



PG GROUP MEDICAL SCHEME

REGISTRATION NUMBER: 1186

ANNUAL FINANCIAL STATEMENTS

31 DECEMBER 2019

PG GROUP MEDICAL SCHEME

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

The reports and statements set out below comprise the Board of Trustees report and annual financial statements presented to members:

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PG GROUP MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2019

DESCRIPTION OF THE MEDICAL SCHEME

The PG Group Medical Scheme ("the Scheme") is a not for profit restricted membership medical scheme, registered in terms of the South African Medical Schemes Act 131 of 1998, as amended ("the Act").

The Scheme provides benefits to its members in a two-tier benefit structure, namely common benefits and medical savings benefits. The Scheme has only one benefit option available to members.

BOARD OF TRUSTEES IN OFFICE DURING THE YEAR UNDER REVIEW

P Edge	(Chairman)
D Koster	
W Ntshangase	
A Patterson	
B Page	
L Makhado	
H Cloete	(Alternate trustee)
J Gray	(Alternate trustee)

PRINCIPAL OFFICER

L Longley	
18 Skeen Boulevard	PO Box 2329
Bedfordview	Bedfordview
Johannesburg	Johannesburg
2007	2008

REGISTERED OFFICE AND POSTAL ADDRESS OF THE SCHEME

Street Address	Postal Address
18 Skeen Boulevard	PO Box 2329
Bedfordview	Bedfordview
2007	2008

ADMINISTRATOR

Momentum Health Solutions (Pty) Ltd (formerly MMI Health (Pty) Ltd)

Parc du Cap	
Mispel Road	PO Box 2212
Bellville	Bellville
7530	7535

PG GROUP MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2019

INVESTMENT MANAGERS

Allan Gray Life Limited
Beach Road
V & A Waterfront
Cape Town
8081

Stanlib Collective Investments Limited
17 Melrose Boulevard
Melrose Arch
2196

ACTUARIES

NMG Actuaries & Consultants (Pty) Ltd
NMG House
411 Main Avenue
Randburg
2160

AUDITORS

Deloitte & Touche
The Square
Cape Quarter
27 Somerset Road
Greenpoint
8005

INVESTMENT STRATEGY OF THE MEDICAL SCHEME

The Scheme's investment objectives are to maximise the return on its investments on a long term basis at minimal risk. The investment strategy complies with the constraints imposed by legislation.

The Scheme's investments are managed by the Board of Trustees, with the following objectives as the basis for investment decisions:

- the Scheme remains liquid;
- investments are placed at minimum risk and the best possible return; and
- investments made are in compliance with the Regulations of the Act.

The Board of Trustees continued to invest excess funds in line with the requirements of the Act. Allan Gray Life Limited managed R68,081,744 of the Scheme's funds as at 31 December 2019 (2018: R63,854,484) in terms of the mandate provided by the Board of Trustees. The balance of the Scheme's funds are invested on an ad hoc basis as determined by the Trustees.

RISK TRANSFER ARRANGEMENTS

For the year under review, the Scheme continued with the risk transfer arrangements with Dental Information Systems (Pty) Ltd (Denis), Preferred Provider Negotiators (Pty) Ltd (PPN) and Netcare 911 (Pty) Ltd.

Denis provides full management of the dental benefits to include authorising dental procedures as well as the payment of dental claims.

PPN provides full management of the optical benefit and the payment of claims.

Netcare 911 provides emergency rescue and ambulance services to members of the Scheme.

PG GROUP MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2019

ACCUMULATED FUNDS

Movements in the accumulated funds are set out in the statement of changes in accumulated funds in the annual financial statements. There have been no unusual movements that the Board of Trustees believe should be brought to the attention of the members. The solvency ratio at 31 December 2019 was 78.2% (2018: 75.7%).

REVIEW OF THE YEAR'S ACTIVITIES

The Scheme recorded a net healthcare deficit of R0.5 million (2018: surplus of R1.8 million). After net investment income of R7.5 million a net surplus is recorded amounting to R7.1 million (2018: net surplus of R6.6 million).

The results of the Scheme are set out in the attached annual financial statements and the Trustees believe that no further clarification is needed.

SOLVENCY RATIO

The solvency ratio is calculated on the following basis:

	2019 R	2018 R
Total members' funds per statement of financial position	73,908,131	66,849,609
Less: Cumulative unrealised net gains on investments	(3,738,471)	(3,646,805)
Accumulated funds per Regulation 29	<u>70,169,660</u>	<u>63,202,804</u>
Gross contributions	89,750,613	83,512,609
Solvency ratio	78.2%	75.7%

(Accumulated funds - Cumulative unrealised gains)/Gross annual contribution income x 100)

BOARD OF TRUSTEES, SUB-COMMITTEES AND MEETING ATTENDANCES

The following schedule sets out the composition of the Board of Trustees and sub-committees, and their respective meeting attendances. None of the Trustees are remunerated for their participation in the Scheme.

	Board Meetings		Audit Committee Meetings	
	A	B	A	B
Trustees				
P Edge*(Chairperson)	5	5	4	4
D Koster*	5	4	4	3
L Makhado	5	4		
W Ntshangase	5	3		
B Page*	5	4	4	3
A Patterson	5	5		
Alternate Trustees				
H Cloete	5	0		
J Gray	5	2		
Audit Committee members				
M Lefofane (Appointed: 2 July 2019)			2	2
S Masilela (Appointed: 2 July 2019)			2	2
L Massel			4	3
A NoorMohamed (Resigned: 30 April 2019)			1	0
T Rochussen# (Chairperson)	5	5	4	4
Principal officer				
L Longley	5	5	4	4

A - total possible number of meetings that could have been attended

B - actual number of meetings attended

* - also member of the audit committee

- By invitation to the Board of Trustees meetings

PG GROUP MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2019

OPERATIONAL STATISTICS

	2019	2018
Number of members at the end of the accounting period	1,440	1,458
Number of beneficiaries at the end of the accounting period	3,050	3,114
Average number of members for the accounting period	1,450	1,451
Average number of beneficiaries for the accounting period	3,084	3,110
Average risk contribution per beneficiary per month (pbpm)	R 1,934	R 1,745
Pensioner ratio (beneficiaries age > 65)	9.25%	9.06%
Average age per beneficiary	33.09	32.92
Relevant healthcare expenditure per average beneficiary	R 1,799	R 1,571
Non healthcare expenditure per average beneficiary	R 149	R 128
Non healthcare expenditure as % of risk contributions	7.69%	7.35%
Average accumulated funds per member at the end of the accounting period	R 51,325	R 45,850
Dependants per member at the end of the accounting period	1.12	1.14
Return on investments as a % of investments	7.04%	3.91%
Relevant healthcare expenditure as a percentage of risk contributions	93.03%	89.90%

OUTSTANDING CLAIMS

Movements in the outstanding claims provision are set out in Note 7 to the annual financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members.

AUDIT COMMITTEE

An Audit Committee is constituted in accordance with the provisions of the Act. The committee is mandated by the Board of Trustees by means of a written terms of reference as to its membership, authority and duties. The committee consists of seven members of which three are members of the Board of Trustees. The majority of the members, including the Chairman, are not officers of the Medical Scheme or its third party administrator.

In accordance with the provisions of the Medical Schemes Act of South Africa, as amended, 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. The internal and external auditors formally report to the committee on critical findings arising from audit activities.

The committee met on four occasions during the course of the year, as follows:

12 April 2019;
17 April 2019;
14 August 2019; and
6 November 2019.

PG GROUP MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2019

AUDIT COMMITTEE (continued)

The Chairperson of the Board of Trustees, the Principal Officer, the Financial Manager of the administrator and the external auditors attend all audit committee meetings by invitation and have unrestricted access to the Chairman of the audit committee. Internal auditors also attend by invitation when necessary.

SUBSEQUENT EVENTS

The outbreak of the coronavirus during mid-January has disrupted the global economic markets. In making their estimates and judgements as at 31 December 2019, the Trustees took into consideration the economic conditions and forecasts as at that date. The Board of Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

The majority of the schemes assets were invested in cash with 21% exposed to local equity markets and 19% exposed to debentures. While the cash investments will be largely unaffected, the equity and debenture portion of the investments will decrease. The Allan Gray portfolio, in which the scheme is invested, includes equity and debentures. The market value of the Allan Gray investment has decreased by 13% since December 2019 (31 December 2019: R68 081 744; 31 March 2020: R59 350 400). This has not significantly impacted the solvency and while it is expected that healthcare costs for the pandemic will be incurred by the scheme, the trustees are of the view that the scheme is able to withstand these impacts.

NON-COMPLIANCE MATTERS

The Trustees are of the opinion that there are no deviations from the Act except those listed below.

1. Outstanding contributions

Nature and impact

In terms of Section 26(7) of the Act all contributions should be received within 3 days of becoming due. Although majority of the contributions are received timeously, a limited number of individual payers paid after the due date. At December 2019 outstanding contributions of R24,487 was not paid within 3 days.

Causes of failure

The late payers noted above relate to direct paying members. Contribution reconciliations typically take more than 3 days to be resolved, and instances of non-compliance might occur. This is common in the industry and is not viewed as material.

Corrective action

On-going follow up with affected parties has occurred. The Scheme has strict credit control policies to minimise the risk of non-recovery.

2. Investment in administrators

Nature and impact

In terms of the Medical Schemes Act and specifically Regulation 35(8)(c), a medical scheme shall not invest any of its assets in the business of any administrator. During the year the Scheme had pooled investments with exposure to medical scheme administrators.

Causes of failure

The Scheme's investments in pooled investment vehicles allow investment managers the discretion to invest in a combination of shares and bonds that will best achieve their stipulated benchmark.

Corrective action

The Scheme has made application to the Council for Medical Schemes to receive an exemption from this section of the Medical Schemes Act. The Council for Medical Schemes has provisionally granted the exemption to the Scheme until 30 November 2022 subject to renewal.

PG GROUP MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2019

GENERAL

In general, the Scheme had a financially sound year with no incidents of litigation.

The Trustees were briefed on all relevant aspects of the terms of reference of corporate governance during the course of the year.

The Chairperson of the Board of Trustees would like to thank the Trustees and the members of the Audit Committee for the positive and meaningful contributions during the year.

PG GROUP MEDICAL SCHEME

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2019

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation, integrity and fair presentation of the annual financial statements of PG Group Medical Scheme. The financial statements presented on pages 13 to 35 have been prepared in accordance with International Financial Reporting Standards, the Medical Schemes Act of South Africa and include amounts based on judgements and estimates made by management.

The Trustees consider that in preparing the annual financial statements they have used IFRS as the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Trustees are satisfied that the information contained in the annual financial statements fairly presents the results of operations and cash flows for the year and the financial position of the Scheme at year-end. The Trustees also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

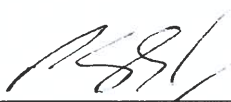
The Trustees are responsible for ensuring that proper accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Scheme which enables the Trustees to ensure that the annual financial statements comply with the relevant legislation.

PG Group Medical Scheme operates in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.


The going concern basis has been adopted in preparing the annual financial statements. The Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the Scheme.

The Scheme's external auditors, Deloitte & Touche, are responsible for auditing the financial statements in terms of International Standards on Auditing and the Medical Schemes Act of South Africa and their audit report is presented on pages 9-12.


The annual financial statements as set out on pages 13-35 were approved by the Board of Trustees on 1 April 2020 and are signed on its behalf by:



P Edge
Chairman



A Patterson
Trustee



L Longley
Principal Officer

PG GROUP MEDICAL SCHEME

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

The PG Group Medical Scheme is committed to the principles and practices of fairness, openness, integrity and accountability in all dealings with its stakeholders. The member Trustees are proposed and elected by the members of the Scheme, and the employer Trustees are proposed and elected by the employer group of the Scheme.

BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the Scheme and the administrators. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.


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

INTERNAL CONTROL


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

A formal internal audit function exists with regular reporting to the Audit Committee. The administrators of the Scheme have documented and tested disaster recovery procedures and the Board is satisfied that the procedures are in place and tested.


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



P Edge
Chairman



A Patterson
Trustee



L Longley
Principal Officer

1 April 2020

Independent Auditor's Report

To the Members of PG Group Medical Scheme

Report on the Financial Statements

Opinion

We have audited the financial statements of the PG Group Medical Scheme (the Scheme), set out on pages 13 to 35, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, the statement of changes in members' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the PG Group Medical Scheme as at 31 December 2019, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 period. 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.

National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal *MR Verster Consulting *JK Mazzocco People & Purpose MG Dicks Risk Independence & Legal *KL Hodson Financial Advisory *B Nyembe Responsible Business & Public Policy *TJ Brown Chairman of the Board
Regional leader: MN Alberts

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Financial Statement Item	Key Audit Matter	How the matter was addressed in the audit
<p>Outstanding Claims Provision</p>	<p>IFRS requires the Scheme to make provision for all future cash outflows for which a past event has occurred. In doing so the Scheme calculates a best estimate of claims payments for claim events occurring prior to year-end but for which the Scheme has not been notified.</p> <p>This amount is disclosed on the face of the statement of financial position as well as in note 7 of the Financial Statements.</p> <p>This matter is considered a key audit matter as the underlying calculation requires the use of significant assumptions, estimates and judgement by management.</p>	<ul style="list-style-type: none"> • We performed testing on the claims listing post year end to ensure that it is accurate and complete; • We performed a reasonability test on the IBNR by obtaining the value of claims paid in the first 3 months post year end with service dates in 2019 but payment dates in 2020, which we then compared to the IBNR recorded and recommended adjustments where necessary; • We challenged key assumptions over future claims to be paid and the calculation methodology therein; and • We engaged with management around the rationale for any adjustments or decisions over and above the numeric calculation.
<p>Claims Expense</p>	<p>Risk claims incurred is a key audit focus area and represents a significant expense in the Statement of Comprehensive Income. This amount is disclosed on the face of the statement of comprehensive income as well as in note 9 of the Financial Statements.</p> <p>The validity and accuracy of the claims are dependent on the Scheme's administration and IT system involved in the processing of claims.</p> <p>Due to extensive audit focus and the high volume of claims processed by PG Medical Scheme, risk claims incurred is considered a key audit matter.</p>	<ul style="list-style-type: none"> • We assessed the report of internal audit over the claims control environment; • We compared a sample of the claim expenses paid to the actual claim submitted to assess the accuracy and validity of claims paid; • We used data analytic techniques on the claims population in order to identify exceptions based on set criteria which were then subjected to further testing. • We verified that contributions were up to date at the date of treatment where claims were paid.

Other Information

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

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

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

Responsibilities of the Scheme's Trustees for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.

- Conclude on the appropriateness of the Scheme’s trustees’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the Scheme’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

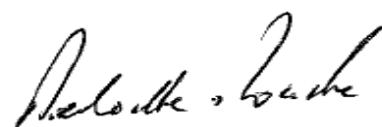
As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa, that have come to our attention during the course of our audit.

These have been fully disclosed in Note 26 of the Financial Statements to which this report refers.

Audit tenure

As required by the Council for Medical Schemes’ Circular 38 of 2018, Audit Tenure, we report that Deloitte & Touche has been the auditor of the PG Group Medical Scheme for seventeen years.

The engagement partner below has been responsible for the audit for two years.



Deloitte & Touche
Registered Auditor

Per: Brian Botes

Partner

06 April 2020

PG GROUP MEDICAL SCHEME

STATEMENT OF FINANCIAL POSITION

at 31 December 2019

	Notes	2019 R	2018 R
ASSETS			
Current assets		119,122,060	108,683,745
Trade and other receivables	2	1,156,673	880,919
Financial asset at fair value through profit or loss	3	68,081,744	63,854,485
Cash and cash equivalents	4	49,883,643	43,948,341
Total assets		<u>119,122,060</u>	<u>108,683,745</u>
FUNDS AND LIABILITIES			
Members' funds		73,908,131	66,849,609
Current liabilities		45,213,929	41,834,136
Savings plan liability	5	37,739,959	36,126,040
Trade and other payables	6	5,140,819	3,540,866
Outstanding claims provision	7	2,333,150	2,167,230
Total funds and liabilities		<u>119,122,060</u>	<u>108,683,745</u>

PG GROUP MEDICAL SCHEME

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 R	2018 R
Risk contribution income	8	71,566,217	65,203,766
Relevant healthcare expenditure		(66,580,826)	(58,617,938)
Net claims incurred	9	(65,226,952)	(57,496,315)
Risk claims incurred		(65,166,713)	(57,496,315)
Third party claim recoveries		(60,239)	-
Managed care services	11	(1,157,246)	(1,159,345)
Net (expense)/income on risk transfer arrangements	10	(196,628)	37,722
Risk transfer arrangement expenses		(5,498,401)	(5,287,068)
Claim recoveries from risk transfer arrangements		5,301,773	5,324,790
Gross healthcare result		4,985,391	6,585,828
Administration expenses	12	(5,113,779)	(4,878,228)
Net impairment (losses)/gains on healthcare receivables	13	(390,678)	86,583
Net healthcare result		(519,066)	1,794,183
Other income		7,845,088	5,108,803
Investment income	14	7,479,322	5,930,739
Realised gain on investment at fair value through profit and loss	15	184,499	317,387
Unrealised gain/(loss) on investment at fair value through profit and loss	15	91,667	(1,951,256)
Interest earned on PMSA funds	14	-	811,933
Other income		89,600	-
Other expenditure			
Investment management fees	16	(267,499)	(256,721)
Total comprehensive income for the year		<u>7,058,522</u>	<u>6,646,265</u>

PG GROUP MEDICAL SCHEME

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

for the year ended 31 December 2019

	Accumulated funds R
Balance as at 1 January 2018	60,203,344
Total comprehensive income for the year	6,646,265
Balance as at 31 December 2018	<hr/> 66,849,609
Total comprehensive income for the year	7,058,522
Balance as at 31 December 2019	<hr/> <hr/> 73,908,131

PG GROUP MEDICAL SCHEME**STATEMENT OF CASH FLOWS**

for the year ended 31 December 2019

		2019	2018
		R	R
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from operations before working capital changes	17	302,930	2,962,105
Working capital changes			
- (Increase)/decrease in trade and other receivables		(657,730)	646,141
- Increase in savings plan liability		1,613,919	3,471,515
- Increase in trade and other payables		1,599,953	1,010,270
		<hr/>	<hr/>
CASH GENERATED BY OPERATIONS		2,859,071	8,090,031
Investment income	14	7,479,322	5,930,739
Investment managements fees	16	(267,499)	(256,721)
		<hr/>	<hr/>
NET CASH GENERATED FROM OPERATING ACTIVITIES		10,070,895	13,764,049
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	3	(4,135,592)	(3,894,730)
		<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,935,302	9,869,319
Cash and cash equivalents at beginning of the year		43,948,341	34,079,022
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4	<u>49,883,643</u>	<u>43,948,341</u>

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. PRINCIPAL ACCOUNTING POLICIES

The annual financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS). The following are the principal accounting policies used by the Scheme, which are consistent with those of the previous year, unless otherwise indicated.

1.1 Basis of preparation

The annual financial statements are prepared on the historical cost convention, except for investments held at fair value through profit and loss, financial instruments and liabilities arising from the liability adequacy test, which are carried at fair value.

1.2 Financial instruments

Financial assets and liabilities are recognised on the Scheme's statement of financial position when it becomes a party to the contractual provisions of the instrument.

Measurement

Financial instruments are initially measured at fair value plus, in the case of financial assets and liabilities not at fair value through profit and loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or liability. Subsequent to initial recognition, these instruments are measured as set out below.

Impairment

Impairments of financial instruments are recognised through the statement of comprehensive income in the year in which the impairment arose. Where financial instruments are classified as held at fair value through the statement of comprehensive income, any impairment will form part of the fair-value adjustment recognised in the statement of comprehensive income.

Investments

All purchases and sales of investments are recognised on the trade date, which is the date that the Scheme commits to purchase or sell the asset. Cost of purchases includes transaction costs. Financial assets held at fair value through the statement of comprehensive income are subsequently carried at fair value. The fair value is calculated with reference to the market value. Realised and unrealised gains and losses arising from changes in the fair value of investments held at fair value through profit and loss are included in the statement of comprehensive income in the period in which they arise.

Trade and other receivables

Trade and other receivables originated by the Scheme are stated at amortised cost less an appropriate allowance for estimated irrecoverable amounts. This is recognised through the statement of comprehensive income when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value and comprise current bank accounts, deposits held on call with banks, other short-term liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value and bank overdrafts.

Financial liabilities

Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

1.2 Financial instruments (continued)

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

1.3 Personal medical savings account liability

The personal medical savings account (PMSA) liability represents funds held on behalf of members by the Scheme. The savings plan facility assists members in managing cash flows for day to day costs to be borne by them during the year, meeting service provider expenses in excess of the Scheme's approved benefits and meeting or self funding member co-payments for provider services rendered.

PMSA contributions are credited and withdrawals charged on a cash basis. Unexpended savings at the year-end are carried forward to meet future expenses for which the members are responsible. Balances standing to the credit of members are only refundable in terms of regulation 10 of the Medical Schemes Act 131 of 1998, as amended.

In accordance with the rules of the Scheme, the bad debt risk of PMSA advances is underwritten by the Scheme.

PMSA monies are invested in cash and cash equivalent products in terms of the rules of the scheme. These monies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

1.4 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 of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

The outstanding claims provision represents the Trustees and Principal Officer's estimate of the ultimate cost of settling all healthcare benefits costs that have occurred before the statement of financial position date, but have not been reported to the Scheme by that date. The outstanding claims provision is reduced by the estimated recoveries from members for co-payments and savings plan accounts payments. Consideration is given to taking into account the liability adequacy test. This test considers current estimates of all contractual cash flows, and of related cash flows.

1.5 Medical insurance contracts and liability adequacy test

Contracts under which the Scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary are classified as insurance contracts.

The liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of any related assets. Where a shortfall is identified, an additional provision is made by the Scheme.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

1.6 Contribution income

Contributions are received monthly. Net contributions represent gross contributions after deduction of savings plan contributions. The earned portion of net contributions received is recognised as revenue on the accrual basis. Net contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis.

1.7 Managed care services

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

1.8 Claims

Gross claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Scheme is responsible, whether or not reported by the end of the year.

Net claims incurred comprise:

- claims submitted and accrued for services rendered during the year, net of recoveries from members for co-payments, and savings plan accounts;
- claims for services rendered during the previous year not included in the outstanding claims provision for that year, net of recoveries from members for co-payments, and savings plan accounts;
- movement in the provision for outstanding claims; and
- claims settled in terms of risk transfer arrangements.

Claims incurred relating to risk transfer arrangements are calculated on the basis of actual utilisation applied to an inflation adjusted National Health Reference Pricing.

1.9 Risk transfer arrangements

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as risk transfer arrangements. Amounts recoverable under such contracts are recognised in the same year as the related claim. Anticipated recoveries under risk transfer arrangements are disclosed separately as assets and are assessed in a manner similar to the assessment of the outstanding claims provision and claims reported not yet paid.

Amounts recoverable under risk transfer arrangements are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Scheme may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Scheme will receive under the risk transfer arrangement.

1.10 Impairment gains and losses

Impairments of financial assets are recognised through the statement of comprehensive income in the year in which the impairment arose. Where financial assets are classified as held at fair value through profit and loss, any impairment will form part of the fair-value adjustment recognised in the statement of comprehensive income.

Expected credit losses

The Fund recognises a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost or at fair value through other
- Trade receivables and contract assets.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

1.10 Impairment gains and losses (continued)

The Scheme holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore, the Scheme does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Scheme's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Scheme uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Calculation of recoverable amount

The recoverable amount of the Scheme's trade and other receivables balances carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at the effective interest rate. Receivables with a short duration are not discounted.

Reversals of impairment

An impairment loss in respect of a trade and other receivables balance carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of amortisation if no impairment loss had been recognised.

1.11 Investment income

Interest is recognised on a time proportion basis, 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.

1.12 IFRS standards and interpretations

The following standards, amendments to standards, improvements and interpretations are relevant but not effective for the Fund:

Effective date	Standard,	Summary of requirements
Effective for annual periods beginning on or after 1 January 2023	Amendment to IFRS 17 - Insurance contracts	IFRS 17 will impact the measurement of the contracts with members in the scheme's financial statements. The scheme will qualify for the premium allocation approach which requires the scheme to recognise a liability for remaining coverage (with reference to the premiums received) and liability for incurred claims (calculated as the expected cash outflows and a risk adjustment). The scheme expects that the boundary of the contracts with members will be one year. The scheme will be required to assess for onerous contracts at the point members elect the benefit option for the following year.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

2 TRADE AND OTHER RECEIVABLES

	2019	2018
	R	R
Contributions outstanding	919,658	841,615
Recoveries due from members	53,412	32,734
Due from suppliers	524,009	94,436
Savings plan account advances (refer note 5)	9,203	7,535
Risk transfer arrangements - share of outstanding claims provision	134,352	-
	<u>1,640,634</u>	<u>976,320</u>
Less: Allowance for impairment losses	(507,452)	(125,474)
	<u>1,133,182</u>	<u>850,846</u>
Accrued interest	15,546	22,128
Other	7,945	7,945
	<u><u>1,156,673</u></u>	<u><u>880,919</u></u>

The carrying amounts of insurance and other receivables approximate their fair values due to the short-term nature of these assets.

The movement in the allowance for impairment during the year was as follows:

2019	Contribution debt	Member and supplier debt	Total
Balance as at 1 January	48,338	77,136	125,474
Amount recognised in the statement of comprehensive income for the period (Note 13)	6,576	375,402	381,978
Additional provisions made in the period	6,576	375,402	381,978
Unused amounts reversed during the period	-	-	-
Balance as at 31 December	<u>54,914</u>	<u>452,538</u>	<u>507,452</u>
	<u><u>54,914</u></u>	<u><u>452,538</u></u>	<u><u>507,452</u></u>
2018	Contribution debt	Member and supplier debt	Total
Balance as at 1 January	34,298	226,248	260,546
Amount recognised in the statement of comprehensive income for the period (Note 13)	14,040	(149,112)	(135,072)
Additional provisions made in the period	14,040	-	14,040
Unused amounts reversed during the period	-	(149,112)	(149,112)
Balance as at 31 December	<u>48,338</u>	<u>77,136</u>	<u>125,474</u>
	<u><u>48,338</u></u>	<u><u>77,136</u></u>	<u><u>125,474</u></u>

At year-end the carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

3 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	2019 R	2018 R
Financial Assets at Fair Value Through Profit and Loss		
Fair value at the beginning of the year	63,854,485	61,911,011
Reinvestment of investment income	4,135,592	3,894,730
Unrealised gain/(loss) on financial assets at fair value through profit and loss	91,667	(1,951,256)
	<u>68,081,744</u>	<u>63,854,485</u>
The investments included above represent investments in:		
Cash and deposits	20,037,695	20,102,880
Debentures	23,134,803	17,783,256
Equity funds	24,909,246	25,968,349
	<u>68,081,744</u>	<u>63,854,485</u>

A register of investments is available for inspection at the registered office of the Scheme. The investment managers actively trade the underlying portfolios with reference to the market values of the underlying investments. The Scheme's investments are classified as held at fair value through profit and loss.

The overall weighted average effective return on the above investments was 7.04% for the year ended 31 December 2019 (2018: 3.91%).

4 CASH AND CASH EQUIVALENTS

	2019 R	2018 R
Money market instruments	43,214,777	34,894,918
Current accounts	6,668,866	9,053,423
	<u>49,883,643</u>	<u>43,948,341</u>

The weighted average effective interest rate on money market instruments was 7.67% (2018: 7.44%). The average effective interest rate on the current accounts was 6.23% (2018: 6.31%).

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

	2019	2018
	R	R
5 PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY		
Balance of Personal Medical Savings Accounts (PMSA) liability at beginning of the year	36,126,040	32,654,525
Less: Advances on savings plan accounts	(7,535)	(4,833)
	<hr/>	<hr/>
Net balance of PMSA liability at the beginning of the year	36,118,505	32,649,692
Add :		
Savings plan account contributions received	18,184,396	18,308,843
- for the current year (refer note 8)	18,184,396	18,308,843
- allocated to settle prior year advances	-	-
Less:		
Repayments on death or resignation	(3,201,598)	(2,199,173)
Claims paid on behalf of members (refer note 9)	(13,370,547)	(12,640,857)
	<hr/>	<hr/>
Advances on savings plan accounts included in trade and other receivables (refer note 2)	9,203	7,535
	<hr/>	<hr/>
Balance due to members on PMSA monies held at end of year	37,739,959	36,126,040
	<hr/> <hr/>	<hr/> <hr/>

It is estimated that claims to be paid out of members' savings accounts in respect of claims incurred in 2019 but not yet recorded will amount to R499,607 (2018: R493,362) (refer note 9).

The savings plan liability represents funds held on behalf of members by the Scheme. The savings plan facility assists members in managing the cash flows for day to day costs to be borne by them during the year, meeting provider service expenses not covered in the Scheme's approved benefits and meeting or self funding member co-payments for provider services rendered.

Unexpended savings at the year-end are carried forward to meet future expenses for which the members are responsible. In terms of the Act, as amended, balances standing to the credit of members are only refundable in terms of Regulation 10 of the Regulations to the Act, as amended. In accordance with the rules of the Scheme, the bad debt risk of savings plans advances is underwritten by the Scheme.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

6 TRADE AND OTHER PAYABLES	2019 R	2018 R
Unallocated receipts from members	-	150
Credit balances in trade and other receivables	2,697	21,516
Amounts payable to members	56,109	54,250
Amounts payable to suppliers	4,174,974	2,546,218
Other payables	907,039	918,732
	<u>5,140,819</u>	<u>3,540,866</u>

At the year end the carrying value of trade and other payables approximate their fair values due to the short-term maturities of these liabilities.

7 OUTSTANDING CLAIMS PROVISION	2019 R	2018 R
Provision for outstanding claims	2,198,798	2,167,230
Provision arising from liability adequacy test	-	-
	<u>2,198,798</u>	<u>2,167,230</u>

Analysis of movements in outstanding claims

Balance at beginning of year	2,167,230	1,993,556
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Analysed as follows

Estimated gross claims	2,660,592	2,103,571
Less: Estimated recoveries from personal savings accounts	(493,362)	(110,015)

Payments in respect of prior year	(1,993,461)	(1,451,188)
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-Over provision in prior year (refer note 9)	173,769	542,368
Increase in provision for the current year	2,025,029	1,624,862

Balance at end of year	<u>2,198,798</u>	<u>2,167,230</u>
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Analysed as follows

Estimated gross claims	2,698,405	2,660,592
Less: Estimated recoveries from personal savings accounts	(499,607)	(493,362)

Balance at end of year	<u>2,198,798</u>	<u>2,167,230</u>
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Covered by risk transfer arrangements

Provision for outstanding risk claims - incurred but not reported	134,352	-
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Analysis of movements in outstanding risk claims

Balance at the beginning of the year	-	-
Payments in respect of the prior year	-	-
Payment for the current year	134,352	-
Balance at the end of the year	<u>134,352</u>	<u>-</u>

Total outstanding risk claims provision	<u>2,333,150</u>	<u>2,167,230</u>
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The provision for outstanding claims in respect of risk transfer arrangements for the year ended 31 December 2018 was assessed as immaterial.

Basis for determination of the outstanding claims provision

The outstanding claims provision is a provision for the estimated cost of healthcare benefits that have occurred before the statement of financial position date but have not been reported to the Scheme by that date. The provision is determined as accurately as possible based on a number of assumptions which are outlined below.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

7 OUTSTANDING CLAIMS PROVISION (continued)

Process used to determine the assumptions

The process used to determine the assumptions is intended to result in realistic 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 on a regular basis. 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.

The actual method or blend of methods used varies by category of claims and observed historical claims development. To the extent that the historical claims development method is used, we assume that the historical pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development or recording of claims paid and incurred (such as incurred (such as changes in claims submission mechanisms);
- changes in composition of members and their dependants;
- changes to legislation;
- variations in the nature and average cost incurred per claim; and
- random fluctuations.

Notified claims are assessed with due regard to the claim circumstances, category, anticipated development, expected seasonal fluctuations, and information available from managed care services. The provisions are best estimates based on the most recent information available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provision estimation difficulties also differ by category of claims (i.e. hospital (major medical benefit), chronic, and day-to-day) due to differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the claim "run-off factors" for the most recent benefit years (split by discipline). The run-off factor is the expected percentage of claims paid out of total claims incurred in a specific month. This factor is then used to project the remainder of the outstanding claims relating to the specified service month. A "seasonality factor" is further incorporated into the calculation, also based on past claims experience. These assumptions have been used for assessing the outstanding claims provisions for the 2018 and 2019 benefit years.

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, assessment of changes to that variable in the future may be required.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

7 OUTSTANDING CLAIMS PROVISION (continued)

Assumptions (continued)

An analysis of sensitivity around various scenarios for the general medical insurance business provides an indication of the adequacy of the Scheme's estimation process. 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. Consequently, if for example the estimates of the unreceived portion of claims costs for the year was inaccurate, the impact on the net deficit of the Scheme would be as follows:

Impact on reported losses due to changes in key variables

	Change in liability 2019 R	Change in liability 2018 R
3% Change in estimates	65,964	65,017
4% Change in estimates	87,952	86,689
5% Change in estimates	109,940	108,362

This analysis has been prepared for a change in a specified variable with other assumptions remaining constant.

The sensitivity is reduced by the value of the claims paid subsequent to the year end related to the period ended 31 December, as detailed below:

	2019 R	2018 R
Outstanding claims provision	2,198,798	2,167,230
Portion of outstanding claims provision paid to date	(1,378,380)	(1,837,679)
Residual estimate of claims incurred but not paid	<u>820,418</u>	<u>329,551</u>

8 RISK CONTRIBUTION INCOME

Gross contributions	89,750,613	83,512,609
Less: Savings contributions (refer note 5)	(18,184,396)	(18,308,843)
Risk contribution income	<u>71,566,217</u>	<u>65,203,766</u>

9 RISK CLAIMS INCURRED

Current year claims paid	71,270,697	63,187,520
Movement in outstanding claims provision	2,025,029	1,624,862
-(Over) provision in prior year (refer note 7)	(173,769)	(542,368)
- Provision for current year	2,198,798	2,167,230
Less:		
- Claims paid from savings accounts (refer note 5)	(13,370,547)	(12,640,857)
Claims incurred in respect of risk transfer arrangements		
Current year claims	5,301,773	5,324,790
	<u>65,226,952</u>	<u>57,496,315</u>

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

10 NET (EXPENSE)/INCOME ON RISK TRANSFER ARRANGEMENTS	2019	2018
	R	R
Dental Information Systems (Pty) Ltd	(185,442)	(189,442)
Claim recoveries from risk transfer arrangements	3,474,346	3,324,865
Risk transfer arrangement expenses	(3,659,788)	(3,514,307)
Preferred Provider Negotiators (Pty) Ltd	(10,177)	257,360
Claim recoveries from risk transfer arrangements	1,550,065	1,764,683
Risk transfer arrangement expenses	(1,560,242)	(1,507,323)
Netcare 911 (Pty) Ltd	(1,009)	(30,196)
Claim recoveries from risk transfer arrangements	277,362	235,242
Risk transfer arrangement expenses	(278,372)	(265,438)
	<u>(196,628)</u>	<u>37,722</u>

Dental Information Systems (Pty) Ltd (Denis) provides full management of the dental benefits to include authorising dental procedures as well as the payment of dental claims.

Preferred Provider Negotiators (Pty) Ltd (PPN) provides full management of the optical benefit and the payment of claims.

Netcare 911 (Pty) Ltd provides emergency rescue and ambulance services to members of the Scheme.

11 MANAGED CARE SERVICES	2019	2018
	R	R
Momentum Metropolitan (Pty) Ltd	1,003,436	1,027,908
HIV management	76,485	62,140
Homecare	77,325	69,297
	<u>1,157,246</u>	<u>1,159,345</u>
12 ADMINISTRATION EXPENSES		
Administrator's fees	3,729,932	3,596,130
Auditor's remuneration - current year	360,473	304,750
Benefit management expenditure (international travel insurance)	85,442	82,308
Board of Healthcare Funders (BHF) subscriptions	19,362	18,270
Consultants fee	161,722	153,398
Fidelity insurance	15,890	15,445
Principal Officer's cost	671,042	642,537
Publication costs	10,400	9,775
Registrar's levies	59,516	55,615
	<u>5,113,779</u>	<u>4,878,228</u>
13 NET IMPAIRMENT LOSS/(GAIN) ON HEALTHCARE RECEIVABLES		
Movement in provision	381,978	(135,072)
Written off	8,700	48,489
	<u>390,678</u>	<u>(86,583)</u>

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

14 INVESTMENT INCOME	2019	2018
	R	R
Interest income	6,452,034	4,996,109
- Cash and cash equivalents	3,260,727	1,885,794
- Financial asset held at fair value through profit and loss	3,191,307	3,110,315
Dividend income	1,027,288	934,630
Investment income excluding PMSA interest earned	7,479,322	5,930,739
Interest received on PMSA funds	-	811,933
	<u>7,479,322</u>	<u>6,742,672</u>
15 FAIR VALUE ADJUSTMENTS		
Unrealised gain/(loss) on revaluation of investments	91,667	(1,951,256)
Realised gain on revaluation of investments	184,499	317,387
	<u>276,166</u>	<u>(1,633,869)</u>
16 INVESTMENT MANAGEMENT FEES		
Fees paid to investment managers	<u>267,499</u>	<u>256,721</u>
17 CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES		
Reconciliation of surplus for the year to cash flows from operations before working capital changes		
Surplus for the year	7,058,522	6,646,265
Adjustments for:		
- Net investment income	(7,479,322)	(5,930,739)
- Investment management fees	267,499	256,721
- Increase in outstanding claims provision	165,918	173,674
- Increase/(decrease) in bad debt provision	381,978	(135,072)
- Unrealised (gain)/loss on revaluation of investments	(91,667)	1,951,256
Cash flows from operations before working capital changes	<u>302,930</u>	<u>2,962,105</u>
18 RELATED PARTY TRANSACTIONS		
Momentum Health Solutions (Pty) Ltd, as third party administrator of the Scheme, is deemed a related party, and received market related administration fees as follows (refer notes 11 & 12):		
Managed care fees	1,157,246	1,159,345
Administration fees	3,729,932	3,596,130
Board of trustees and Principal Officer contributions	743,226	626,450
Board of trustees and Principal Officer claims	657,477	442,800
Principal Officer remuneration and considerations	671,042	642,537
	<u>6,958,923</u>	<u>4,755,475</u>
Amount payable at year end		
Administration fees	313,169	385,282
Managed care fees	95,110	-
Board of trustees and Principal Officer savings	224,631	278,923
Printing	10,400	-
	<u>643,310</u>	<u>664,205</u>

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

18 RELATED PARTY TRANSACTIONS (continued)

Contributions billed to, contributions received from, and claims paid in respect of the Trustees and Principal Officer of the Scheme during the year, were done so in accordance with the rules of the Scheme and the provisions of the Medical Schemes Act. Accordingly, all Trustees and the Principal Officer were treated in the same manner by the Scheme as would any member have been, at arms length.

19 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Net impairment losses - outstanding contributions that are not recoverable

The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience is evidence of a reduction in the recoverability of the cash flows. The Fund has a policy of limiting the amount of credit exposure to any one financial institution. An identified loss event comprises a receivable being outstanding for more than 120 days. This amount represents R507,452 as at 31 December 2019.

Net impairment losses - members' and service providers' portions

Accounts receivable from off benefit members are impaired fully. Accounts receivable from on benefit (i.e. current) members are not impaired. Service providers with accounts outstanding longer than 60 days are fully impaired on a case by case basis.

Net impairment losses - advances from savings plan accounts

Advances from savings plan accounts for off benefit members are impaired where the account is outstanding longer than 60 days. There is no impairment of advances from savings plan accounts for on benefit members.

Provision for outstanding claims

The provision for outstanding claims is an estimate of the potential liability at statement of financial position date for claims that have been incurred by members but not yet received by the Scheme. The full details of the provision for outstanding claims are disclosed in note 7.

There are no key areas of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Expected credit losses (ECL)

The Scheme recognises a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost or at fair value through other comprehensive income; and
- Trade receivables and contract assets.

The Scheme measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Scheme is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Scheme has write offs that are insignificant, hence the ECL model did not have a significant impact on the Scheme. Due to this no forward looking information was incorporated and the scheme creates a provision for all debt greater than 120 days as per the Scheme's debt mandate. Debt is written off after Board approval is obtained.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

20 INSURANCE RISK MANAGEMENT

Risk management objectives and policies for mitigating medical insurance risk

The primary medical 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 medical insurance and investment activities.

The Scheme manages its medical insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements as well as the monitoring of emerging issues.

The Scheme uses several methods to assess and monitor medical insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of medical insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

Medical insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated.

Risk in terms of risk transfer arrangements

The Scheme cedes medical insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks and defined blocks of risk, on a co-insurance, yearly renewable term. These risk transfer arrangements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Scheme's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. According to the terms of the capitation agreements, the suppliers provide certain minimum benefits to Scheme members on various benefit options, as and when required by the members. The Scheme does, however, remain liable to its members with respect to ceded medical insurance if any capitation provider fails to meet the obligations it assumes. When selecting a capitation provider the Scheme considers its stability from public rating information and from internal investigations.

The following table summarises the concentration of medical insurance risk on a beneficiary level, with reference to the net carrying amount of medical insurance claims paid in the financial year, by age group and in relation to the type of risk covered or benefits provided.

Age grouping (in years) 2019	Medical specialist R	General Practitioners R	Hospitals R	Medicine R	Other R	Total R
< 26	2,267,745	325,149	4,531,450	526,923	916,545	8,567,812
26 - 35	1,899,756	327,906	3,724,286	449,522	368,535	6,770,005
36 - 50	3,899,209	350,035	6,074,837	1,150,936	850,762	12,325,779
51 - 65	3,601,005	275,677	4,483,146	1,419,908	1,058,575	10,838,311
> 65	5,886,302	339,749	9,209,113	2,360,072	1,663,246	19,458,482
Total amount	17,554,017	1,618,516	28,022,832	5,907,361	4,857,663	57,960,389

Age grouping (in years) 2018	Medical specialist R	General Practitioners R	Hospitals R	Medicine R	Other R	Total R
< 26	1,970,681	266,347	3,679,075	442,401	644,202	7,002,705
26 - 35	1,959,871	229,296	3,642,620	381,457	657,163	6,870,407
36 - 50	3,039,666	347,762	4,964,056	1,066,589	599,819	10,017,892
51 - 65	3,434,786	224,126	5,210,990	1,579,231	924,607	11,373,740
> 65	4,060,474	267,963	7,930,109	2,006,720	1,052,701	15,317,967
Total amount	14,465,478	1,335,494	25,426,850	5,476,398	3,856,411	50,582,711

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

20 INSURANCE RISK MANAGEMENT (continued)

Reconciliation of net claims to current year claims incurred:	2019	2018
	R	R
Total net claims as above	57,960,389	50,582,711
IBNR Provision	2,198,798	2,167,230
Over provision prior year	(173,769)	(542,368)
RAF claims recoveries	(60,239)	(36,048)
Claims recoveries from risk transfer arrangements	5,301,773	5,324,790
Risk claims incurred (Note 9)	<u>65,226,952</u>	<u>57,496,315</u>

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 business plan, which specifies the benefits to be provided, the preferred target market and demographic split thereof.

All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal. Management information including contribution income and claims ratios, target market and demographic split, is reviewed monthly. There is also a program that regularly reviews contractual premium and benefit data to ensure adherence to the Scheme's

Claims development

Claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within one year.

21 FINANCIAL RISK MANAGEMENT

Interest Rate Risk

Interest rate risk is the exposure that the Scheme has to changes in interest rates. This is not a significant risk to the Scheme as it holds no debt. The main exposure to the Scheme would be a reduction in interest income on investments if interest was to decrease. Given the current economic climate in South Africa, this is unlikely. In order to reduce the impact of any potential interest rate changes, the Scheme holds a diversified portfolio of investments both long and short term.

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

	Up to 1 month R	1 - 12 months R	Greater than 12 months R	Total R
As at 31 December 2019				
Cash and cash equivalents	49,883,643	-		49,883,643
Total	49,883,643	-	-	49,883,643
As at 31 December 2018				
Cash and cash equivalents	43,948,341	-		43,948,341
Total	43,948,341	-	-	43,948,341

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

21 FINANCIAL RISK MANAGEMENT (continued)

If interest rates changed by 1% (increase or decrease), assuming all other variables remain constant, and the recent past is predictive of the future, the impact on return on investment and the resulting impact on the results of the Scheme is as follows:

	2019	2018
	R	R
Change in investment income	498,836	439,483

The interest rate sensitivity analysis is based on a rate change of 1% which is viewed as a likelihood in the South African environment.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Scheme operates in South Africa and therefore its cash flows are denominated in South African Rand (ZAR). The Scheme is not directly exposed to currency risk in relation to investments as all are denominated in South African Rand, and the diversified investment strategy currently precludes any foreign investments.

Credit risk

The Scheme has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and members. The maximum exposure to credit risk at the reporting date without taking account of any collateral or other credit enhancements was R1,664,125 (2018: R1,006,393).

The Scheme's credit risk is primarily attributable to trade receivables and cash. The amounts presented in the statement of financial position are net of allowances for possible impairment losses, estimated by the Scheme's management based on prior experience and the current economic environment.

	2019	2018
	R	R
Trade and other receivables		
Fully performing	1,038,413	864,700
Past due but not impaired	118,260	16,219
Past due and impaired	507,452	125,474
	<u>1,664,125</u>	<u>1,006,393</u>
Allowance for impairment of trade and other receivables	(507,452)	(125,474)
Trade and other receivables (Note 2)	<u><u>1,156,673</u></u>	<u><u>880,919</u></u>

For detailed explanation of impairment procedures for the scheme, refer Note 20. The Scheme has write offs that are insignificant, hence the ECL model did not have a significant impact on the Scheme.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by credit rating agencies.

Moody's deposit ratings	Credit Rating		2019	2018
	2019	2018	R	R
Financial institution				
First National Bank	Baa3	Baa3	6,668,866	9,053,423
Standard Bank	Baa3	Baa3	43,214,777	34,894,918

Equity Risk

Equity risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market place.

Equities are reflected at market values, which are susceptible to fluctuations. The Scheme manages it's equity risk by employing the following procedures:

- mandating a specialist fund manager to invest in equities, where there is an active market and where access is gained to a broad spectrum of financial information relating to the companies invested in;
- diversifying across many securities to reduce risk. Diversification is guided by the Medical Schemes Act and;
- considering the risk-reward profile of holding equities and bearing the risk in order to obtain higher expected returns on assets.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

21 FINANCIAL RISK MANAGEMENT (continued)

Should the South African equities market change by 5% (increase or decrease) (2018:5%), assuming all other variables remain constant, and the recent past is predictive of the future, the impact on the market value of the Scheme's investments would be as follows:

	2019	2018
	R	R
Equity	1,245,462	1,298,417

The equity risk sensitivity analysis is based on a 5% change in equity values which is viewed as a conservative but likely return on the South African stock exchange.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents by monitoring the availability of funding through liquid-holding cash positions with various financial institutions. This ensures that the Scheme has the ability to fund its day-to-day operations.

The table below analyses the assets and liabilities of the Scheme into relevant maturity groupings based on the remaining period at statement of financial position date to the contractual maturity date:

	Up to 1 month R	1 - 3 months R	3 - 12 months R	Greater than 12 months R	Total R
As at 31 December 2019					
Current assets	53,884,722	4,797,641	13,924,659	46,515,039	119,122,061
Trade and other receivables	1,038,413	118,260	-	-	1,156,673
Investments held at fair value through profit and loss	2,962,666	4,679,380	13,924,659	46,515,039	68,081,744
Cash and cash equivalents	49,883,643	-	-	-	49,883,643
Current liabilities	6,654,450	359,246	38,200,232	-	45,213,928
Trade and other payables	5,140,819	-	-	-	5,140,819
Savings plan liability	436,317	58,180	37,245,463	-	37,739,959
Outstanding claims provision	1,077,314	301,067	954,770	-	2,333,150
Net positive liquidity	<u>47,230,272</u>	<u>4,438,394</u>	<u>(24,275,573)</u>	<u>46,515,039</u>	<u>73,908,133</u>
As at 31 December 2018					
Current assets	48,146,683	4,430,439	13,872,478	42,234,144	108,683,744
Trade and other receivables	864,700	16,219	-	-	880,919
Investments held at fair value through profit and loss	3,333,642	4,414,220	13,872,478	42,234,144	63,854,484
Cash and cash equivalents	43,948,341	-	-	-	43,948,341
Current liabilities	5,480,916	394,072	35,959,148	-	41,834,136
Trade and other payables	3,540,866	-	-	-	3,540,866
Savings plan liability	423,712	72,731	35,629,597	-	36,126,040
Outstanding claims provision	1,516,338	321,341	329,551	-	2,167,230
Net positive liquidity	<u>42,665,767</u>	<u>4,036,367</u>	<u>(22,086,670)</u>	<u>42,234,144</u>	<u>66,849,608</u>

Fair value estimation

The fair value of publicly traded financial instruments, is based on quoted market prices at the statement of financial position date.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

21 FINANCIAL RISK MANAGEMENT (continued)

	2019		2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	R	R	R	R
Investments held at fair value through profit and loss	68,081,744	68,081,744	63,854,485	63,854,485
Cash and cash equivalents	49,883,643	49,883,643	43,948,341	43,948,341
Trade and other receivables	1,156,673	1,156,673	880,919	880,919
Savings plan liability	37,739,959	37,739,959	36,126,040	36,126,040
Trade and other payables	5,140,819	5,140,819	3,540,866	3,540,866

At year-end the carrying amounts approximate their fair values due to the short-term maturities of these assets and liabilities.

Fair value of financial assets and liabilities by hierarchy level

The fair value of publicly traded financial instruments held as investments held at fair value through profit or loss, is based on quoted market prices at the statement of financial position date. Instruments classified as held at fair value through profit or loss in the statement of financial position are held at fair value. All financial assets held at fair value are level 1 in the fair value hierarchy.

	2019 R	2018 R
Financial Assets		
Level 1		
Investments held at fair value through profit or loss		
Cash and deposits	20,037,695	20,102,880
Debentures	23,134,803	17,783,256
Equity funds	24,909,246	25,968,349
	<u>68,081,744</u>	<u>63,854,485</u>

Investment structures

The Scheme has determined that its investment in a pooled portfolio is an investment in unconsolidated structured entity. The scheme invests in this portfolio, whose objectives range from achieving medium- to long-term capital growth. The portfolio is managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives. The Scheme may request full or part redemption of this investment if the need arises. The change in fair value is included in the statement of comprehensive income in 'Net gains/ (losses) on financial instruments held at fair value through profit or loss'

The Scheme's investment in the pooled portfolio is subject to terms and conditions of the investment institution. All funds in the portfolio are managed by the asset managers who are compensated for their services based on performance.

The exposure the Scheme has to this portfolio is listed in the table below. The Scheme's maximum exposure to loss from its interests in the portfolio is limited to the total fair value of its investment in the portfolio.

Portfolio	As at 31 December 2019			As at 31 December 2018		
	Total portfolio value	Fair value	% exposure	Total portfolio value	Fair value	% exposure
Allan Gray	2,538,885,967	68,081,744	2.68%	2,269,570,789	63,854,485	2.81%

Capital adequacy risk

This represents the risk that there are insufficient reserves to provide for adverse variations on actual and future experience. The Scheme defines its capital as accumulated funds as detailed in the statement of changes in funds and reserves. The Scheme manages its capital to ensure that it will be able to continue as a going concern as well as meet the solvency ratio of 25%, as regulated by the Medical Schemes Act of 1998. The Scheme had R73.9 million (2018: R66.8 million) of accumulated funds at 31 December 2019, which translated to a solvency ratio of 78.2% (2018: 75.7%).

22 FIDELITY COVER

The Scheme was covered under a fidelity insurance and professional indemnity policy provided through Camargue Underwriting Managers (Pty) Ltd. amounting to R10 million (2018: R10million).

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

23 CONTINGENT ASSETS

The Scheme has approximately R0.9 million (2018: R0.9 million) in recoveries outstanding from the Road Accident Fund (RAF) for claims paid on behalf of members. The general likelihood of recovery of these amounts is uncertain, and the Trustees have elected not to recognise a debtor on the statement of financial position as any future recoveries are highly contingent on a multitude of factors.

24 INCOME TAX

The Scheme is exempt from Income Tax in terms of Section 10(1)(d) of the Income tax Act.

25 EVENTS AFTER REPORTING DATE

The outbreak of the coronavirus during mid-January has disrupted the global economic markets. In making their estimates and judgements as at 31 December 2019, the Trustees took into consideration the economic conditions and forecasts as at that date. The Board of Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

The majority of the schemes assets were invested in cash with 21% exposed to local equity markets and 19% exposed to debentures. While the cash investments will be largely unaffected, the equity and debenture portion of the investments will decrease. The Allan Gray portfolio, in which the scheme is invested, includes equity and debentures. The market value of the Allan Gray investment has decreased by 13% since December 2019 (31 December 2019: R68 081 744; 31 March 2020: R59 350 400). This has not significantly impacted the solvency and while it is expected that healthcare costs for the pandemic will be incurred by the scheme, the trustees are of the view that the scheme is able to withstand these impacts.

26 NON-COMPLIANCE MATTERS

The Trustees are of the opinion that there are no deviations from the Act except those listed below.

1. Outstanding contributions

Nature and impact

In terms of Section 26(7) of the Act all contributions should be received within 3 days of becoming due. Although majority of the contributions are received timeously, a limited number of individual payers paid after the due date. At December 2019 outstanding contributions of R24,487 was not paid within 3 days.

Causes of failure

The late payers noted above relate to direct paying members. Contribution reconciliations typically take more than 3 days to be resolved, and instances of non-compliance might occur. This is common in the industry and is not viewed as material.

Corrective action

On-going follow up with affected parties has occurred. The Scheme has strict credit control policies to minimise the risk of non-recovery.

2. Investment in administrators

Nature and impact

In terms of the Medical Schemes Act and specifically Regulation 35(8)(c), a medical scheme shall not invest any of its assets in the business of any administrator. During the year the Scheme had pooled investments with exposure to medical scheme administrators.

Causes of failure

The Scheme's investments in pooled investment vehicles allow investment managers the discretion to invest in a combination of shares and bonds that will best achieve their stipulated benchmark.

Corrective action

The Scheme has made application to the Council for Medical Schemes to receive an exemption from this section of the Medical Schemes Act. The Council for Medical Schemes has provisionally granted the exemption to the Scheme until 30 November 2022 subject to renewal.