

PICK N PAY MEDICAL SCHEME

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2025

PICK N PAY MEDICAL SCHEME

FINANCIAL STATEMENTS
for the year ended 31 December 2025
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 2025

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 2025, 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 8 May 2026 and signed on its behalf by:



.....
V Pierce
VICE-CHAIRPERSON



.....
R Johnson
TRUSTEE



.....
D Theron
PRINCIPAL OFFICER

8 May 2026

PICK N PAY MEDICAL SCHEME

**FINANCIAL STATEMENTS
for the year ended 31 December 2025**

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 are 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.

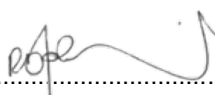
INTERNAL CONTROLS

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

8 May 2026

PICK N PAY MEDICAL SCHEME**REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2025**

The Board of Trustees hereby presents its report for the year ended 31 December 2025.

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	
M Mokobane	Trustee	22 July 2024	31 January 2025
J Smit	Trustee	22 May 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*	
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 (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 2025****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

36One Asset Management (Pty) Ltd
140 West Street, Sandton
Johannesburg
2196

Private Bag 10361
Sandton
2146

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 2025****1.9 CAPITATION PROVIDERS**

Centre for Diabetes & Endocrinology (Pty) Ltd
81 Central Street
Houghton
2198
Contract ended 28 February 2025

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 (Pty) Ltd
268 West Avenue
Centurion
Gauteng
157

P O Box 7400
Centurion
0046

1.10 MANAGED CARE SERVICES PROVIDERS

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

P O Box 7400
Centurion
0046

2. DESCRIPTION OF THE MEDICAL SCHEME

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

2.1 BENEFIT OPTIONS WITHIN THE SCHEME

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

2.2 PERSONAL MEDICAL SAVINGS ACCOUNT

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

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

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

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

Unexpended savings balances are refundable when a member leaves the Scheme 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 2025

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 and 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 2025

5. REVIEW OF OPERATIONS

5.1 OPERATIONAL STATISTICS

The results of the Scheme's operations for the year under review at 31 December 2025 are set out in the Financial Statements, and the Trustees believe that no further clarification is required.

2025	Plus	Primary	Total
Number of members at year end	4 645	1 394	6 039
Average number of members for the year	4 741	1 309	6 050
Number of beneficiaries at year end	9 690	2 258	11 948
Average number of beneficiaries for the year	9 877	2 129	12 006
Dependants to member ratio at year-end	1.09	0.62	0.98
Average age of beneficiaries	33.0	28.5	32.1
Pensioner ratio (%)	6.4%	1.2%	5.4%
Average insurance revenue per member per month	R 4 836	R 2 029	R 4 188
Average insurance revenue per beneficiary per month	R 2 318	R 1 253	R 2 117
Average insurance service expenses per member per month	R 4 580	R 1 738	R 3 924
Relevant healthcare expenditure as a percentage of net contributions	91.0%	74.8%	89.2%
Relevant healthcare expenditure per average beneficiary per month (pabpm).	R 2 070	R 993	R 1 879
Administration fees paid to the Administrator	R 11 472 412	R 3 080 914	R 14 553 326
Average administration costs per member per month	R 206	R 184	R 201
Average managed care: Managed services per member per month	R 113	R 61	R 101
Managed care: Management services as a percentage of net contributions	2.3%	3.0%	2.4%
Average attributable, administration and other expenses per member per month (R)	R 306	R 282	R 300
Average attributable, administration and other expenses per beneficiary per month (R)	R 147	R 174	R 152
Directly Attributable Insurance Service Expenses ratio	4.63%	9.92%	5.22%
Directly Attributable Insurance Service Expenses per average beneficiary per month (pabpm)	R 105	R 132	R 110
Average members funds per member at 31 December (R)	n/a	n/a	R 114 967
Average return on investments and cash	n/a	n/a	18.9%

2024	Plus	Primary	Total
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%

PICK N PAY MEDICAL SCHEME**REPORT OF THE BOARD OF TRUSTEES (continued)
for the year ended 31 December 2025****5.2 SOLVENCY RATIO**

The solvency ratio is calculated on the following basis:

	2025	2024
	R	R
Insurance contract liabilities to future members	694 285 122	564 744 238
Less: Cumulative unrealised gains on investments at fair value through profit or loss	<u>(163 133 634)</u>	<u>(81 570 530)</u>
Accumulated Funds per Regulation 29 of the Act	<u><u>531 151 488</u></u>	<u><u>483 173 708</u></u>
Gross Contributions	370 719 314	345 307 087
Solvency ratio: Accumulated Funds/Gross Contributions X 100 %	<u><u>143.3%</u></u>	<u><u>139.9%</u></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 (2024: R120 Million) (Limited to R60 million on any one claim - 2024: 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 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 six members of which two are members of the board of trustees and four are independent members.

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

24 April 2025;
17 July 2025; and
23 October 2025.

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 2025****9.1 RISK AND AUDIT COMMITTEE (continued)**

The members of the committee are:

Name	Designation	Date of Appointment	Date of Resignation
L Clayton	Independent Member / Chairperson	4 July 2024*	
R Johnson	Member-Elected Trustee	4 July 2024*	
R Sattar	Employer Appointed Trustee	4 July 2024*	
A Rolstone	Independent Member	4 July 2024*	
R Mazema	Independent Member	1 November 2024	
A Visser	Independent Member	4 July 2024*	
H de Light	By Invitation (Chairperson of the Board of Trustees)	4 July 2024*	
V Pierce	By Invitation (Employer-Appointed Trustee)	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:

13 February 2025;
5 May 2025;
7 August 2025; and
6 November 2025.

The members of the committee are:

Name	Designation	Date of Appointment	Date of Resignation
S Carrott	Chairperson - Independent Member	1 January 2025	
R Johnson	Member-Elected Trustee	4 July 2024*	
V Pierce	Employer-Appointed Trustee	4 July 2024*	
R Sattar	Employer-Appointed Trustee	4 July 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:

27 February 2025;
8 May 2025;
28 August 2025; and
13 November 2025.

The members of the committee are:

Name	Designation	Date of Appointment	Date of Resignation
M Bailey	Medical Advisor / Chairperson	4 July 2024	
V Pierce	Employer-Appointed Trustee	4 July 2024*	
R Sattar	Employer-Appointed Trustee	4 July 2024	28 February 2025
H de Light	Member-elected Trustee	4 July 2024*	
R Johnson	Member-elected Trustee	19 October 2023	
R Faasen	Member-elected Trustee	1 March 2025	
D Theron	Principal Officer	1 May 2024	

* Re-appointment date

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 2025****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:

27 February 2025;	26 June 2025;	30 October 2025; and
27 March 2025;	31 July 2025;	27 November 2025
24 April 2025	28 August 2025;	
29 May 2025;	25 September 2025	

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

The members of the committee are:

Name	Designation	Date of Appointment	Date of Resignation
M Bailey	Medical Advisor / Chairperson	11 June 2015	30 December 2025
H de Light**	Member-Elected Trustee	4 July 2024*	
V Pierce	Employer-Appointed Trustee	4 July 2024*	
D Theron	Principal Officer	1 May 2024	

* Re-appointment date

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

** H de Light was appointed as the chairperson of the ex-gratia committee from 1 January 2026.

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	3	4	4	10	10
Mr V Pierce	5	4	3	2	4	3	4	3	10	10
Ms J Smit	4	4	-	-	-	-	-	-	-	-
Mr R Johnson	5	5	3	1	4	4	4	4	-	-
Ms R Sattar	5	5	3	1	4	3	-	-	-	-
Ms L Andrews	5	5	-	-	-	-	-	-	-	-
Mr L Clayton	-	-	3	3	-	-	-	-	-	-
Ms M Mannion	5	5	-	-	-	-	-	-	-	-
Mr S Carrott	-	-	-	-	4	4	-	-	-	-
Mr R Faasen	5	4	-	-	-	-	3	2	-	-
Dr M Bailey	5	4	-	-	-	-	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)	5	5	3	3	4	4	4	4	10	10

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. The contract ended in February 2025.
- 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 (Pty) Ltd (MH) - In terms of the arrangement, MH 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 2025****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, 36One Asset Management and Ninety One. 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, 36One Asset Management and Ninety One. 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 31 December 2028.

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 R37 957 (2024: R29 184) was still outstanding by more than 3 days after it was due, as at 31 December 2025.

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.

INDEPENDENT AUDITOR’S REPORT

To the Members of
 Pick n Pay Medical Scheme

Report on the Audit of 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 2025; 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 2025, 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of the Liability for incurred claims (Note 10)	
<p>The valuation of the Liability for incurred claims (LIC) component forms part of the Insurance contract liability on the statement of financial position and consists of the estimates of future cash flows for incurred claims not yet reported and the risk adjustment for non-financial risk (RA).</p> <p>At 31 December 2025, the LIC included an estimate of future cash flows relating to the net outstanding claims provision amounting to R12 196 056, as well as the RA of R804 413.</p> <p>In determining the LIC, the Scheme applies significant judgement and the assessment includes estimation uncertainties, due to the Scheme having to determine claims from healthcare events that have occurred but have not yet been reported. In addition, the Scheme is also required to estimate a run-off period, within which the incurred but not reported claims will be submitted to the Scheme.</p> <p>Outstanding claims provision methodology and assumptions:</p>	<p>Our audit procedures for the LIC estimate component included the following:</p> <ul style="list-style-type: none"> We obtained an understanding and documented the LIC estimation process; and We assessed the design and evaluated the implementation of relevant controls over the claims process and the calculation of the LIC estimate. <p>Data</p> <p>We obtained the claims data from the claims processing system covering the year ended 31 December 2025, which was used in calculating the determination of the claims incurred but not reported and the RA, and performed a reconciliation of the data used in the calculation to the claims data tested as part of the insurance service expense for the year ended 31 December 2025. Based on the results of our reconciliation performed, we did not note material inconsistencies.</p>

<p>The most significant assumptions in the determination of the estimates of future cash flows relating to the claims incurred but not reported are:</p> <ul style="list-style-type: none"> • Future cashflow projections developed using information about past events, current conditions and forecasts of future conditions; • Probability weighted average; and • Timing of the submission and payment, and the level of future claims submitted. <p>The method used by the Scheme to determine the best estimate of the outstanding claims provision is the Basic Chain Ladder (BCL) method.</p> <p>The BCL method involves analysing historical claims development factors and selecting estimated development factors based thereon.</p> <p>The selected development factors are then applied to cumulative claims data for each period (in the Scheme's case, the four months post-year-end) that is not yet fully developed, to produce an estimated ultimate claims cost for each healthcare year.</p> <p>RA methodology and assumptions:</p> <p>The most significant assumptions in the determination of the RA are:</p> <ul style="list-style-type: none"> • Variability and level of claims; • Degree of diversification benefits; and • Confidence level. <p>The IFRS 17 Insurance Contracts RA represents the compensation a Scheme requires for bearing the uncertainty in the amount and timing of future cash flows arising from non-financial risk. Because the RA represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes, in a way that reflects the Scheme's degree of risk aversion.</p> <p>Management has used the confidence level technique to determine the RA at the reporting date. The Scheme's calibrated risk adjustment is such that the insurance contract liabilities are considered sufficient at the 75th percentile of the ultimate loss distribution.</p> <p>Due to the significant judgement and estimation uncertainty involved in the Scheme's valuation of the claims incurred but not reported and RA, this area was considered a matter of most significance to our current year audit of the financial statements.</p>	<p>Calculations</p> <p>Making use of our internal actuarial expertise we performed an independent calculation of the estimates of future cashflows relating to the claims incurred but not reported and RA. Our procedures included:</p> <ul style="list-style-type: none"> • We considered the appropriateness of the methodology and assumptions applied in determining the estimates of future cashflows relating to the claims incurred but not reported and RA against appropriate industry information; • We performed an independent calculation of the estimates of future cashflows relating to the claims incurred but not reported and RA using the same methodology and assumptions as that of the Scheme. The independently calculated values were then compared to the Scheme's actuarial calculations. We noted no material differences in this regard; and • We considered the appropriateness of the confidence level applied for the RA by performing a benchmarking exercise for RA as % of the claims incurred but not reported and confirming that the RA for the Scheme is in range with similar market participants. Based on our work performed, we accepted the Scheme's use of the 75th percentile. <p>Back testing</p> <p>The Scheme considers claims processed in the next financial year in respect of services provided during the year ended 31 December 2025 to determine if there is a need to disclose that actual claims are materially different from forecast claims and the LIC component judgement.</p> <p>We considered the Scheme's assessment of the actual claims processed in the next financial year in respect of services provided during the year ended 31 December 2025 against the relevant requirements of the financial reporting framework, to assess the need for any subsequent events disclosure. Based on the results of our assessment, we accepted the Scheme's assessment, which indicated that such disclosure is not necessary due to the fact that the unutilised portion of the LIC is not material.</p> <p>Disclosures</p> <p>We evaluated the presentation of the disclosure relating to the LIC in the current year against the relevant requirements of the IFRS Accounting Standards and appropriate industry guidance.</p>
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Other Information

The Scheme's trustees are responsible for the other information. The other information comprises information included in the document title "Pick n Pay Medical Scheme Annual Financial Statements for the year ended 31 December 2025", which Board of Trustees Responsibility Statement, Statement of Corporate Governance by the Board of Trustees and Report of the Board of Trustees. The other information does not include the financial statements and our auditor's reports 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 *[year/period]* and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa 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 four years.

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

BDO South Africa Inc.

BDO South Africa Inc. (May 29, 2026 15:02:18 GMT+2)

BDO South Africa Incorporated
Registered Auditors

Terri Weston
Director
Registered Auditor

29 May 2025

123 Hertzog Boulevard
Foreshore
Cape Town, 8001

PICK N PAY MEDICAL SCHEME

STATEMENT OF FINANCIAL POSITION
as at 31 December 2025

	Notes	2025 R	2024 R
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	2	510 294 424	414 229 007
Current assets			
Cash and cash equivalents		299 881 289	264 638 502
- Scheme	4	299 378 672	264 139 093
- Investment of Medical Savings Accounts	6	202 520 149	172 469 265
Trade and other receivables	3	96 858 523	91 669 828
Reinsurance contract assets	9	236 520	272 621
		266 097	226 788
Total assets		<u>810 175 713</u>	<u>678 867 509</u>
LIABILITIES			
Non-current liabilities			
Liability to members for future benefits	8.1	694 285 122	551 394 134
Current liabilities			
Liability to members for future benefits		115 890 591	127 473 375
Insurance contract liability	8.2	-	13 350 104
Trade and other payables	7	115 227 671	113 314 965
		662 920	808 306
Total liabilities		<u>810 175 713</u>	<u>678 867 509</u>

PICK N PAY MEDICAL SCHEME

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2025

	Notes	2025 R	2024 R
Insurance revenue	11	303 492 368	281 444 764
Insurance service expenses		(284 346 050)	(308 494 127)
Claims incurred *	9 & 12	(261 191 617)	(287 349 856)
Accredited managed healthcare services (no risk transfer)*	13	(7 302 885)	(6 904 177)
Directly attributable expenditure	14	(15 851 548)	(14 240 094)
Net risk transfer arrangement result *		(2 188 074)	3 889 190
- Amount recovered from risk transfer arrangement	9	10 559 786	25 416 468
- Amount allocation of premiums paid	9	(12 747 860)	(21 527 278)
Insurance service result		16 958 244	(23 160 173)
Other income		127 317 412	70 636 197
Investment income	15	126 500 039	70 634 197
Sundry income	16	817 373	2 000
Other expenditure		(14 734 772)	(15 996 886)
Other administration	14.1	(5 918 408)	(6 241 497)
Asset management fees		(1 218 223)	(1 623 856)
Net finance expense from insurance contracts		(7 598 141)	(8 131 533)
Profit for the year before amounts attributable to members for future benefits		129 540 884	31 479 138
Transfers to liability to members for future benefits	8.1	(129 540 884)	(31 479 138)
Profit or loss for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

* Relevant healthcare expenditure consists of claims incurred, accredited managed healthcare services (no transfer of risk) and net risk transfer arrangement result.

PICK N PAY MEDICAL SCHEME

STATEMENT OF CASH FLOWS
for the year ended 31 December 2025

	Notes	2025 R	2024 R
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash receipts from members and providers</i>		371 015 728	344 720 783
Cash receipts from members - insurance contract revenue		370 581 719	344 328 949
Cash receipts from members and providers - others		434 009	391 834
<i>Cash paid to providers, employees and members</i>		(369 304 722)	(372 940 555)
Cash paid to providers, employees and members - insurance service expenses		(353 231 971)	(361 218 054)
Cash paid to providers, employees and members - non-healthcare expenditure		(7 245 916)	(7 825 815)
Cash paid to members - savings plan refunds	5	(8 826 835)	(3 896 686)
Cash generated from/(utilised) in operations		1 711 006	(28 219 772)
Net finance expense from insurance contracts	5	(7 598 141)	(8 131 533)
Net cash utilised in operating activities		(5 887 135)	(36 351 305)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	2	(60 328 363)	(45 000 000)
Proceeds on disposal of investments	2	70 328 363	100 400 000
Interest received	15	27 875 009	28 293 634
Dividend received	15	3 251 705	2 713 960
Net cash generated from investing activities		41 126 714	86 407 594
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		264 139 093	214 082 804
Cash and cash equivalents at the end of the year	4 & 6	299 378 672	264 139 093
Investment of Medical Savings Accounts	6	96 858 523	91 669 828
Scheme cash and cash equivalents	4	202 520 149	172 469 265

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2025

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

Effective Date	Standard, Amendment or Interpretation	Summary of Requirements	Early Application Permitted
Annual periods commencing 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"> 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; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; 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 make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI). 	Yes

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2025

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
Annual periods commencing on or after 1 January 2027	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"> • classification of income and expenses in the statement of profit or loss. • presentation of subtotals above 'profit or loss' in the statement of profit or loss; or • aggregation and disaggregation of information presented in the primary financial statements or disclosed in the notes. <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"> • requiring defined subtotals in the statement of profit or loss; • requiring disclosure about management-defined performance measures; and • adding new principles for aggregation and disaggregation of information. <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 2025****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 2025

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 2025****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 2025

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.

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2025

2. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS	2025	2024
	R	R
Fair value at the beginning of the year	414 229 007	420 401 717
Additions	60 328 363	45 000 000
Disposals	(70 328 363)	(100 400 000)
Investment income on financial assets at fair value	11 633 797	11 615 711
Realised income on financial assets at fair value through profit or loss	11 159 595	23 574 329
Unrealised income on revaluation of financial assets at fair value through profit or loss	83 145 894	15 193 993
Investment manager performance rebate/(Investment manager fees)	126 131	(1 156 743)
Fair value at the end of the year	<u>510 294 424</u>	<u>414 229 007</u>

The investments included above represent investments in:

Allan Gray Life Limited	68 447 666	54 962 636
Abax Investments (Pty) Ltd	-	51 578 983
Coronation Fund Managers Ltd	68 922 311	55 373 196
Old Mutual Investment Group	72 096 926	53 526 217
Ninety One Diversified Income	111 375 778	98 844 789
Ninety One Multi Asset Credit Stable	49 461 550	46 649 770
Truffle Asset Management	71 452 155	53 293 416
36ONE Asset Management	68 538 038	-
	<u>510 294 424</u>	<u>414 229 007</u>

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

3. TRADE AND OTHER RECEIVABLES

Financial assets at amortised cost	224 200	211 181
Interest receivable	<u>224 200</u>	<u>211 181</u>
Non-financial assets	12 320	61 440
Prepaid expenses	<u>12 320</u>	<u>12 320</u>
Personal medical savings account advances *	<u>-</u>	<u>49 120</u>
	<u>236 520</u>	<u>272 621</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.

* Personal medical savings advances is disclosed under Insurance contract liability in the current year, whereas in the prior year it was disclosed under trade and other receivables.

4. SCHEME CASH AND CASH EQUIVALENTS

Money market investments	174 146 554	145 938 536
Current account	<u>28 373 595</u>	<u>26 530 729</u>
	<u>202 520 149</u>	<u>172 469 265</u>

The effective interest rate on cash and cash equivalents was 7.36% (2024: 8.11%). 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 894 773 (2024: R11 260 379), which is included in investment income in the statement of comprehensive income.

These are short-term, highly liquid investments that are readily convertible cash and which are subject to an insignificant risk of change in value.

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 2025

5. PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY	2025	2024
<i>Managed by the Scheme on behalf of its members</i>	R	R
Balance of personal medical savings account liability at the beginning of the year	96 616 057	89 709 872
Less: Prior year advances on personal medical savings account	<u>(49 120)</u>	<u>(38 811)</u>
Adjusted balance on personal medical savings account at the beginning of the year	96 566 937	89 671 061
Savings account contributions received or receivable (note 11)	67 135 768	63 656 758
Interest earned on monies invested	7 598 141	8 131 533
Less:		
Claims paid out of savings (note 12)	(60 938 460)	(60 995 729)
Refunds on death or resignation in terms of Regulation 10(4)	(8 826 835)	(3 896 686)
Add:		
Advance on personal medical savings account (note 3)	88 618	49 120
Balance on personal medical savings account at the end of the year	<u><u>101 624 169</u></u>	<u><u>96 616 057</u></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 2025 but not yet reported will amount to R1 766 118 (2024: R1 561 335) (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. 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

	2025	2024
	R	R
Ninety One Plc. Stable Money Fund	<u>96 858 523</u>	<u>91 669 828</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 9.07% (2024: 8.11%). The total interest earned was R7 598 142 (2024: R8 131 532). 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

<i>Financial liabilities</i>	2025	2024
	R	R
Accrued expenses	29 874	51 647
Accrual for audit fees	633 046	756 659
	<u><u>662 920</u></u>	<u><u>808 306</u></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 2025

8. ANALYSIS OF INSURANCE CONTRACT LIABILITIES	2025 R	2024 R
8.1 LIABILITY TO MEMBERS FOR FUTURE BENEFITS		
Opening balance	564 744 238	533 265 100
Movement in liability to members for future benefits	129 540 884	31 479 138
Closing balance	<u>694 285 122</u>	<u>564 744 238</u>
Liability to members for future benefits - Non Current liabilities	694 285 122	551 394 134
Insurance contract liability - Current liabilities	-	13 350 104
Closing balance	<u>694 285 122</u>	<u>564 744 238</u>

8.2 INSURANCE CONTRACT LIABILITY

	Liability for Remaining Coverage R	Liability for Incurred Claims R	2025 Total R
Opening assets	(2 448 982)	223 902	(2 225 080)
Opening liabilities	-	115 540 045	115 540 045
Net opening balance	(2 448 982)	115 763 947	113 314 965
Insurance revenue	(303 492 368)	-	(303 492 368)
Insurance service expenses			
Movement in liability for incurred claims	-	12 855 944	12 855 944
Incurred claims and other insurance service expenses	-	276 428 076	276 428 076
Insurance service result	(303 492 368)	289 284 020	(14 208 348)
Net finance expense from insurance contracts	-	7 598 141	7 598 141
Total changes in the statement of profit or loss and OCI	<u>(303 492 368)</u>	<u>296 882 161</u>	<u>(6 610 207)</u>
Premium debtors to LIC	46 417	(46 417)	-
Cash flows			
Premiums received	303 445 951	67 135 768	370 581 719
Savings plan refunds	-	(8 826 835)	(8 826 835)
Incurred claims and other insurance service expenses paid	-	(353 231 971)	(353 231 971)
Total cash flows	303 445 951	(294 923 038)	8 522 913
Closing assets	(2 495 399)	172 842	(2 322 557)
Closing liabilities	-	117 550 228	117 550 228
Net closing balance	(2 495 399)	117 723 070	115 227 671
Closing assets			
Contributions receivable			(2 495 399)
Member and provider debt			(633 110)
Provision for impaired losses at year end			805 952
			<u>(2 322 557)</u>
Closing liabilities			
Reported claims not yet paid			2 189 749
Amounts owing to members			292 432
Other payables and accrued expenses			177 312
Outstanding claims provision (note 10)			13 000 469
Personal Medical Savings Account Liability (PMSA) (note 5)			101 624 169
Reinsurance contract liability			266 097
			<u>117 550 228</u>
Total Insurance contract liability			<u>115 227 671</u>

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2025

8.2 ANALYSIS OF INSURANCE LIABILITIES

	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
Net opening balance	(1 470 844)	102 375 500	100 904 656
Insurance revenue	(281 444 764)	-	(281 444 764)
Insurance service expenses			
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
Insurance service result	(281 444 764)	308 494 127	27 049 363
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)	-
Cash flows			
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)
Total cash flows	280 466 626	(303 237 213)	(22 770 587)
Closing assets	(2 448 982)	223 902	(2 225 080)
Closing liabilities	-	115 540 045	115 540 045
Net closing balance	(2 448 982)	115 763 947	113 314 965
Closing assets			
Contributions receivable			(2 448 982)
Member and provider debt			(595 566)
Provision for impaired losses at year end			819 468
			<u>(2 225 080)</u>
Closing liabilities			
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			2 812 850
			<u>115 540 045</u>
Total Insurance contract liability			<u>113 314 965</u>

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2025

9. RISK TRANSFER ARRANGEMENTS

	R	R	2025 R
	Asset for Remaining Coverage	Assets for Incurred Claims	Total
Net opening balance	-	226 788	226 788
Net income/(expenses) from reinsurance contract held			
Reinsurance premiums	12 747 860	-	12 747 860
- Centre for Diabetes & Endocrinology (Pty) Ltd	2 292 335	-	2 292 335
- ER24 EMS (Pty) Ltd	2 126 051	-	2 126 051
- Momentum Health (Pty) Ltd	8 329 474	-	8 329 474
Recoveries for incurred claims and other insurance services expenses	-	(10 559 786)	(10 559 786)
- ER24 EMS (Pty) Ltd	-	(1 869 184)	(1 869 184)
- Momentum Health (Pty) Ltd	-	(8 690 602)	(8 690 602)
Adjustment of asset for incurred claims	-	39 309	39 309
- ER24 EMS (Pty) Ltd	-	(17 939)	(17 939)
- Momentum Health (Pty) Ltd	-	57 248	57 248
Total changes in the statement of profit or loss and OCI	12 747 860	(10 293 689)	2 454 171
Cash flows			
Premiums paid	(12 747 860)	-	(12 747 860)
- Centre for Diabetes & Endocrinology (Pty) Ltd	(2 292 335)	-	(2 292 335)
- ER24 EMS (Pty) Ltd	(2 126 051)	-	(2 126 051)
- Momentum Health (Pty) Ltd	(8 329 474)	-	(8 329 474)
Amounts received	-	10 559 786	10 559 786
- ER24 EMS (Pty) Ltd	-	1 869 184	1 869 184
- Momentum Health (Pty) Ltd	-	8 690 602	8 690 602
Total cash flows	(12 747 860)	10 559 786	(2 188 074)
Net closing balance	-	266 097	266 097

	R	R	2024 R
	Asset for Remaining Coverage	Assets for Incurred Claims	Total
Net opening balance	-	181 382	181 382
Net income/(expenses) from reinsurance contract held			
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 (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 (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 (Pty) Ltd	-	19 960	19 960
Total changes in the statement of profit or loss and OCI	21 527 278	(25 189 680)	(3 662 402)
Cash flows			
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 (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 (Pty) Ltd	-	6 555 123	6 555 123
Total cash flows	(21 527 278)	25 416 468	3 889 190
Net closing balance	-	226 788	226 788

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. Contract ended in February 2025

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 (Pty) Ltd (MH). In terms of the arrangement, MH 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 2025

10. OUTSTANDINGS CLAIMS PROVISION

	Risk Adjustment	Outstanding claims provision
	R	R
2025		
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	779 087	15 332 051
Payments in respect of prior year	<u>(779 087)</u>	<u>(15 991 939)</u>
Under provision in respect of prior year	-	(659 888)
Adjustment for current year	804 413	12 855 944
Balance at end of year	<u>804 413</u>	<u>12 196 056</u>
Total outstanding claims provision		<u>13 000 469</u>
2024		
<i>Analysis of movements in outstanding claims</i>		
Balance at beginning of year	352 285	10 492 743
Payments in respect of prior year	<u>-</u>	<u>(10 550 812)</u>
Over 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>16 111 138</u>
	2025	2024
Analysis of liability for incurred claims	R	R
Outstanding claims provision	13 962 174	16 893 386
Less: Estimated recoveries from personal medical savings account (note 5)	(1 766 118)	(1 561 335)
Risk Adjustment	804 413	779 087
	<u>13 000 469</u>	<u>16 111 138</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 2025****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:

	2025	2024
	R	R
Effect of a 1% increase	1 016 793	1 086 897
Effect of a 2% increase	2 052 125	2 194 143
Effect of a 3% increase	3 106 595	3 322 420

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%.

The change in the liability will be recognised against claims incurred in the profit or loss for the year.

11. INSURANCE REVENUE	2025	2024
	R	R
Gross insurance revenue per registered rules	370 719 314	345 307 087
Less:		
Personal medical savings revenue received (note 5)	(67 135 768)	(63 656 758)
Net impairment loss on healthcare receivables - contributions	(91 178)	(205 565)
Insurance revenue per statement of comprehensive income	<u>303 492 368</u>	<u>281 444 764</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.

12. RISK CLAIMS INCURRED	2025	2024
	R	R
Claims incurred excluding claims incurred in respect of risk transfer arrangements		
Current year claims per registered rules	308 918 484	333 966 137
Movement in liability for incurred claims	13 000 469	15 332 051
Under provision in the prior year (note 10)	(659 888)	(58 069)
Adjustment for current year (note 10)	<u>13 660 357</u>	<u>15 390 120</u>
	321 918 953	349 298 188
Less:		
Claims paid from personal medical savings accounts (note 5)	(60 938 460)	(60 995 729)
Net impairment gain/(loss) on healthcare receivables - claims	211 124	(952 603)
Risk claims incurred	<u>261 191 617</u>	<u>287 349 856</u>

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2025

13. ACCREDITED MANAGED HEALTHCARE SERVICES	2025	2024
	R	R
Active disease risk management services	1 872 668	1 678 234
Disease risk management support services	988 373	958 851
Dental benefit management services	555 060	533 157
Hospital benefit management services	2 184 204	2 159 071
Managed care network management services and risk management	307 961	265 957
Pharmacy benefit management services	1 394 619	1 308 907
Accredited management healthcare services	<u>7 302 885</u>	<u>6 904 177</u>
14. DIRECTLY ATTRIBUTABLE EXPENSES	2025	2024
	R	R
Actuarial fees	3 149 298	3 149 298
Accredited Administration services	12 458 080	10 338 653
Benefit management services	155 817	205 654
Third party claims recovery administration fees	88 353	546 489
	<u>15 851 548</u>	<u>14 240 094</u>
14.1 OTHER ADMINISTRATION EXPENSES		
Audit fees - external	788 629	756 659
Bank charges	25 496	26 633
BHF Levies	79 935	75 113
<i>Compensation</i>		
- Chairperson	92 500	79 500
- Medical advisor	1 109 568	1 051 752
- Principal Officer	1 251 511	930 988
Council for Medical Schemes levies	313 697	296 342
Fidelity guarantee insurance premium	73 920	73 360
Health Funders Association	16 145	-
Investment consulting fees	166 325	159 008
<i>Non-accredited administration fees</i>		
- Audit fees - internal	324 274	351 890
- Compliance and governance services	1 424 313	1 696 507
- Fraud investigation services	102 488	591 667
Printing	13 257	24 246
Seminar	12 906	12 350
Sundry expense	690	2 985
Telephone and postage	99 243	109 484
Travel and accommodation	23 511	3 013
	<u>5 918 408</u>	<u>6 241 497</u>

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2025

	2025 R	2024 R
15. INVESTMENT INCOME		
<i>Interest and dividend income</i>		
Interest on financial assets at fair value through profit or loss	10 909 376	1 044 033
Dividends on financial assets at fair value through profit or loss	3 251 705	2 713 960
Interest on cash and cash equivalents	9 367 492	19 118 068
Interest on personal medical savings account trust investment	7 598 141	8 131 533
	<u>31 126 714</u>	<u>31 007 594</u>
<i>Realised income on financial assets</i>		
Realised income on investments at fair value through profit or loss	11 686 656	23 710 786
Realised income on investments at amortised cost	2 123 565	2 819 347
	<u>13 810 221</u>	<u>26 530 133</u>
<i>Unrealised (loss)/income on financial assets</i>		
Unrealised income on investments at fair value through profit or loss	83 633 872	15 893 705
Unrealised loss on investments at amortised cost	(2 070 768)	(2 797 235)
	<u>81 563 104</u>	<u>13 096 470</u>
TOTAL INVESTMENT INCOME	<u><u>126 500 039</u></u>	<u><u>70 634 197</u></u>
16. SUNDRY INCOME		
Asset managers performance fees - rebate	817 373	-
Income from breach in SLA	-	2 000
	<u>817 373</u>	<u>2 000</u>
17. RELATED PARTY DISCLOSURES		

Parties with significant influence over the Scheme

Momentum Health (Pty) Ltd (MH) 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. MH 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 2025

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.

	2025 R	2024 R
Statement of comprehensive income		
Administration fees paid (MH)	14 553 326	13 730 860
Insurance revenue received (key management personnel)	527 916	510 121
Claims incurred (key management personnel)	617 305	854 598
Interest paid on personal medical savings account (key management personnel)	1 662	19 136
Compensation (key management personnel)		
- Chairperson	92 500	79 500
- Medical advisor	1 109 568	1 051 752
- Principal Officer	1 251 511	930 988
Risk transfer arrangement fee and Managed Care fee (MH)	15 632 359	13 304 477
Actuarial fees(NMG)	3 149 298	3 149 298
Investment consulting fee (WTW)	166 325	159 008
Statement of financial position		
Insurance Contract Liability - Personal medical savings account liability (key management personnel)	245 267	228 441

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 2025****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 MH 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 MH 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 2025 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 R16 828 433 (2024: R15 300 835).

19. CONTINGENT LIABILITIES

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees, suretyships or alike at 31 December 2025 (2024: nil).

PICK N PAY MEDICAL SCHEME**NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2025****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:

2025**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
510 294 424	-
-	236 520
-	662 920
-	202 520 149
-	266 097
96 858 523	-

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	-

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 2025

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 36.98% (2024: 38.94%) 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 2025

<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	14 967 917	1 334 274	98 925 480	115 227 671
Trade and other payables	29 874	-	633 046	662 920
Cash and cash equivalents	14 997 791	1 334 274	99 558 526	115 890 591
	299 378 672	-	-	299 378 672
Excess liquidity				183 488 081

At 31 December 2024

<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	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

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2025

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 2025

Class	<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	2 187 448	210 016	731 045	3 128 509
Trade and other receivables	224 200	-	-	224 200

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

At 31 December 2024

Class	<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

As at 31 December 2025 there were receivables that were past due and not yet impaired. There are no indications at the reporting date that these debtors will not meet their payment obligations.

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

Class	2025	2024
	R	R
Insurance receivables	731 045	770 089

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 2025**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	2025 R	2024 R	Credit Rating	
			2025	2024
Ninety One Plc.	127 798 334	92 224 726	AAA	AAA
Coronation Medical Aid Cash	143 206 743	123 121 669	AA+	AA+
	<u>271 005 077</u>	<u>215 346 395</u>		

Fitch National Rating

Financial institution	2025 R	2024 R	Credit Rating	
			2025	2024
Standard Bank	28 373 595	26 530 729	AA+	AA+
Total Cash and Cash Equivalent	<u>299 378 672</u>	<u>241 877 124</u>		

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 2025****20. FINANCIAL RISK MANAGEMENT (continued)****Currency risk (continued)****Interest rate risk**

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

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

At 31 December 2025	<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	271 005 077	-	-	-	271 005 077
Current account	28 373 595	-	-	-	28 373 595
	299 378 672	-	-	-	299 378 672

At 31 December 2024	<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

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 744 021 (2024: R2 417 085).

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 R22 993 924 (2024: R20 399 908). 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 2025

20. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation

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

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

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

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

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

At 31 December 2025	<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	-	-	-
Market linked policies	-	398 918 646	-
Directly held investments			
- Cash equivalents	26 882 246	-	-
- Listed Equity/ETF	5 688 849	-	-
- Listed Bonds	14 213 201	-	-
- Money Market Instruments	-	64 591 482	-

At 31 December 2024	<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	-

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 in 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 2025**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 143.3% at 31 December 2025 (2024: 139.9%). 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 2025			At 31 December 2024		
	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%
Allan Gray Life Limited	5 144 390 539	68 447 666	1.33%	3 920 260 425	54 962 636	1.40%
Coronation Fund Managers Ltd - Strategic Bond Fund	338 937 178	68 922 311	20.33%	268 090 382	55 373 196	20.65%
Ninety One Plc - Corporate	24 776 395 146	30 939 811	0.12%	22 348 699 842	22 816 867	0.10%
Old Mutual Investment Group	8 606 550 504	72 096 926	0.84%	5 644 297 349	53 526 217	0.95%
36One Asset Management	19 915 840 908	68 538 038	0.34%	-	-	-
Truffle Asset Management	11 367 672 303	71 452 155	0.63%	6 542 461 784	53 293 416	0.81%

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 2025

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 (contracted ended 28 February 2025), ER24 and Momentum Health (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 2025****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.

2025

Age grouping (in years)	Number of beneficiaries
0 - 24	4 685
25 - 34	1 315
35 - 44	2 403
45 - 54	2 119
55 - 64	780
65+	646
Total	11 948

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

PICK N PAY MEDICAL SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2025

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.

2025

Age grouping (in years)	Specialists	General Practitioners	Dentistry	Hospital	Optometry	Support Health Services	Medicines	Total
	R	R	R	R	R	R	R	R
00 - 24	10 266 214	650 297	1 162 429	16 884 310	195 896	2 917 059	2 983 910	35 060 115
25 - 34	6 036 673	324 012	383 701	7 826 784	84 969	1 918 524	1 216 753	17 791 416
35 - 44	11 762 606	754 048	774 582	15 467 998	235 000	3 474 071	3 823 283	36 291 588
45 - 54	18 721 484	1 064 605	851 123	24 278 924	302 151	4 845 366	8 750 145	58 813 798
55 - 64	11 604 321	553 520	353 654	13 672 244	123 187	2 606 974	5 444 641	34 358 541
65+	17 863 763	707 379	345 843	24 132 990	60 143	4 857 155	6 954 953	54 922 226
Total	76 255 061	4 053 861	3 871 332	102 263 250	1 001 346	20 619 149	29 173 685	237 237 684
Outstanding claims provision - write back of prior year under provision								659 888
Outstanding claims provision - current year								13 000 469
								<u>250 898 041</u>

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 over provision								(58 069)
Outstanding claims provision - current year								16 111 138
								<u>263 477 008</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 2025****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, 36One Asset Management and Ninety One. 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, 36One Asset Management and Ninety One. 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 31 December 2028.

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 R37 957 (2024: R29 184) was still outstanding by more than 3 days after it was due, as at 31 December 2025.

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.

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 (2024: R120 Million) (Limited to R60 million on any one claim - 2024: 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 2025

25. BREAKDOWN PER BENEFIT OPTION

2025	Plus R	Primary R	Total R
Insurance revenue	269 545 987	33 946 381	303 492 368
Insurance service expenses	(255 265 878)	(29 080 172)	(284 346 050)
Claims incurred	(236 503 549)	(24 688 068)	(261 191 617)
Accredited managed healthcare services (no risk transfer)	(6 277 429)	(1 025 456)	(7 302 885)
Directly attributable expenditure	(12 484 900)	(3 366 648)	(15 851 548)
<i>Net risk transfer arrangement reinsurance result</i>	(2 520 575)	332 501	(2 188 074)
- Amount recovered from risk transfer arrangement reinsurance	1 437 715	9 122 071	10 559 786
- Amount allocation of premiums paid	(3 958 290)	(8 789 570)	(12 747 860)
Insurance service result	11 759 534	5 198 710	16 958 244
Other income	99 433 798	27 883 614	127 317 412
Investment income	98 789 204	27 710 835	126 500 039
Sundry income	644 594	172 779	817 373
Other expenditure	(13 126 725)	(1 608 047)	(14 734 772)
Other administration expenditure	(4 574 434)	(1 343 974)	(5 918 408)
Asset management fees	(954 150)	(264 073)	(1 218 223)
Net finance expense from insurance contracts	(7 598 141)	-	(7 598 141)
Profit for the year	98 066 607	31 474 277	129 540 884
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 managed healthcare services (no risk transfer)	(6 104 103)	(800 074)	(6 904 177)
Directly attributable expenditure	(12 483 608)	(1 756 486)	(14 240 094)
<i>Net risk transfer arrangement reinsurance result</i>	3 700 341	188 849	3 889 190
- Amount recovered from risk transfer arrangement	18 452 111	6 964 357	25 416 468
- Amount allocation of premiums paid	(14 751 770)	(6 775 508)	(21 527 278)
Insurance service result	(30 589 752)	7 429 579	(23 160 173)
Other income	57 905 802	12 730 395	70 636 197
Investment income	57 903 802	12 730 395	70 634 197
Sundry income	2 000	-	2 000
Other expenditure	(13 805 781)	(2 191 105)	(15 996 886)
Other administration expenditure	(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)
Profit for the year	13 510 269	17 968 869	31 479 138