,441	270,878

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

**Insurance revenue received (key management personnel)**

This constitutes the insurance revenue paid by the related parties as members of the Scheme, in their individual capacities. All insurance revenue were at the same terms as applicable to third parties.

**Claims incurred (key management personnel)**

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

**Compensation (key management personnel)**

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

**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024****17. RELATED PARTY DISCLOSURES (continued)**

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

**Administration fees**

The administration agreement with MHS is in terms of the rules of the Scheme and in accordance with instructions given by the Board of Trustees. The duration of the agreement is indefinite, but subject to the right of either party to terminate the agreement by giving not less than 90 days notice. The outstanding balance bears no interest and is due within 30 days.

**Risk transfer arrangement**

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

**Personal medical savings account balances and related interest**

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

**Actuarial fees**

The agreement with NMG is in accordance with instructions given by the Board of Trustees. The duration of the agreement is indefinite but subject to the right of either party to terminate the agreement by giving not less than three months notice. The outstanding balance bears no interest and is due within 30 days.

**Investment consulting fees**

The agreement with Wills Towers Watson is in accordance with instructions given by the Board of Trustees. The duration of the agreement is indefinite but subject to the right of either party to terminate the agreement by giving not less than a months notice. The outstanding balance bears no interest and is due within 30 days.

**18. CONTINGENT ASSET**

At 31 December 2024 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 R15 300 835 (2023: R13 526 031).

**19. CONTINGENT LIABILITIES**

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees, suretyships or alike at 31 December 2024 (2023: nil).

**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024****20. FINANCIAL RISK MANAGEMENT**

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

**2024****Financial assets and liabilities by category for:**

Financial assets at fair value through profit or loss  
Trade and other receivables  
Trade and other payables  
Scheme cash and cash equivalents  
Reinsurance contract assets  
Personal medical savings account investment

Financial assets at fair value through profit or loss	Financial assets at amortised cost
R	R
414,229,007	-
-	272,621
-	808,306
-	172,469,265
-	226,788
91,669,828	-

**2023****Financial assets and liabilities by category for:**

Financial assets at fair value through profit or loss  
Trade and other receivables  
Trade and other payables  
Scheme cash and cash equivalents  
Reinsurance contract assets  
Personal medical savings account investment

Financial assets at fair value through profit or loss	Financial assets at amortised cost
R	R
420,401,717	-
-	168,944
-	665,091
-	124,216,908
-	181,382
89,865,896	-

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

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

**Financial risk management strategy and policy**

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

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

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

**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024****20. FINANCIAL RISK MANAGEMENT (continued)****Liquidity risk**

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

At year end 38.94% (2023: 33.74%) of the Scheme's assets were invested in cash and cash equivalent investments to ensure that the Scheme can meet its short-term commitments. The table below illustrates the liquidity position of the Scheme:

**At 31 December 2024**

<i>Category</i>	<i>Less than 1 month</i>	<i>Between 2 and 3 months</i>	<i>Between 4 months and 1 year</i>	<i>Total</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Insurance contract liability	13,611,741	2,003,857	97,699,368	113,314,965
Trade and other payables	51,647	-	756,659	808,306
Cash and cash equivalents	13,663,388	2,003,857	98,456,027	114,123,271
	264,139,093	-	-	264,139,093
Excess liquidity				150,015,822

**At 31 December 2023**

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

**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024****20. FINANCIAL RISK MANAGEMENT (continued)****Credit risk**

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

- amounts due from members and service providers; and
- interest due from financial institutions.

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

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

**At 31 December 2024**

<b>Class</b>	<i>Not past due</i>	<i>Past due, not impaired</i>	<i>Past due and impaired</i>	<i>Total</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Insurance receivables	2,138,654	184,925	770,089	3,093,668
Trade and other receivables	211,181	-	-	211,181

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

**At 31 December 2023**

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

As at 31 December 2024 there were receivables that were past due and not yet impaired. There are no indications at the reporting date that these debtors will not meet their payment obligations.

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

<b>Class</b>	<b>2024 R</b>	<b>2023 R</b>
Insurance receivables	770,089	1,880,038

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



**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024****20. FINANCIAL RISK MANAGEMENT (continued)****Credit risk (continued)**

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

Fitch Long Term Rating

Financial institution	2024 R	2023 R	Credit Rating	
			2024	2023
Ninety One Plc.	92,224,726	92,224,726	AAA	AA+
Coronation Medical Aid Cash	123,121,669	97,358,676	AA+	AA+
	215,346,395	189,583,402		

Fitch National Rating

Financial institution	2024 R	2023 R	Credit Rating	
			2024	2023
Standard Bank	26,530,729	24,499,402	AA+	AA+
<b>Total Cash and Cash Equivalent</b>	<b>241,877,124</b>	<b>214,082,804</b>		

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

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

**Market risk**

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

**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024****20. FINANCIAL RISK MANAGEMENT (continued)****Currency risk (continued)****Interest rate risk**

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

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

<b>At 31 December 2024</b>	<i>Up to 1 month</i>	<i>1 - 3 months</i>	<i>3 - 12 months</i>	<i>1 - 5 years</i>	<i>Total</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>	<i>R</i>
Money market investments	215,346,395	-	-	-	215,346,395
Current account	26,530,729	-	-	-	26,530,729
	241,877,124	-	-	-	241,877,124

  

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

**Sensitivity analysis**

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

A change in 100 basis points in interest yields would result in a change of interest earned of R2 417 085 (2023: R2 309 041).

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

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

**Equity price risk**

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

**Sensitivity analysis**

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

A change of 5% in the JSE all share index would result in a change in members funds of R20 399 908 (2023: R20 592 372). This full amount would be recognised in the statement of comprehensive income, but will not affect the Scheme's solvency ratio. The Scheme's sensitivity to equity prices has not changed significantly from the prior year.

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

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

## PICK N PAY MEDICAL SCHEME

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024**

**20. FINANCIAL RISK MANAGEMENT (continued)*****Fair value estimation***

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

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

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

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

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

<b>At 31 December 2024</b>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>R</i>	<i>R</i>	<i>R</i>
Financial assets at fair value through profit or loss			
Collective investment schemes	-	51,578,983	-
Market linked policies	-	263,805,235	-
Directly held investments			
- Cash equivalents	9,600,344	-	-
- Listed Equity/ETF	20,486,118	-	-
- Listed Bonds	58,674,289	-	-
- Money Market Instruments	-	10,084,038	-

  

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

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

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

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

**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 December 2024****20. FINANCIAL RISK MANAGEMENT (continued)****Capital risk management**

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

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

The accumulated funds ratio was 139.9% at 31 December 2024 (2023: 132.2%). The accumulated funds ratio above compares favourably to the minimum prescribed accumulated funds ratio of 25%.

**Unconsolidated investment structures**

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

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

Portfolio	At 31 December 2024			At 31 December 2023		
	Net asset value of portfolio (NAV)	Fair value of Scheme investments	% of net assets attributable to Scheme investments	Net asset value of portfolio (NAV)	Fair value of Scheme investments	% of net assets attributable to Scheme investments
Abax Investments (Pty) Ltd	6,230,759,118	51,578,983	0.83%	6,332,688,116	52,253,497	0.83%
Allan Gray Life Limited	3,920,260,425	54,962,636	1.40%	3,640,183,943	55,760,173	1.53%
Coronation Fund Managers Ltd - Strategic Bond Fund	268,090,382	55,373,196	20.65%	254,324,442	72,029,854	28.32%
Ninety One Plc - Corporate	22,348,699,842	22,816,867	0.10%	21,060,772,023	2,358,830	0.01%
Old Mutual Investment Group	5,644,297,349	53,526,217	0.95%	1,038,121,449	53,467,809	5.15%
Truffle Asset Management	6,542,461,784	53,293,416	0.81%	5,177,053,088	52,080,129	0.01%

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

## PICK N PAY MEDICAL SCHEME

### NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2024

## 21. INSURANCE RISK MANAGEMENT

### NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS

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

#### Insurance risk - description of benefit option

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

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

#### Risk management objectives and policies for mitigating insurance risk

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

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

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

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

The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are by their nature random and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

#### Risk transfer arrangements and risk in terms of such arrangements

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

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

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

**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024****21. INSURANCE RISK MANAGEMENT (continued)****Frequency and severity of claims**

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

**Source of uncertainty in the estimation of future claims payments**

The Scheme reviews Scheme benefits on an annual basis to ensure that the necessary underwriting surplus is maintained relative to the risk exposure. It is relatively easy to assess the future claim payments since most claims are lodged soon after year-end before the four month expiration of claims period comes into effect.

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

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

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

**Concentration of insurance risk**

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

**2024**

Age grouping (in years)	Number of beneficiaries
0 - 24	4,767
25 - 34	1,406
35 - 44	2,523
45 - 54	2,038
55 - 64	771
65+	634
Total	12,139

**2023**

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

**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 December 2024****21. INSURANCE RISK MANAGEMENT (continued)**

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

**2024**

Age grouping (in years)	Specialists	General Practitioners	Dentistry	Hospital	Optometry	Support Health Services	Medicines	Total
	R	R	R	R	R	R	R	R
00 - 24	8,159,753	601,958	1,223,659	16,509,948	210,959	1,919,095	1,814,092	30,439,464
25 - 34	5,272,129	312,611	393,723	7,649,499	108,935	1,613,527	1,003,982	16,354,406
35 - 44	13,550,785	948,107	802,710	17,389,417	264,191	5,033,558	3,072,024	41,060,792
45 - 54	18,629,442	927,675	726,931	26,122,029	290,326	5,535,530	5,918,761	58,150,694
55 - 64	12,065,536	424,721	359,592	14,321,655	108,310	4,204,429	4,621,560	36,105,803
65+	20,281,864	673,212	306,631	31,629,660	80,040	6,677,692	5,663,681	65,312,780
Total	77,959,509	3,888,284	3,813,246	113,622,208	1,062,761	24,983,831	22,094,100	247,423,939
Outstanding claims provision - write back of prior year under provision								(58,069)
Outstanding claims provision - current year								16,111,138
								<u>263,477,008</u>

**2023**

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

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

**22. SUBSEQUENT EVENTS**

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

**PICK N PAY MEDICAL SCHEME****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 December 2024****23. NON-COMPLIANCE MATTERS*****Contraventions for which exemption was applied for from the Council for Medical Schemes*****23.1 Contravention of Section 35(8)(a) and Section 35(8)(c)****Nature and impact**

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

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

**Causes of the non-compliance**

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

**Corrective course of action**

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

***Contraventions for which exemption was not applied for from the Council for Medical Schemes*****23.2 Contravention of section 26(7) of the Medical Schemes Act****Nature and Impact**

In terms of section 26(7) of the Act, contributions should be received at the latest 3 days after it is due. An amount of R29 184 (2023: R49 355) was still outstanding by more than 3 days after it was due, as at 31 December 2024.

**Causes of the non-compliance**

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

**Corrective course of action**

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

**23.3 Non compliance with S33(2) of the Act - Option operating loss****Nature and impact**

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and will be financially sound. For the year ended 31 December 2024, the Plus option was in a net healthcare loss position of R30 589 752 (2023 loss: R 44 439 352) thereby contravening Section 33(2) of the Act. The scheme budgeted for a loss of R21 737 044 on the Plus option due to the high solvency reserves. The pricing for 2024 was approved by the CMS on 27 October 2023, therefore the scheme is in line with the budgeted expectations for this non-compliance.

**Causes of the non-compliance**

The operating deficit experienced by the Scheme was in line with the budget. Given the high solvency ratio of the Scheme the trustees budgeted for a deficit in 2024 utilising some of the accumulated funds to subsidise members' contribution increases and thereby limiting members' contribution increases.

**Corrective course of action**

The trustees continue to monitor the performance of the Scheme and they will make appropriate interventions during the annual benefit review process. As the solvency ratio at reporting date was 139.9% (2023: 132.2%), the Board of Trustees are comfortable that the Scheme would remain compliant with the minimum solvency ratio prescribed by the Medical Schemes Act.

**24. FIDELITY COVER**

The Scheme has a fidelity policy, placed through Marsh (Pty) Ltd, with Guardrisk Insurance Company (The insurer). The Scheme has a cover of R120 million in aggregate (2023: R120 Million) (Limited to R60 million on any one claim - 2023: R60 million) and extends to trustees, independent committee members, Principal Officer of the Scheme.



## PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 December 2024

## 25. BREAKDOWN PER BENEFIT OPTION

2024	Plus R	Primary R	Total R
Insurance revenue	255,759,459	25,685,305	281,444,764
Insurance service expenses	(290,049,552)	(18,444,575)	(308,494,127)
Claims incurred	(271,461,841)	(15,888,015)	(287,349,856)
Accredited management healthcare services	(6,104,103)	(800,074)	(6,904,177)
Attributable expenses incurred	(12,483,608)	(1,756,486)	(14,240,094)
<i>Net expenses from risk transfer arrangement reinsurance</i>	3,700,341	188,849	3,889,190
- Amount recovered from risk transfer arrangement reinsurance	18,452,111	6,964,357	25,416,468
- Amount allocation of premiums paid	(14,751,770)	(6,775,508)	(21,527,278)
<b>Insurance service result</b>	<b>(30,589,752)</b>	<b>7,429,579</b>	<b>(23,160,173)</b>
<b>Other income</b>	<b>57,905,802</b>	<b>12,730,395</b>	<b>70,636,197</b>
Investment income	57,903,802	12,730,395	70,634,197
Sundry income	2,000	-	2,000
<b>Other expenditure</b>	<b>(13,805,781)</b>	<b>(2,191,105)</b>	<b>(15,996,886)</b>
Administration fees and other insurance expenses	(4,333,586)	(1,907,911)	(6,241,497)
Asset management fees	(1,340,662)	(283,194)	(1,623,856)
Net finance expense from insurance contracts	(8,131,533)	-	(8,131,533)
<b>Profit for the year</b>	<b>13,510,269</b>	<b>17,968,869</b>	<b>31,479,138</b>

  

2023	Plus R	Primary R	Total R
Insurance revenue	261,035,537	20,724,125	281,759,662
Insurance service expenses	(309,681,387)	(17,876,378)	(327,557,765)
Claims incurred	(288,936,368)	(14,097,140)	(303,033,508)
Accredited management healthcare services	(7,594,370)	(610,375)	(8,204,745)
Attributable expenses incurred	(13,150,649)	(3,168,863)	(16,319,512)
<i>Net expenses from risk transfer arrangement reinsurance</i>	4,206,498	524,537	4,731,035
- Amount recovered from risk transfer arrangement reinsurance	19,161,249	6,262,594	25,423,843
- Amount allocation of premiums paid	(14,954,751)	(5,738,057)	(20,692,808)
<b>Insurance service result</b>	<b>(44,439,352)</b>	<b>3,372,284</b>	<b>(41,067,068)</b>
<b>Other income</b>	<b>44,521,625</b>	<b>7,665,791</b>	<b>52,187,416</b>
Investment income	43,909,231	7,604,500	51,513,731
Sundry income	612,394	61,291	673,685
<b>Other expenditure</b>	<b>(16,097,011)</b>	<b>(320,267)</b>	<b>(16,417,278)</b>
Administration fees and other insurance expenses	(6,364,960)	(127,729)	(6,492,689)
Asset management fees	(1,125,437)	(192,538)	(1,317,975)
Net finance expense from insurance contracts	(8,606,614)	-	(8,606,614)
<b>Profit/(loss) for the year</b>	<b>(16,014,738)</b>	<b>10,717,808</b>	<b>(5,296,930)</b>