



PG GROUP MEDICAL SCHEME

REGISTRATION NUMBER: 1186

AUDITED ANNUAL FINANCIAL STATEMENTS

31 DECEMBER 2021

PG GROUP MEDICAL SCHEME

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2021

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

Contents	Pages
Report of the Board of Trustees	1 - 6
Statement of responsibility by the Board of Trustees	7
Statement of corporate governance by the Board of Trustees	8
Report of the independent auditors	9 - 12
Statement of financial position	13
Statement of comprehensive income	14
Statement of changes in accumulated funds	15
Statement of cash flows	16
Notes to the annual financial statements	17 - 36

PG GROUP MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES

for the year ended 31 December 2021

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		
C Olivier		Appointed: August 2021
A Patterson		
B Page		
L Makhado		Resigned: April 2021
H Cloete	(Alternate trustee)	
C Dunstan	(Alternate trustee)	Appointed: July 2021
J Gray	(Alternate trustee)	Resigned: May 2021

PRINCIPAL OFFICER

L Longley	
Street Address	Postal Address
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
Johannesburg	Johannesburg
2007	2008

ADMINISTRATOR

Momentum Health Solutions (Pty) Ltd

Street Address	Postal Address
Parc du Cap	PO Box 2212
Mispel Road	Bellville
Bellville	7535
7530	

PG GROUP MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2021

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
Nicolway West Office Block
Corner William Nicol Drive and Wedgewood Link
Bryanston
Gauteng
2021

AUDITORS

Deloitte & Touche
The Ridge
6 Marina Road
Portsworld District
V&A Waterfront
Cape Town
8000

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 R90,611,425 of the Scheme's funds as at 31 December 2021 (2020: R68,996,890) 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.

Stanlib Collective Investments Ltd managed R45,967,447 of the Schemes funds as at 31 December 2021 (2020: R48,003,702) in terms of the mandate provided by the Board of Trustees. These reserves are used to fund the operational needs of the Scheme.

An Investment Committee was established in the financial year to assist the Board of Trustees in making decisions with regards to its investments.

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 and manages the payment of claims.

PG GROUP MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2021

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 2021 was 99.8% (2020: 95.5%).

REVIEW OF THE YEAR'S ACTIVITIES

The Scheme recorded a net healthcare surplus of R2.6 million (2020: surplus of R2.3 million). After net investment income of R6.5 million, net investment gains of R7.6m and investment management fees of R0.3m, a net surplus was recorded amounting to R16.4 million (2020: net surplus of R5.8 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:

Total members' funds per statement of financial position

Less: Cumulative unrealised net gains on investments

Accumulated funds per Regulation 29

Gross contributions

Solvency ratio

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

2021 R	2020 R
95,928,221	79,742,238
(7,389,499)	-
88,538,722	79,742,238
88,996,429	83,483,649
99.5%	95.5%

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		Investment committee meetings	
	A	B	A	B	A	B
Trustees						
P Edge* @ (Chairperson)	5	5	4	3	3	3
D Koster* @	5	5	4	4	3	3
L Makhado (Resigned: April 2021)	1	0				
W Ntshangase	5	1				
C Olivier (Appointed: August 2021)	2	2				
B Page* @	5	4	4	4	3	3
A Patterson	5	5				
Alternate Trustees						
H Cloete	5	0				
C Dunstan (Appointed: July 2021)	2	2				
J Gray (Resigned: May 2021)	2	2				
Audit and Investment Committee members						
M Lefofane @			4	4	3	3
S Masilela			4	3		
L Massel @ (Chairperson - Investment Committee)			4	2	3	3
T Rochussen# @ (Chairperson - Audit Committee)	5	5	4	4	3	3
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

@ - also member of investment committee

PG GROUP MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2021

OPERATIONAL STATISTICS

	2021	2020
Number of members at the end of the accounting period	1,319	1,333
Number of beneficiaries at the end of the accounting period	2,825	2,887
Average number of members for the accounting period	1,320	1,389
Average number of beneficiaries for the accounting period	2,846	2,969
Average risk contribution per beneficiary per month (pbpm)	R 2,080	R 1,870
Pensioner ratio (beneficiaries age > 65)	9.03%	9.25%
Average age per beneficiary	33.02	32.99
Relevant healthcare expenditure per average beneficiary	R 1,856	R 1,667
Non healthcare expenditure per average beneficiary	R 155	R 137
Non healthcare expenditure as % of risk contributions	7.44%	7.30%
Average accumulated funds per member at the end of the accounting period	R 72,728	R 59,822
Dependants per member at the end of the accounting period	1.14	1.17
Return on investments as a % of investments	17.08%	1.75%
Relevant healthcare expenditure as a percentage of risk contributions	89.22%	89.17%

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:

1 April 2021;
9 April 2021;
30 August 2021; and
6 December 2021.

PG GROUP MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2021

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.

INVESTMENT COMMITTEE

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 six members of which three are members of the Board of Trustees. Three of the members, including the Chairperson, are not officers of the Medical Scheme or its third party administrator.

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 Scheme's Investment Committee 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 met on three occasions during the course of the year, as follows:

31 May 2021

7 July 2021; and

13 October 2021

EVENTS AFTER REPORTING DATE

In making their estimates and judgements as at 31 December 2021, 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 COVID-19 pandemic on significant estimates and judgements going forward.

GOING CONCERN

With regards to the coronavirus pandemic, the Trustees continue to be of the opinion that the Scheme will be able to continue as a going concern. The Trustees will persist in monitoring the situation and are satisfied that the Scheme is in a sound financial position and will be able to meet its foreseeable cash requirements.

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 2021 outstanding contributions of R5,169 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.

PG GROUP MEDICAL SCHEME

REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2021

NON-COMPLIANCE MATTERS (continued)

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 objectives.

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 granted the Scheme a two year exemption until 30 November 2022 subject to renewal.

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 2021

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 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.

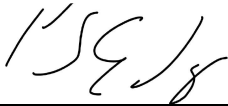
The Trustees are responsible for ensuring that proper accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Scheme which enables the Trustees to ensure that the annual financial statements comply with the relevant legislation.

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.

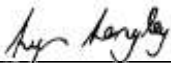
The annual financial statements as set out on pages 13-36 were approved by the Board of Trustees on 29 April 2022 and are signed on its behalf by:



P Edge
Chairman



A Patterson
Trustee



L Longley
Principal Officer

PG GROUP MEDICAL SCHEME

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2021

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.

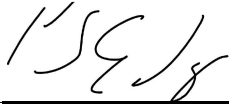
All Trustees have access to the advice and services of the Principal Officer and where appropriate, may seek independent professional advice at the expense of the Scheme.

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.

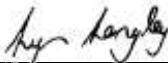
No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of key internal controls and systems during the year under review.



P Edge
Chairman



A Patterson
Trustee



L Longley
Principal Officer

29 April 2022

Independent Auditor's Report

To the Trustees 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 2021, 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 2021, 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 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 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 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 *R Redfearn Chair 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
Outstanding Claims Provision	<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. 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 2021 but payment dates in 2022, 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.
Claims Expense	<p>Risk claims incurred is a key audit focus area and represents a significant expense in the Statement of Comprehensive Income. The validity and accuracy of the claims are dependent on the Scheme's administration and IT system involved in the processing of claims. 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 twenty years.

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

DocuSigned by:
Deloitte & Touche
5690FF2D3DD94F3...
Deloitte & Touche
Registered Auditor
Per: Ilze De Villiers
Associate Director

29 April 2022

PG GROUP MEDICAL SCHEME**STATEMENT OF FINANCIAL POSITION**

at 31 December 2021

	Notes	2021 R	2020 R
ASSETS			
Current assets		144,343,880	124,760,170
Trade and other receivables	2	1,010,643	1,166,390
Financial asset at fair value through profit or loss	3	90,611,425	68,996,890
Cash and cash equivalents	4	52,721,812	54,596,890
Total assets		<u>144,343,880</u>	<u>124,760,170</u>
FUNDS AND LIABILITIES			
Members' funds		95,928,221	79,742,238
Current liabilities		48,415,659	45,017,932
Savings plan liability	5	39,654,842	38,091,292
Trade and other payables	6	5,729,002	4,990,824
Outstanding claims provision	7	3,031,815	1,935,816
Total funds and liabilities		<u>144,343,880</u>	<u>124,760,170</u>

PG GROUP MEDICAL SCHEME

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 R	2020 R
Risk contribution income	8	71,050,442	66,614,427
Relevant healthcare expenditure		(63,388,225)	(59,402,719)
Net claims incurred	9	(61,968,137)	(57,166,593)
Risk claims incurred		(61,968,137)	(57,237,784)
Third party claim recoveries		-	71,191
Managed care services	11	(1,131,241)	(1,165,624)
Net expense on risk transfer arrangements	10	(288,847)	(1,070,502)
Risk transfer arrangement expenses		(5,376,927)	(5,584,065)
Claim recoveries from risk transfer arrangements		5,088,080	4,513,563
Gross healthcare result		7,662,217	7,211,708
Administration expenses	12	(5,195,756)	(5,136,265)
Net impairment (losses)/gains on healthcare receivables	13	(88,388)	270,459
Net healthcare result		2,378,073	2,345,902
Other income		14,109,614	3,754,308
Investment income	14	6,484,165	7,325,790
Realised gain on investment at fair value through profit and loss	15	219,809	183,130
Unrealised gain/(loss) on investment at fair value through profit and loss	15	7,405,640	(3,754,612)
Other expenditure			
Investment management fees	16	(301,704)	(266,103)
Total comprehensive income for the year		<u>16,185,983</u>	<u>5,834,107</u>

PG GROUP MEDICAL SCHEME

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

for the year ended 31 December 2021

	Accumulated funds R
Balance as at 1 January 2020	73,908,131
Total comprehensive income for the year	5,834,107
Balance as at 31 December 2020	<u>79,742,238</u>
Total comprehensive income for the year	16,185,983
Balance as at 31 December 2021	<u><u>95,928,221</u></u>

PG GROUP MEDICAL SCHEME

STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	2021 R	Restated 2020 R
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from members and providers	89,147,890	83,497,648
Cash receipts from members – contributions	89,115,706	83,409,787
Cash receipts from members and providers – other	32,184	87,861
Cash paid to providers, employees and members	(83,518,047)	(81,623,563)
Cash paid to providers and members – claims	(74,124,622)	(70,512,501)
Cash paid to providers and employees – non-healthcare expenditure	(5,996,440)	(6,383,384)
Cash paid to members – savings plan refunds	(3,396,985)	(4,727,678)
Cash generated from operations	5,629,843	1,874,085
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(14,208,895)	(4,669,758)
Interest received	5,453,206	5,689,339
Dividend received	1,030,959	1,636,451
Other - Realised gains	219,809	183,130
Net cash (used in)/from investing activities	(7,504,921)	2,839,162
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(1,875,078)	4,713,247
Cash and cash equivalents at the beginning of the year	54,596,890	49,883,643
Cash and cash equivalents at the end of the year	52,721,812	54,596,890

The Statement of Cash Flows (SOCF) has been aligned to the prescribed format as set out in Circular 52 of 2021 with the most notable changes being the reporting of cash from operating activities using the direct method. The cash flows from operating activities were previously reported using the indirect method. Please refer to note 27 for additional disclosure.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2021

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 2021

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 2021

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 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.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

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.

Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. As IFRS 17 is effective for annual periods beginning on or after 1 January 2023, the Scheme has not early adopted the amendment and the impact of this amendment will still be assessed by the Scheme.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

2 TRADE AND OTHER RECEIVABLES

	2021	2020
	R	R
Contributions outstanding	837,367	993,520
Recoveries due from members	71,372	19,153
Due from suppliers	258,175	209,313
Savings plan account advances (refer note 5)	4,058	25,873
Risk transfer arrangements - share of outstanding claims provision	125,660	117,691
	<u>1,296,632</u>	<u>1,365,550</u>
Less: Allowance for impairment losses	(304,486)	(216,098)
	992,146	1,149,452
Accrued interest	10,155	8,993
Other	8,342	7,945
	<u><u>1,010,643</u></u>	<u><u>1,166,390</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:

2021	Contribution debt	Member and supplier debt	Total
Balance as at 1 January	15,232	200,866	216,098
Amount recognised in the statement of comprehensive income for the period (Note 13)	39,682	48,706	88,388
Additional provisions made in the period	39,682	48,706	88,388
Unused amounts reversed during the period	-	-	-
Balance as at 31 December	<u>54,914</u>	<u>249,572</u>	<u>304,486</u>
2020	Contribution debt	Member and supplier debt	Total
Balance as at 1 January	54,914	452,538	507,452
Amount recognised in the statement of comprehensive income for the period (Note 13)	(39,682)	(251,672)	(291,354)
Additional provisions made in the period	-	-	-
Unused amounts reversed during the period	(39,682)	(251,672)	(291,354)
Balance as at 31 December	<u>15,232</u>	<u>200,866</u>	<u>216,098</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 2021

3 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	2021 R	2020 R
Financial Assets at Fair Value Through Profit and Loss		
Fair value at the beginning of the year	68,996,890	68,081,744
Additions to investments	10,000,000	-
Reinvestment of investment income	4,208,895	4,669,758
Unrealised gain/(loss) on financial assets at fair value through profit and loss	<u>7,405,640</u>	<u>(3,754,612)</u>
	<u>90,611,425</u>	<u>68,996,890</u>
The investments included above represent investments in:		
Cash and deposits	18,476,053	14,781,868
Debentures	36,259,924	28,264,248
Equity funds	<u>35,875,448</u>	<u>25,950,774</u>
Fair value at the end of the year	<u>90,611,425</u>	<u>68,996,890</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 17.08% for the year ended 31 December 2021 (2020: 1.75%).

4 CASH AND CASH EQUIVALENTS	2021 R	2020 R
Money market instruments	45,967,447	48,003,702
Current accounts	<u>6,754,365</u>	<u>6,593,188</u>
	<u>52,721,812</u>	<u>54,596,890</u>

The weighted average effective interest rate on money market instruments was 4.17% (2020: 5.32%).

The average effective interest rate on the current accounts was 3.14% (2020: 3.81%).

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2021

5 PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY	2021 R	2020 R
Balance of Personal Medical Savings Accounts (PMSA) liability at beginning of the year	38,091,292	37,739,959
Less: Advances on savings plan accounts	(25,873)	(9,203)
	<hr/>	<hr/>
Net balance of PMSA liability at the beginning of the year	38,065,419	37,730,756
Add :		
Savings plan account contributions received	17,945,987	16,869,222
- for the current year (refer note 8)	17,945,987	16,869,222
- allocated to settle prior year advances	-	-
Less:		
Repayments on death or resignation	(3,396,985)	(4,727,678)
Claims paid on behalf of members (refer note 9)	(12,963,637)	(11,806,881)
	<hr/>	<hr/>
Advances on savings plan accounts included in trade and other receivables (refer note 2)	39,650,784	38,065,419
	4,058	25,873
	<hr/>	<hr/>
Balance due to members on PMSA monies held at end of year	39,654,842	38,091,292

It is estimated that claims to be paid out of members' savings accounts in respect of claims incurred in 2021 but not yet recorded will amount to R530,037 (2020: R563,008) (refer note 7).

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 2021

6 TRADE AND OTHER PAYABLES	2021 R	2020 R
Credit balances in trade and other receivables	17,142	31,491
Amounts payable to members	71,372	19,153
Amounts payable to suppliers	4,797,831	4,042,680
Other payables	842,657	897,500
	<u>5,729,002</u>	<u>4,990,824</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	2021 R	2020 R
Provision for outstanding claims	2,906,155	1,818,125
Provision arising from liability adequacy test	-	-
	<u>2,906,155</u>	<u>1,818,125</u>

Analysis of movements in outstanding claims

Balance at beginning of year	1,818,125	2,198,798
Estimated gross claims	2,381,133	2,698,405
Less: Estimated recoveries from personal savings accounts	(563,008)	(499,607)
Payments in respect of prior year	<u>(1,936,595)</u>	<u>(1,538,887)</u>
(Under)/over provision in prior year (refer note 9)	(118,470)	659,911
Increase in provision for the current year	3,024,625	1,158,214
Balance at end of year	<u>2,906,155</u>	<u>1,818,125</u>

Estimated gross claims	3,464,543	2,381,133
Less: Estimated recoveries from personal savings accounts	(558,388)	(563,008)
Balance at end of year	<u>2,906,155</u>	<u>1,818,125</u>

Analysis of movements in outstanding risk transfer claims

Balance at the beginning of the year	117,691	134,352
Payments in respect of the prior year	(117,691)	(134,352)
Payment for the current year	125,660	117,691
Balance at the end of the year	<u>125,660</u>	<u>117,691</u>

Total outstanding risk claims provision	<u>3,031,815</u>	<u>1,935,816</u>
--	------------------	------------------

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 2021

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 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 2020 and 2021 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 2021

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 2020 R	Change in liability 2020 R
3% Change in estimates	87,185	54,544
4% Change in estimates	116,246	72,725
5% Change in estimates	145,308	90,906

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:

	2021 R	2020 R
Outstanding claims provision	2,906,155	1,818,125
Portion of outstanding claims provision paid to date	(2,657,012)	(1,750,243)
Residual estimate of claims incurred but not paid	<u>249,143</u>	<u>67,882</u>

8 RISK CONTRIBUTION INCOME

Gross contributions	88,996,429	83,483,649
Less: Savings contributions (refer note 5)	(17,945,987)	(16,869,222)
Risk contribution income	<u>71,050,442</u>	<u>66,614,427</u>

9 NET CLAIMS INCURRED

Current year claims paid	66,819,069	63,301,697
Movement in outstanding claims provision	3,024,625	1,158,214
- Under/(over) provision in prior year (refer note 7)	118,470	(659,911)
- Provision for current year	2,906,155	1,818,125
Claims incurred in respect of risk transfer arrangements	5,088,080	4,513,563
Less: Claims paid from savings accounts (refer note 5)	(12,963,637)	(11,806,881)
	<u>61,968,137</u>	<u>57,166,593</u>

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2021

10 NET EXPENSE ON RISK TRANSFER ARRANGEMENTS

	2021	2020
	R	R
Dental Information Systems (Pty) Ltd	(410,516)	(1,033,929)
Claim recoveries from risk transfer arrangements	3,151,171	2,708,901
Risk transfer arrangement expenses	(3,561,687)	(3,742,830)
Preferred Provider Negotiators (Pty) Ltd	133,207	(11,028)
Claim recoveries from risk transfer arrangements	1,673,393	1,551,533
Risk transfer arrangement expenses	(1,540,186)	(1,562,561)
Netcare 911 (Pty) Ltd	(11,538)	(25,545)
Claim recoveries from risk transfer arrangements	263,516	253,129
Risk transfer arrangement expenses	(275,054)	(278,674)
	<u>(288,847)</u>	<u>(1,070,502)</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 provides emergency rescue and ambulance services to members and manages the payment of claims.

11 MANAGED CARE SERVICES

	2021	2020
	R	R
Momentum Health Solutions (Pty) Ltd	972,534	1,002,019
HIV management	76,541	78,902
Homecare	82,166	84,703
	<u>1,131,241</u>	<u>1,165,624</u>

12 ADMINISTRATION EXPENSES

Administrator's fees	3,724,793	3,837,841
Auditor's remuneration - current year	351,982	344,431
Benefit management expenditure (international travel insurance)	81,974	86,361
Board of Healthcare Funders (BHF) subscriptions	19,382	20,088
Consultants fee	230,722	161,722
Fidelity insurance	16,287	15,890
Principal Officer's cost	707,640	611,812
Publication costs	4,124	70
Registrar's levies	58,852	58,050
	<u>5,195,756</u>	<u>5,136,265</u>

13 NET IMPAIRMENT LOSS/(GAIN) ON HEALTHCARE RECEIVABLES

Movement in provision	88,388	(291,354)
Written off	-	20,895
	<u>88,388</u>	<u>(270,459)</u>

PG GROUP MEDICAL SCHEME**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

for the year ended 31 December 2021

14 INVESTMENT INCOME

	2021	2020
	R	R
Interest income	5,453,206	5,689,339
- Cash and cash equivalents	<u>2,193,375</u>	<u>2,573,060</u>
- Financial asset held at fair value through profit and loss	<u>3,259,831</u>	<u>3,116,279</u>
Dividend income	<u>1,030,959</u>	<u>1,636,451</u>
	<u><u>6,484,165</u></u>	<u><u>7,325,790</u></u>

15 FAIR VALUE ADJUSTMENTS

Unrealised gain/(loss) on revaluation of investments	7,405,640	(3,754,612)
Realised gain on revaluation of investments	219,809	183,130
	<u><u>7,625,449</u></u>	<u><u>(3,571,482)</u></u>

16 INVESTMENT MANAGEMENT FEES

Fees paid to investment managers	<u><u>301,704</u></u>	<u><u>266,103</u></u>
----------------------------------	-----------------------	-----------------------

17 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 (refer notes 11 & 12). NMG Actuaries & Consultants (Pty) Ltd are the Scheme's actuaries and are deemed a related party that received market related actuarial fees.

Managed care fees	1,131,241	1,165,624
Administration fees	3,724,793	3,837,841
Board of trustees and Principal Officer contributions	768,900	754,400
Board of trustees and Principal Officer claims	700,269	402,963
Principal Officer remuneration and considerations	707,640	611,812
Actuarial fees	<u>230,722</u>	<u>161,722</u>
	<u><u>7,263,565</u></u>	<u><u>6,934,362</u></u>
Amount payable at year end		
Administration fees	304,674	304,511
Managed care fees	93,000	92,963
Board of trustees and Principal Officer savings	<u>167,886</u>	<u>233,982</u>
	<u><u>565,560</u></u>	<u><u>631,456</u></u>

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

17 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.

18 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 Scheme 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 R304,486 as at 31 December 2021 (2020: R216,098).

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 2021

19 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, 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) 2021	Medical specialist R	General Practitioners R	Hospitals R	Medicine R	Other R	Total R
< 26	2,125,629	260,911	2,896,615	627,975	620,573	6,531,703
26 - 35	2,519,491	320,831	4,078,294	425,934	1,073,742	8,418,292
36 - 50	3,651,846	386,089	4,495,900	1,419,246	1,138,487	11,091,568
51 - 65	3,882,289	284,215	4,590,613	1,484,685	882,191	11,123,994
> 65	5,151,506	337,293	6,947,038	2,831,374	1,422,664	16,689,875
Total amount	17,330,761	1,589,339	23,008,460	6,789,214	5,137,657	53,855,432

Age grouping (in years) 2020	Medical specialist R	General Practitioners R	Hospitals R	Medicine R	Other R	Total R
< 26	1,575,496	199,138	2,941,038	534,882	683,078	5,933,632
26 - 35	2,607,445	288,529	3,867,468	257,379	759,176	7,779,997
36 - 50	2,991,016	328,431	3,573,523	1,470,289	1,165,045	9,528,304
51 - 65	4,296,838	278,885	7,055,415	1,630,651	920,844	14,182,633
> 65	3,943,979	276,144	6,397,335	2,677,524	846,459	14,141,441
Total amount	15,414,774	1,371,127	23,834,779	6,570,725	4,374,602	51,566,007

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

19 INSURANCE RISK MANAGEMENT (continued)

Reconciliation of net claims to current year claims incurred:	2021	2020
	R	R
Total claims as above	53,855,432	51,566,007
IBNR Provision	2,906,155	1,818,125
Under/(over) provision prior year	118,470	(659,911)
RAF claims recoveries	-	(71,191)
Claims recoveries from risk transfer arrangements	5,088,080	4,513,563
Net claims incurred (Note 9)	<u>61,968,137</u>	<u>57,166,593</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 objectives.

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.

20 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. 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 2021				
Cash and cash equivalents	52,721,812	-		52,721,812
Total	<u>52,721,812</u>	<u>-</u>	<u>-</u>	<u>52,721,812</u>
As at 31 December 2020				
Cash and cash equivalents	54,596,890	-		54,596,890
Total	<u>54,596,890</u>	<u>-</u>	<u>-</u>	<u>54,596,890</u>

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

20 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:

	2021	2020
	R	R
Change in investment income	527,218	545,969

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 R1,315,129 (2020: R1,382,488).

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.

	2021	2020
	R	R
Trade and other receivables		
Fully performing	965,975	1,069,712
Past due but not impaired	44,668	96,678
Past due and impaired	304,486	216,098
	<u>1,315,129</u>	<u>1,382,488</u>
Allowance for impairment of trade and other receivables	<u>(304,486)</u>	<u>(216,098)</u>
Trade and other receivables (Note 2)	<u><u>1,010,643</u></u>	<u><u>1,166,390</u></u>

For detailed explanation of impairment procedures for the scheme, refer Note 18. 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		2021	2020
	2021	2020		
Financial institution				
First National Bank	Ba2	Ba2	6,754,365	6,593,188
Standard Bank	Ba2	Ba2	45,967,447	48,003,702

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 its 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 2021

20 FINANCIAL RISK MANAGEMENT (continued)

Should the South African equities market change by 5% (increase or decrease) (2020:5%), 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:

	2021	2020
	R	R
Equity	1,793,772	1,297,539

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:

As at 31 December 2021	Up to 1 month R	1 - 3 months R	3 - 12 months R	Greater than 12 months R	Total R
Current assets	55,024,060	1,188,773	15,995,675	72,135,372	144,343,880
Trade and other receivables	965,975	44,668	-	-	1,010,643
Investments held at fair value through profit and loss	1,336,273	1,144,105	15,995,675	72,135,372	90,611,425
Cash and cash equivalents	52,721,812	-	-	-	52,721,812
Current liabilities	8,372,455	543,596	39,499,608	-	48,415,659
Trade and other payables	5,729,002	-	-	-	5,729,002
Savings plan liability	494,581	35,456	39,124,805	-	39,654,842
Outstanding claims provision	2,148,872	508,140	374,803	-	3,031,815
Net positive liquidity	46,651,605	645,177	(23,503,933)	72,135,372	95,928,221
As at 31 December 2020					
Current assets	58,919,172	96,678	12,404,625	53,339,695	124,760,170
Trade and other receivables	1,069,712	96,678	-	-	1,166,390
Investments held at fair value through profit and loss	3,252,570	-	12,404,625	53,339,695	68,996,890
Cash and cash equivalents	54,596,890	-	-	-	54,596,890
Current liabilities	6,595,701	133,327	38,288,903	-	45,017,932
Trade and other payables	4,990,824	-	-	-	4,990,824
Savings plan liability	483,251	66,427	37,541,614	-	38,091,292
Outstanding claims provision	1,121,626	66,900	747,290	-	1,935,816
Net positive liquidity	52,323,471	(36,648)	(25,884,279)	53,339,695	79,742,238

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 2021

20 FINANCIAL RISK MANAGEMENT (continued)

	2021		2020	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	R	R	R	R
Investments held at fair value through profit and loss	90,611,425	90,611,425	68,996,890	68,996,890
Cash and cash equivalents	52,721,812	52,721,812	54,596,890	54,596,890
Trade and other receivables	1,010,643	1,010,643	1,166,390	1,166,390
Savings plan liability	39,654,842	39,654,842	38,091,292	38,091,292
Trade and other payables	5,729,002	5,729,002	4,990,824	4,990,824

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.

	2021 R	2020 R
Financial Assets - Level 1		
Investments held at fair value through profit or loss		
Cash and deposits	18,476,053	14,781,868
Debentures	36,259,924	28,264,248
Equity funds	35,875,448	25,950,774
	<u>90,611,425</u>	<u>68,996,890</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 2021			As at 31 December 2020		
	Total portfolio value	Fair value	% exposure	Total portfolio value	Fair value	% exposure
Allan Gray	2,879,223,025	90,611,425	3.15%	2,420,723,013	68,996,890	2.85%

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 R96.2 million (2020: R79.7 million) of accumulated funds at 31 December 2021, which translated to a solvency ratio of 99.8% (2020: 95.5%).

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

21 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 (2020: R10 million).

22 CONTINGENT ASSETS

The Scheme has approximately R1.1 million (2020: R0.8 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.

23 INCOME TAX

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

24 EVENTS AFTER REPORTING DATE

In making their estimates and judgements as at 31 December 2021, 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 COVID-19 pandemic on significant estimates and judgements going forward.

25 GOING CONCERN

With regards to the coronavirus pandemic, the Trustees continue to be of the opinion that the Scheme will be able to continue as a going concern. The Trustees will persist in monitoring the situation and are satisfied that the Scheme is in a sound financial position and will be able to meet its foreseeable cash requirements.

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 2021 outstanding contributions of R5,169 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 objectives.

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 granted the Scheme a two year exemption until 30 November 2022 subject to renewal.

PG GROUP MEDICAL SCHEME

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

CHANGE IN ACCOUNTING POLICY RELATING TO THE FORMAT OF THE STATEMENT OF CASH

27 FLOWS

During 2021 the Council for Medical Schemes (CMS) published Circular 52 of 2021: Statement of Cash Flows. In the circular it was noted that Paragraph 19 of IAS 7 encourage entities to report cash flows from operating activities using the direct method. The Council for Medical Schemes introduced the direct method in its 2011 annual statutory return.

The Statement of Cash Flows (SOCF) has been aligned to the prescribed format as set out in Circular 52 of 2021 with the most notable changes being the reporting of cash from operating activities using the direct method. The cash flows from operating activities were previously reported using the indirect method. The change in accounting policy will be applied in preparing the Financial Statements for the year ended 31 December 2021. The change is applied retrospectively, with the comparative period presented as if this accounting policy had always applied.

Below is the 2020 net cash flow from operating activities as currently restated compared to previously presented.

	Restated 2020
Cash receipts from members and providers	83,497,648
Cash receipts from members – contributions	83,409,787
Cash receipts from members and providers – other	87,861
Cash paid to providers, employees and members	(81,623,563)
Cash paid to providers and members – claims	(70,512,501)
Cash paid to providers and employees – non-healthcare expenditure	(6,383,384)
Cash paid to members – savings plan refunds	(4,727,678)
Net cash from operating activities	1,874,085
	Previously presented 2020
Cash flows generated from operations before working capital changes	1,840,343
Working capital changes	482,975
- Decrease/(increase) in trade and other receivables	281,638
- Increase in savings plan liability	351,333
- (Decrease)/increase in trade and other payables	(149,996)
Cash flows after working capital changes	2,323,318
Realised gain on revaluation of investments	(183,130)
Investment managements fees	(266,103)
Net cash from operating activities	1,874,085