momentum
health

annual report
2015

health

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Mission

Momentum Health exists for one reason – to ensure sustainable access to cost effective healthcare for our growing pool of members.

Vision

We aim to be the open scheme of choice for all consumers of healthcare in South Africa. We will achieve this through the rigorous application of our values.

Values

Service, innovation, fairness, integrity and compassion.

Objective

Our primary objective is to offer an exceptional value proposition to our Members, which also protects the long-term sustainability of the Scheme.

Five Year Review for the year ended 31 December 2015

		2015	2014	2013	2012	2011
Membership (as at 31 December)						
Members	No.	128 681	116 147	108 108	100 936	93 096
Dependants	No.	119 491	110 340	104 270	99 126	93 863
Beneficiaries	No.	248 172	226 487	212 378	200 062	186 959
Average dependants per member	No.	0.93	0.95	0.96	0.98	1.01
Average beneficiaries per member	No.	1.93	1.95	1.96	1.98	2.01
Average age (principal members)	Years	42.0	42.4	42.6	42.7	42.8
Average age (beneficiaries)	Years	32.7	32.9	33.0	33.1	33.2
Gross contributions	R'000	3 311 027	2 932 069	2 698 771	2 424 038	2 179 716
- Per member	Rands	25 731	25 244	24 964	24 016	23 414
- Per beneficiary	Rands	13 342	12 946	12 707	12 116	11 659
Risk contribution income	R'000	3 061 735	2 691 675	2 462 379	2 195 146	1 959 664
- Per member	Rands	23 793	23 175	22 777	21 748	21 050
- Per beneficiary	Rands	12 337	11 884	11 594	10 972	10 482
Relevant healthcare expenditure (*)	R'000	2 638 358	2 269 794	2 016 134	1 765 835	1 614 737
- Per member	Rands	20 503	19 542	18 649	17 495	17 345
- Per beneficiary	Rands	10 631	10 022	9 493	8 826	8 637
- as a % of risk contributions	%	86.2%	84.3%	81.9%	80.4%	82.4%
Administration expenditure (A)	R'000	287 136	257 039	226 231	202 628	187 937
- Per member	Rands	2 231	2 213	2 093	2 007	2 019
- Per beneficiary	Rands	1 157	1 135	1 065	1 013	1 005
- as a % of gross contributions	%	8.7%	8.8%	8.4%	8.4%	8.6%
- as a % of risk contributions	%	9.4%	9.5%	9.2%	9.2%	9.6%
Acquisition, marketing and distribution costs (B)	R'000	146 922	126 640	113 474	88 765	73 834
- Per member	Rands	1 142	1 090	1 050	879	793
- Per beneficiary	Rands	592	559	534	444	395
- as a % of gross contributions	%	4.4%	4.3%	4.2%	3.7%	3.4%
- as a % of risk contributions	%	4.8%	4.7%	4.6%	4.0%	3.8%
Net impairment losses on healthcare receivables (C)	R'000	1 540	1 716	2 466	4 155	1 801
- Per member	Rands	12	15	23	41	19
- Per beneficiary	Rands	6	8	12	21	10
- as a % of gross contributions	%	0.0%	0.1%	0.1%	0.2%	0.1%
- as a % of risk contributions	%	0.1%	0.1%	0.1%	0.2%	0.1%
Total non-healthcare costs (*) (A + B + C)	R'000	435 598	385 395	342 171	295 548	263 572
- Per member	Rands	3 385	3 318	3 165	2 928	2 831
- Per beneficiary	Rands	1 755	1 702	1 611	1 477	1 410
- as a % of gross contributions	%	13.2%	13.1%	12.7%	12.2%	12.1%
- as a % of risk contributions	%	14.2%	14.3%	13.9%	13.5%	13.4%
Investment income and realised and unrealised gains on financial instruments, net of investment manager fees	R'000	65 398	51 319	38 440	43 078	33 251
Net surplus for the year	R'000	48 632	86 391	143 830	173 945	118 459
Total members' funds	R'000	972 712	924 080	837 689	693 859	519 914
- Per member	Rands	7 559	7 956	7 749	6 874	5 585
- Per beneficiary	Rands	3 920	4 080	3 944	3 468	2 781
- as a % of gross contributions (#)	%	28.7%	31.5%	31.0%	28.6%	23.9%
- as a % of risk contributions (#)	%	31.0%	34.3%	34.0%	31.6%	26.5%
Claims cover (members' funds / claims per month)	Months	4.4	4.9	5.0	4.7	3.9

Members funds as a % of risk and gross contributions are reflected excluding the unrealised gains on financial instruments.

* Council for Medical Schemes Circular 56 of 2015: Accounting for accredited managed care services has resulted in a reclassification of accredited managed care services from non-healthcare expenditure to healthcare benefits. All 5 years presented have been reclassified.

Principal Officer's Report to Members for the year ended 31 December 2015

During 2015 Momentum Health continued on its path of financial wellness and it gives me pleasure to share with you Momentum Health's strong financial results. This is particularly pleasing given the economic challenges that the country, the medical scheme industry and we as a scheme continue to face.

A challenging economic climate

As South Africans, we are experiencing a suppressed economic climate that requires consumers to tighten their belts and review the use of their disposable income. Often this results in the elimination of any expenses that are not viewed as a necessity. Healthcare cover, notwithstanding the huge financial burden that any unforeseen medical event can amount to, is often mistakenly viewed in this light.

The consequence of this behaviour not only impacts those cancelling their membership of medical schemes, but equally affects those members remaining on the scheme; as a smaller risk pool with fewer healthy lives cross-subsidising claiming members, results in the need for higher year-on-year contribution increases which, in turn, adds to members' financial burden.

Fortunately, through Momentum Health's dedicated retention processes, lapse rates remained lower than many other medical schemes. Additionally, Momentum Health's continued focus on sustainable growth has meant that we have not been impacted by the above behavior.

So what does this mean for you?

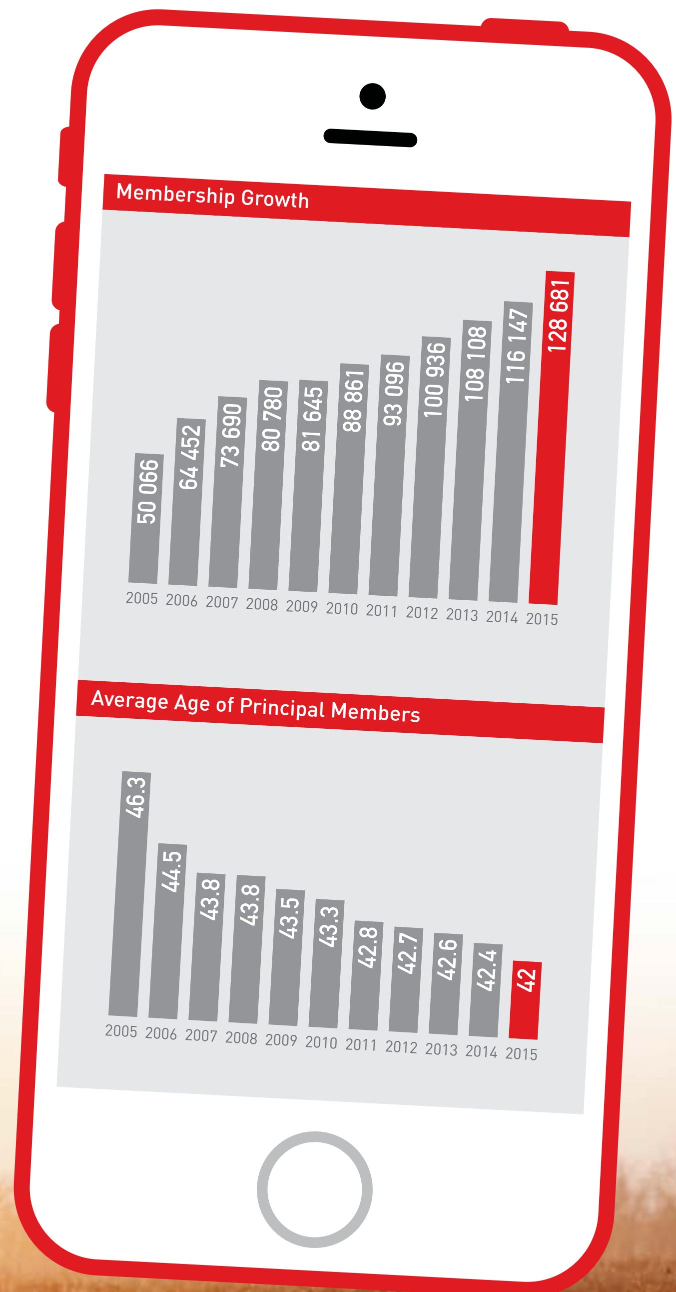
If we consider the average increases announced by the largest five open medical schemes in our industry for 2016, Momentum Health ranked competitively at the lowest end. Momentum Health has, through diligent long-term planning, enabled an environment where we recognise the need for healthcare cover that not only speaks to our Members' individual needs, but also their level of affordability. In fact, purely through our Scheme's benefit design, Momentum Health Members can save on their contributions by choosing to use certain designated service providers. It is through the Scheme's continuous focus on putting our Members at the core of everything we do, that we can proudly boast positive growth and financial results for the past year.

Key Metrics

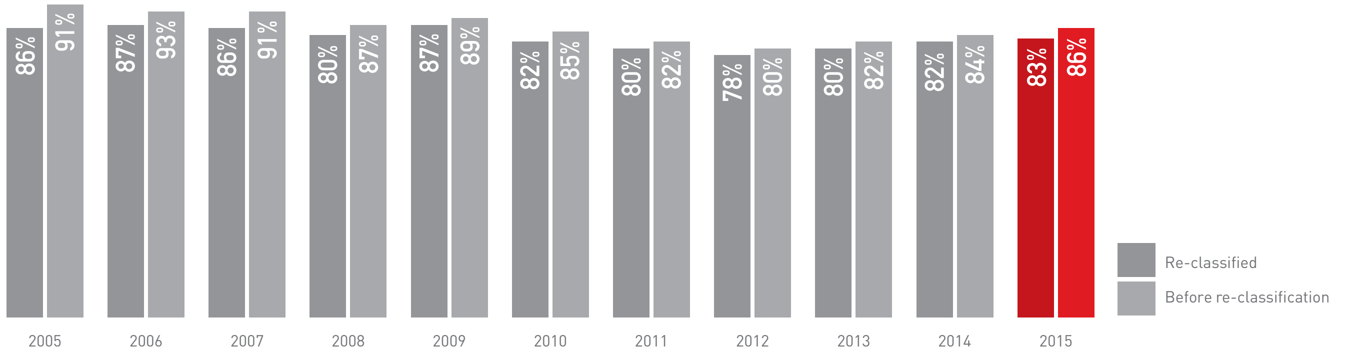
The following important metrics are noted:

Membership growth

Membership has increased by more than 10% in the past year, while the average age of our Principal Members continued to decrease.



Claims Ratio



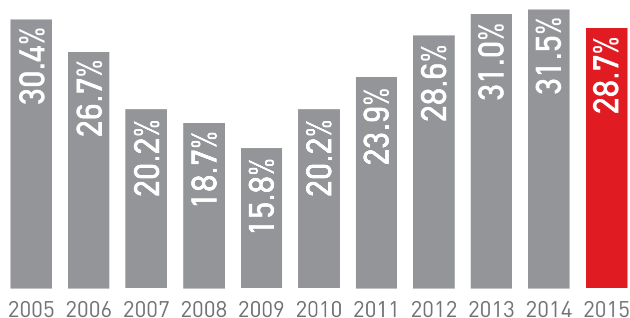
Our strategy this past year was focused on ensuring lower increases, without sacrificing benefits. In doing, so we have seen a slight increase in our claims ratio, however, it remains at a very positive level.

The Council for Medical Schemes issued Circular 56 of 2015, "Accounting for accredited managed care services", required the reclassification of accredited managed care services from non-healthcare expenditure to healthcare benefits. This had the impact of increasing the Scheme's claims ratio due to the resulting increase in healthcare benefits.

Solvency

While the required statutory solvency ratio was comfortably attained by Momentum Health in 2012, Member reserves were once again boosted by a healthy surplus in 2015. The Scheme's positive membership growth impacts the solvency ratio negatively, due to the fact that three months of contributions (25% of annual contributions) are required to be held in reserves before the first contribution has actually been received by the Scheme. High levels of growth experienced, and our focus on ensuring lower increases resulted in small budgeted reduction in solvency levels to 28.7% at the end of 2015, still well above the statutory requirement of 25%.

With reserves of R973 million at the end of 2015, Members can continue to enjoy peace of mind, knowing that the Scheme's claims paying ability remains strong.



What does the future hold?

Government's planned National Health Insurance (NHI) framework continues to be debated and following the release of the White Paper late last year, indications are that the National Department of Health (NDoH) plans to roll it out in a phased approach over the next ten years.

In looking at what the NHI paper proposes, it is evident that it aims at ensuring universal healthcare cover for all South Africans along with improved quality of services. It promotes equity and social solidarity along with effective and efficient service delivery. The Board has reaffirmed its support of the successful implementation of a fair and equitable health insurance system for all South Africans.

In meeting these objectives there are, however, some significant challenges to be overcome. These include the need to strengthen and improve a vastly under-resourced public healthcare sector; and to consider the burden of disease caused by the increasing prevalence of communicable diseases like HIV/Aids and TB and non-communicable diseases like hypertension, cardiovascular diseases and cancer; as well as child and maternal mortality.

The question of funding and what it will mean to us from an affordability point of view, along with how NHI will impact on the future of medical schemes and private healthcare insurance overall, remains to be debated.

At this point, there are still numerous uncertainties and we will continue to call for a collaborative approach to the finalisation of an appropriate system. While the implementation detail remains unknown, Momentum Health will maintain its current strategy of ensuring sustainable access to cost effective health care for its Members, but will continue to monitor the developments of NHI.

I thank you for entrusting your healthcare funding needs to Momentum Health and I confirm that you continue to be the centre of every decision that we take.

TJ van den Bergh
Principal Officer

22 April 2016

Report of the Board of Trustees for the year ended 31 December 2015

1. Introduction

The Board of Trustees (Board) takes pleasure in presenting its report for the year ended 31 December 2015. In doing so, we fully acknowledge our statutory obligations, the importance of continued sustainability of the Scheme and the well-being of our Members.

2. Overview of the Medical Scheme

2.1 Description of Momentum Health

2.1.1 Terms of registration

Momentum Health, Registration number 1167, is a not for profit open medical scheme registered in terms of the Medical Schemes Act 131 of 1998, as amended (the Act).

2.1.2 Benefit Options offered by Momentum Health

During 2015, Momentum Health offered six registered options. These were:

- Ingwe
- Access
- Custom
- Incentive
- Extender
- Summit

These six registered options were subdivided into 23 benefit options based on provider choice.

In order to provide a facility for Momentum Health Members (Members) to set aside funds to meet future healthcare costs not covered by their chosen benefit option, the Scheme has made Personal Medical Savings accounts available to Members belonging to the Incentive and Extender options, whereby Members contribute into such accounts a pre-determined percentage of their gross contributions. Unexpended medical savings are accumulated for the long-term benefit of the Member.

Amounts due to Members in respect of the Personal Medical Savings account balances are reflected as a liability in the financial statements, repayable in terms of Regulation 10 of the Act. Momentum Health carries the risk associated with the advance of monies in excess of Members' savings contributions received, and in the event of Members leaving the Scheme, these advances are recovered directly from the Members.

Momentum Health does not charge interest on negative Personal Medical Savings account balances.

2.2 Registered office and postal address

Registered Office	Postal Address
1 - 3 Canegate Road La Lucia Ridge 4019	PO Box 2338 Durban 4000

2.3 Third party service providers

2.3.1 Administrator and Managed healthcare provider

MMI Health (Pty) Ltd (Previously known as Momentum Medical Scheme Administrators (Pty) Ltd), a wholly-owned subsidiary of MMI Group Ltd

1 - 3 Canegate Road
La Lucia Ridge
4019

Administration accreditation number: ADMIN 13

Managed Healthcare accreditation number: MCO 59

2.3.2 Investment Consultants

The Applied Group
Member of the JSE Securities Exchange
Suite 4
Hibiscus House
Fairway Green Office Park
3 Abrey Road
Kloof
3610
Financial Service Provider number: 43810

2.3.3 Asset Managers

Momentum Asset Management (Pty) Ltd
4 Merchant Place
1 Fredman Drive
Sandton
2196
Financial Service Provider number: 623

Prudential Investment Managers (South Africa) (Pty) Ltd
7th Floor Protea Place
40 Dreyer Street
Claremont
7708
Financial Service Provider number: 45199

Sanlam Life Insurance Limited
55 Willie van Schoor Drive
Cape Town
7532
Financial Service Provider number: 2759

2.3.4 Consulting Actuaries

True South Actuaries and Consultants (Pty) Ltd
Suite 284
Private Bag X22
Tygervalley
7536

2.3.5 Principal Bankers

First National Bank
6th Floor
First National Bank Bank City
Cnr Simmonds and Pritchard Streets
Johannesburg
2001

2.3.6 Auditors

Deloitte & Touche
Deloitte Place
2 Pencarrow Crescent
Pencarrow Park
La Lucia Ridge Office Estate
La Lucia
4051

2.3.7 Attorneys

Cox Attorneys
21 Richefond Circle
Ridgeside Office Park
Umhlanga Ridge
Durban
4320

2.3.8 Risk Transfer Arrangements

The following risk transfer arrangements were in place during the year under review:

Organisation	Services
MMI Health (Pty) Ltd	Provided primary healthcare services at healthcare centres and through contracted network service providers for Members on the Ingwe and Access options.
MMI Health (Pty) Ltd	Provided Chronic Care Benefits for the 26 Prescribed Minimum Benefits (PMB) Chronic Disease List (CDL) conditions for Members on all options except Ingwe and Access options.
Traumalink (Pty) Ltd (Netcare 911)	Provided emergency transport services and other ambulance services for Members on all options.

3. External Environment

3.1 National Health Insurance

After a long period of anticipation since the Green paper on South Africa's National Health Insurance (NHI) was published in August 2011, the NHI White paper was published for comment in December 2015. The Board has interrogated the paper and concluded that there are still many issues to be resolved. The Board reaffirmed its support of the successful implementation of a fair and equitable health insurance system for all South Africans. Momentum Health will therefore continue to call for a collaborative consultative approach to the finalisation of such a system. While the implementation detail remains unknown, Momentum Health will maintain its current strategy of ensuring sustainable access to cost effective health care for its Members, but will continue to monitor the developments of NHI.

3.2 Market Inquiry into the Private Healthcare Sector

The Competition Commission (Commission) began conducting a Market Inquiry (Inquiry) into the private healthcare sector in terms of the Competition Act, 89 of 1998 (as amended) on the 6th January 2014. The Inquiry was initiated because the Commission had reason to believe that there were features of the sector that prevent, distort or restrict competition. The Commission believes that this Inquiry will assist in understanding how it may promote competition in the healthcare sector, in furtherance of the purpose of the Act.

Momentum Health is supportive of the Inquiry and has provided all data requested by the Inquiry in order that the Commission is in a position to execute its mandate.

Although it was initially expected to complete the Inquiry by the end of November 2015, the completion date has been amended to 15 December 2016 due to the complexity and extent of the Inquiry.

4. Corporate Governance

4.1 Scheme Management

4.1.1 Board of Trustees

The Board retains overall responsibility and accountability for the Scheme. The Principal Officer has been delegated the day-to-day management of the Scheme and the Board is kept apprised through regular reporting and attendance of Management Committee meetings, and access to the minutes thereof. Any decisions outside of delegated powers are referred to the Board for consideration and approval.

In terms of the Scheme Rules, the Board shall consist of a minimum of six and a maximum of twelve Trustees to oversee the affairs of the Scheme. Not more than eight Trustees shall be nominated and elected by the Members of the Scheme and these nominated and elected Trustees are entitled to appoint up to four additional Trustees annually where additional skill is required to ensure optimal oversight in the best interest of Members. Such appointment must be made in line with the Scheme's Policy and Procedures for the Appointment of Trustees. The Board currently comprises of eight Trustees, seven of whom are elected and one is appointed.

The skills and experience of the current Trustees are outlined below:

EP Dorkin

- Elton Dorkin holds an MBChB degree. He also holds post qualifications in Occupational Health, Business Management, HIV/AIDS, Travel Medicine, Emergency Medicine and Disability Assessment.
- He is currently employed by Illovo Sugar Ltd, as Group Medical Consultant. He is responsible for the healthcare operations associated with Illovo Sugar's primary business in six countries located in Southern and East Africa.

CJ Kennedy

- Cathryn Kennedy holds a BCompt Hons degree and is a Chartered Accountant (SA).
- She is currently the Head of Finance and Administration at BFG Retail, a specialist point of sale manufacturing concern and a community upliftment project.

T Mahuma

- Teboho Mahuma holds a BA Honours degree in Social Work as well as an M.Phil (Ethics) degree.
- She has for many years served in executive and board roles in Not-For-Profit and private sector organisations, and is currently an independent consultant providing advisory and technical services primarily in social development.

PL Naidoo

- Lawson Naidoo holds a LLM degree from Cambridge University in England.
- He has a broad range of experience in the political, parliamentary as well as business arenas.
- He is the executive secretary of the Council for the Advancement of the South African Constitution.

A Robberts

- André Robberts holds a BCom Hons degree and is a Chartered Accountant (SA).
- He is a businessman and director of various companies and is also actively involved in the accounting profession as a Partner in The Ashton CA (SA) Group.

MS Sikhakhane

- Mike Sikhakhane holds a BSocSci Hons degree.
- He is currently the Group Human Resources Executive with Stefanutti Stocks (Pty) Ltd.

CF Swanepoel

- Francois Swanepoel holds an MBChB degree.
- He is the Chief Executive Officer and Founder of Thandile Health Risk Management, specialising in Health Risk Management, Absenteeism and Ill Health Retirement.

BPS van Eck

- Stefan van Eck holds a LLD degree.
- He is an admitted attorney and Professor in Labour Law at the University of Pretoria.

4.1.2 Principal Officer

Toni van den Bergh, since 1 August 2005.

4.1.3 Fit and Proper

The Act requires that all Trustees are effectively independent and have no direct or indirect interest in the affairs of the Scheme or any of its service providers. Each Trustee's, and Sub-committee Member's, suitability to hold office is assessed in terms of the Scheme's Fit and Proper Policy, which necessitates amongst other things: an independence check, a criminal history check, a credit history check, an employment and reference check, evidence of relevant qualifications and professional memberships.

Each Trustee brings not only independence but the appropriate qualifications, knowledge, skills, experience, competence, diligence, sound judgment, conscientiousness, fairness, honesty and integrity, to be entrusted with the responsibilities to be discharged by a medical scheme trustee and to contribute effectively to the deliberations of the Board.

Detail of the role and responsibilities of the Board is laid out in a formal Board Charter which is reviewed annually. All Trustees subscribe to a Code of Conduct which outlines the principles and values which Trustees are required to uphold. The Trustees meet regularly and monitor the performance of the Scheme and its service providers. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive. In order to assist in the performance of their duties, the Trustees receive actuarial, legal and strategic advice from suitably qualified consultants and 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 subject to the Scheme's Professional Advice Policy.

4.1.4 Board Meetings

In terms of the Board's Charter, a minimum of four Board meetings are required to be held annually, but the Board decided that it was prudent to meet more frequently and therefore schedules six meetings, and an additional meeting to focus on strategic issues and direction. Trustees are required to make every effort to attend Board meetings and to prepare thoroughly for such meetings. Trustees are expected to actively participate, openly and constructively in discussions, and to bring the benefit of their particular knowledge and expertise to the Board meetings. Attendance at meetings is reported in section 4.1.6 of this report.

4.1.5 Sub-Committees of the Board of Trustees

To assist in the governance of the Scheme, the Board has established various Sub-committees, which for 2015 were:

- Audit
- Investment
- Clinical Risk and Governance
- Governance and Remuneration

All Sub-committees meet regularly and consist of members who have been appointed for their skills relating to the responsibilities of each Sub-committee. Each Sub-committee is mandated by the Board by means of a written Charter as to its membership, authority and duties. The Principal Officer attends all Sub-Committee meetings.

In addition to these Sub-committees, a Management Committee, comprising Scheme Management and Trustees in rotation, meets bi-monthly and is responsible for monitoring operational issues and risk management. Management Committee meetings are also attended by representatives from the administrator, managed healthcare provider and other third party providers by invitation.

Audit Committee

The Audit Committee is established in accordance with the provisions of the Act. The Audit Committee has five members, two Trustees and three non-Trustees. In terms of the Act, the Chairman must be a non-Trustee.

The main responsibility of the Committee as set out in its Charter is to assist the Board in fulfilling its responsibilities by ensuring that there are adequate and effective:

- Accounting policies
- External audit processes
- Internal audit and assurance processes
- Internal control systems
- Financial reporting standards
- Risk management processes.

As at 31 December 2015, the Committee members were:

- M Mia (Independent non- trustee member) – Chairman
- T Abdool-Samad CA (SA) (Independent non-trustee member)
- CJ Kennedy CA (SA) (Trustee member)
- A Robberts CA (SA) (Trustee member)
- GP Wayne CA (SA) (Independent non-trustee member)

The Principal Officer, in terms of her mandate from the Board, the internal auditors of the Administrator and the external auditors of the Scheme, by invitation, attended all Audit Committee meetings and have unrestricted access to the Chairman of the Audit Committee. Meetings are held with both the external and internal auditors on a regular basis to ensure that matters are considered without undue influence.

Based on a review of management and audit reports, appropriate discussion and enquiry by the members, the Committee carried out all duties set out in its Charter.

The Audit Committee has brought no item or event to the attention of the Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.

The Audit Committee met four times during the year and the details of individual membership and attendance are set out in section 4.1.6 of this report.

Investment Committee

The investment objectives of the Scheme are to maximise the return on its investments on a long term basis at moderate risk. The investment strategy takes into account constraints imposed by legislation and the mandate approved by the Board.

As at 31 December 2015, the Committee members were:

- L Fullarton BSocSc ACIS CFP (Independent non- trustee member) – Chairman
- P Davis BCom (Hons) MBA (Independent non-trustee member)
- IY Mahomed B.Sc (Hons) Actuarial Science (Independent non-trustee member)
- A Robberts CA (SA) (Trustee member)

The overall objective of the Investment Committee is to assist the Board to fulfil its responsibilities relating to the:

- Preparation and continuous review and evaluation of the strategy for investing the Scheme's assets taking into consideration the surplus funds available
- Identification and appointment of investment professionals to whom investment functions will be outsourced
- Review and assessment of the risks and returns of investment opportunities
- Monitoring of investment performance against established benchmarks
- Monitoring compliance with all relevant legislation.

The Scheme continued to utilise the expertise of The Applied Group for investment consulting, development and continuous evaluation of the Scheme's investment strategy and assistance with the appointment of appropriate asset managers. Early in 2015, the Scheme, after a lengthy and comprehensive selection process, appointed Prudential Investment Managers and Sanlam Investment Management as the Schemes Absolute Return Mandate Asset Managers. An amount of R950 million was allocated to the Absolute return Mandates and was allocated equally between the two managers in four equal monthly tranches.

The Scheme continued to use the services of Momentum Asset Management (Pty) Ltd as the Scheme's cash asset managers. The management of cash and cash equivalents other than those held by the asset managers was managed by the Scheme's Administrator during 2015.

The Scheme closed the year with a higher exposure to risk than the previous year due to migrating a sizeable portion of investable assets into the two actively managed absolute return funds, targeting a CPI+5% return. The slight increase in risk profile reflects the moderate increase in risk appetite afforded by growth in reserves. Returns for the year on the majority of the Scheme's assets were positive, but pedestrian, with both Absolute Return Managers failing to achieve benchmark performance, reflecting an extremely volatile year in all domestic asset classes. Despite the marginal increase in risk profile, the Scheme remains invested only in very defensive asset classes and have a very low risk of capital loss under the current Investment Strategy.

The Investment Committee met three times during the year, the details of individual membership and attendance are set out in section 4.1.6 of this report.

The Committee carried out all duties set out in its Charter.

Clinical Risk and Governance Committee

The overall objective of the Clinical Risk and Governance Committee is to assist the Board in discharging its duties relating to ensuring continuous improvement in the quality of clinical care, which includes the oversight responsibility regarding:

— Key strategic and operating issues pertaining to the quality of clinical care

— Development and implementation of a clinical governance strategy for the Scheme

— Assessment and evaluation of the execution of the clinical governance strategy and implementation plan by the managed healthcare provider

— Confirmation that clinical governance principles and service level agreements are inherent in all relevant contracts with providers and designated service providers

— Identification and implementation of suitable "best practice" interventions taking cognisance of the necessity to manage risk at all times.

As at 31 December 2015, the Committee members were:

— CF Swanepoel MBChB (Trustee member) – Chairman

— EP Dorkin MBChB (Trustee member)

— A Turner MBChB (Independent non-trustee member)

The Clinical Risk and Governance Committee met four times during the year, the details of individual membership and attendance are set out in section 4.1.6 of this report.

The Committee carried out all duties set out in its Charter.

Governance and Remuneration Committee

The Governance and Remuneration Committee is mandated by the Board to provide guidance to the Board in all matters relating to its stewardship of the Scheme, proposals as to Board size and composition, the compensation of Trustees and Committee members and the evaluation of the performance and the remuneration of the Principal Officer.

The overall objective of the Governance and Remuneration Committee is to assist the Board in fulfilling its responsibilities relating to:

— Corporate governance in general, by ensuring the Board has appropriate policies and procedures for Trustees to carry out their duties with due diligence and in compliance with all legal and regulatory requirements

— The establishment, composition and responsibilities of Board Sub-Committees

— Procedures for effective Board and Sub-Committee meetings to ensure that the Board functions independently of management and without conflicts of interest.

As at 31 December 2015, the Committee members were:

— PL Naidoo LLM (Trustee member) - Chairman

— T Mahuma M.Phil (Ethics) (Trustee member)

— BP van Eck LLD (Trustee member)

The Governance and Remuneration Committee met four times during the year, the details of individual membership and attendance are set out in section 4.1.6 of this report.

The Committee carried out all duties set out in its Charter.

4.1.6 Trustee and Sub-committee meeting attendance

	Attendance at meetings	First elected / appointed	Most recently elected / appointed	Date resigned
Board of Trustees				
Mr A Robberts: Chairman (^)	7 of 7	31-Jul-06	25-Jun-15	
Dr EP Dorkin	6 of 7	26-Jun-14	26-Jun-14	
Ms CJ Kennedy (*)	5 of 5	25-Jun-15	25-Jun-15	
Ms Y Kwinana (*)	1 of 2	01-Oct-13	26-Jun-14	24-Jun-15
Ms T Mahuma	6 of 7	31-Jul-06	26-Jun-14	
Mr PL Naidoo	7 of 7	25-Aug-05	26-Jun-14	
Mr S Nkosi	2 of 2	28-Jun-07	21-Jun-12	25-Jun-15
Mr MS Sikhakhane	4 of 5	25-Jun-15	25-Jun-15	
Dr CF Swanepoel	7 of 7	26-Jun-08	26-Jun-14	
Prof BP van Eck	6 of 7	23-Jun-11	20-Jun-13	
Audit Committee				
Mr M Mia: Chairman	4 of 4	19-Apr-05	25-Jun-15	
Ms T Abdool-Samad	2 of 2	25-Jun-15	25-Jun-15	
Ms CJ Kennedy	4 of 4	01-Oct-11	25-Jun-15	
Mr A Robberts	4 of 4	08-Aug-06	25-Jun-15	
Mrs Y Kwinana	0 of 2	26-Jun-14	26-Jun-14	24-Jun-15
Mr GP Wayne	3 of 4	24-Aug-05	25-Jun-15	
Investment Committee				
Mr L Fullarton: Chairman	3 of 3	19-Jan-04	25-Jun-15	31-Dec-15
Mr P Davis	3 of 3	01-Oct-13	25-Jun-15	
Mr IY Mahomed	2 of 3	01-Jan-05	25-Jun-15	
Mr A Robberts	3 of 3	28-Jun-07	25-Jun-15	
Clinical Risk and Governance Committee				
Dr CF Swanepoel: Chairman	4 of 4	26-Jun-08	25-Jun-15	
Dr H Botha	1 of 2	01-Dec-10	25-Jun-15	25-Jun-15
Dr EP Dorkin	4 of 4	26-Jun-14	25-Jun-15	
Dr A Turner	3 of 4	26-Jun-14	25-Jun-15	
Governance and Remuneration Committee				
Mr PL Naidoo: Chairman	4 of 4	26-Oct-05	25-Jun-15	
Ms T Mahuma	4 of 4	28-Jun-07	25-Jun-15	
Mr S Nkosi	2 of 2	26-Jun-08	25-Jun-15	25-Jun-15
Prof BP van Eck	4 of 4	23-Jun-11	25-Jun-15	

^ The Chairman is elected annually by the Board at its first meeting after the Annual General Meeting.
* Trustees appointed by the Board.
Note: Sub-committee Members and Chairmen are appointed annually by the Board.

4.2 Scheme Governance

Momentum Health is committed to effective corporate governance and the Board remains committed to practising the highest ethical standards, fairness, openness, integrity and accountability in all dealings with all its stakeholders.

4.2.1 Application of King III

The Board supports the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance 2009 (King III) and is comfortable with its current application of King III. The Board has utilised the services and expertise of an external service provider to apply an assessment model that would give the Scheme's assessment process credibility.

4.2.2 Remuneration

All Trustees and Sub-committee members are entitled to remuneration for their attendance at meetings and reimbursement for any expense incurred in attending such meetings.

The Board annually considers the Trustees' and Sub-committee members' remuneration in terms of the Scheme's Remuneration Policy and submits a proposal to the Members present at the Annual General Meeting (AGM) for consideration and approval.

4.2.3 Trustee Induction

All newly elected Trustees are provided with an induction pack which incorporates material that aims to give the new Trustees an in depth understanding of their fiduciary responsibilities, and the regulatory, statutory and governance frameworks. Induction includes meetings with Scheme Management, visits to operations centres and access to training conducted by various industry bodies including the Council for Medical Schemes.

4.2.4 Conflicts of Interest

The Board is mindful of the potential impact of any conflicts of interest on the Scheme's governance and for this reason, Trustees and Sub-committee members complete a Declaration of Interest Questionnaire annually. Furthermore, each Board and Sub-committee meeting agenda has a standing agenda item that calls for any new interests to be declared.

4.2.5 Governance Evaluation

In line with the recommendations of King III, directors should evaluate their performance on a regular basis and as part of the Board's commitment to rigorous governance; the Board and Sub-committees undertake a detailed evaluation of the effectiveness of their processes and procedures annually.

4.2.6 Skills Evaluation

The Board annually assesses its skills so as to review its composition and balance thereof. A Trustee Skills Questionnaire has been formulated based on guidance from the Council for Medical Schemes. Immediately after the AGM each year, all Trustees are required to complete the Skills Questionnaire and the responses are collated to evaluate the necessity to appoint additional skills required by the Board, in the form of appointed Trustees or external consultants.

4.2.7 Compliance with Legislation

In line with its commitment to uphold the principles of good corporate governance, Momentum Health continually tracks and monitors its compliance with its Rules and applicable legislation.

Issues of Non-compliance are covered in section 5.11 of this report.

Momentum Health has received a communication from the Council for Medical Schemes relating to an alleged non-compliance with Regulation 10(6) of the Act. This Regulation relates to the payment of Prescribed Minimum Benefit (PMB) claims from Personal Medical Savings accounts. Momentum Health has confirmed that it applies the requirements of the Act, and the Council for Medical Scheme's Code of Conduct in the processing of all potential PMB claims. The Scheme will continue to assess all potential PMB claims to ensure that they are processed and paid correctly.

4.2.8 Liability Insurance

Adequate Trustee, Sub-committee member and Officers Liability Insurance is in place, and is reviewed annually by both the Audit and the Governance and Remuneration Committees.

4.2.9 Annual General Meetings

The Board encourages Member attendance of the Scheme's Annual General Meeting (AGM) by following an extensive process of informing Members of the scheduled AGM by advertising in three Sunday newspapers, sending Member notices to every Member and circulating AGM Reminders on the Member statements.

The Board also requires that the Chairmen of all its Sub-committees attend the AGM.

4.2.10 Ethics and Values

The Scheme's essential objective is to uphold the highest standards of ethical conduct in all of its activities. This means that all business shall be conducted in a transparent manner, consistent with the values of honesty, integrity, fairness, respect and responsibility. Furthermore, all applicable laws and regulations will be obeyed in all matters.

To this end a Trustee Code of Conduct and an Employee and Representative Code of Conduct have been formulated to strengthen the Scheme's ethical climate by establishing its responsibility for ethical conduct, outlining specific obligations, providing guidance to recognise and deal with ethical issues, and establishing mechanisms to report unethical conduct.

Every Trustee, employee and representative of the Scheme, has a responsibility to understand and comply fully with the relevant Code of Conduct and all other Policies of the Scheme.

4.3 Scheme Strategy

The Board meets annually to focus particularly on the Scheme's strategic direction and the agreed strategy is monitored on an on-going basis by the Board and the Principal Officer.

The Board remains committed to its:

- **Mission** Momentum Health exists for one reason – to ensure sustainable access to cost effective healthcare for our growing pool of members.
- **Vision** We aim to be the open scheme of choice for all consumers of healthcare in South Africa. We will achieve this through the rigorous application of our values.
- **Values** Service, innovation, fairness, integrity and compassion.
- **Objective** Our primary objective is to offer an exceptional value proposition to our. Members, which also protects the long-term sustainability of the Scheme.

4.4 Risk Management

The Board is ultimately responsible for the Scheme's total risk management system and internal controls. It decides on the Scheme's tolerance for risk and ensures that the Scheme has implemented an effective ongoing process to identify risk, measure potential impact against assumptions and proactively manage risk.

The Scheme conducts an extensive Risk Identification and Assessment exercise twice a year, attended by Board representatives and external consultants. The identified risks are stratified and appropriate action plans are accordingly developed.

The Principal Officer is accountable to the Board for designing, implementing and monitoring the process of risk management and internal controls, and for integrating it into the day-to-day activities of the Scheme, with continuous report back to the Board.

4.5 Internal Audit

The day-to-day business of the Scheme is administered on a contractual basis by MMI Health (Pty) Ltd, a wholly owned subsidiary of MMI Group Ltd. The internal audit functionality is provided by MMI Group Internal Audit, and some aspects by KPMG.

The internal audit function reports to the Audit Committee which has the responsibility of approving the internal audit plan, ensuring that the internal audit function is subject to an independent quality review, review and comment on the internal audit charter and ensuring that it is able to perform its duties in accordance with appropriate professional standards for internal audit.

Internal Financial Controls

The Board is responsible for the Scheme's systems of internal control which are designed to provide reasonable, but not absolute assurance, against inaccurate internal financial information and other irregularities. The Audit Committee has reviewed the effectiveness of the systems of internal financial control and the Board has been satisfied that a system of controls and procedures of a high standard have been established to ensure the accuracy and integrity of the accounting records. No incidents have been brought to the attention of the Board that would indicate any material breakdown in these internal controls during the year.

4.6 External Audit

The Scheme's external auditor is appointed by the Members of Momentum Health at the Annual General Meeting each year. The current external auditor, Deloitte & Touche, was re-appointed at the Annual General Meeting held in 2015.

The external auditors are responsible for carrying out an independent examination of the annual financial statements in accordance with International Standards on Auditing, and reporting their findings thereon.

The Audit Committee meets with the external auditor at the commencement of the audit, to review and approve the audit plan and ensure that it is consistent with the audit engagement.

The external auditor attends all Audit Committee meetings and the Annual General Meeting.

The external auditor has access to the Chairman of the Audit Committee and there is an open avenue of communication between external audit, internal audit and the Board. The Scheme monitors adequate rotation of the lead engagement partners.

4.7 Fraud Management

Momentum Health participates in the activities of the Board of Healthcare Funders' Forensic Management Unit (HFMU). Any fraudulent and inappropriate behaviour of service providers, Members and Scheme and Administrator staff identified is promptly reported to the HFMU as well as being addressed internally.

5. Review of Activities

The Trustees and Principal Officer of the Scheme are responsible for preparing the annual financial statements in a manner that fairly represents the state of affairs of the Scheme and the results of its operations.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the Medical Scheme Act. They incorporate full disclosure and are based on appropriate accounting policies that are supported by reasonable and prudent judgments and estimates.

The Board would like to bring the following aspects of the accompanying annual financial statements to your attention.

5.1 Membership

The Scheme experienced a 10.8% growth in membership during the year under review.

— Membership as at 31 December 2015 –128 681 (2014: 116 147)

— Lives covered as at 31 December 2015 – 248 172 (2014: 226 487)

— Average age of membership has decreased to 41.97 years (2014: 42.39 years)

— Average age of new Members joining in 2015 – 32.20 years (2014: 32.05 years)

— Average age of new Beneficiaries joining in 2015 – 27.01 years (2014: 27.80 years)

The total membership per benefit option was as follows:

Benefit Option	Principal Members 31 December 2015	Beneficiaries 31 December 2015	Principal Members 31 December 2014	Beneficiaries 31 December 2014
Ingwe	35 687	43 343	30 009	36 013
Access	2 735	5 383	3 192	6 320
Custom	46 943	105 189	39 563	89 198
Incentive	36 267	79 478	35 494	78 220
Extender	6 204	13 347	6 937	15 113
Summit	845	1 432	952	1 623
Total membership	128 681	248 172	116 147	226 487

The Board, in conjunction with the Principal Officer, Administrator and advisers, continues to focus on the holistic product offering provided to Members in order to ensure the continued and sustainable growth of the Scheme's membership.

5.2 Financial performance

The Scheme achieved a net surplus, after investment returns, of R48.6 million (2014: R86.4 million).

The Scheme continued its strategic focus on sustainable growth during 2015. The competitive pricing strategy implemented over the past number of years in order to attract the appropriate Members has again resulted in the average age of Members reducing from 42.39 years in 2014 to years in 41.97 in 2015.

Some of the key indicators to consider for the year under review are as follows:

Description	2015	2014 Reclassified*	% Change
Gross contribution income	R3 311m	R2 932m	12.93%
Gross contribution income per member per month	R2 144	R2 104	1.90%
Gross contribution income per beneficiary per month	R1 112	R1 079	3.06%
Risk contribution income per member per month	R1 983	R1 931	2.69%
Risk contribution income per beneficiary per month	R1 028	R990	3.84%
Relevant healthcare expenditure per member per month*	R1 707	R1 631	4.66%
Relevant healthcare expenditure per beneficiary per month*	R885	R836	5.86%
Claims ratio based upon risk contributions*	86.2%	84.3%	2.25%
Non-healthcare costs per member per month*	R283	R274	3.28%
Non-healthcare costs per beneficiary per month*	R147	R141	4.26%
Non-healthcare costs as percentage of gross contribution income*	13.2%	13.1%	0.76%
Total Members' funds	R972.7m	R924.1m	5.26%
Accumulated funds ratio (excluding unrealised gains)	28.7%	31.5%	-8.89%

* Council for Medical Schemes Circular 56 of 2015: Accounting for accredited managed care services has resulted in a reclassification of accredited managed care services from non-healthcare expenditure to healthcare benefits.

The operational statistics for each option are provided in Note 27 of the Annual Financial Statements.

5.3 Accumulated funds

Movements in the Accumulated Funds are set out in the Statement of Changes in Funds and Reserves as reflected in the Annual Financial Statements.

5.4 Outstanding claims

Movements in the outstanding claims provision are set out in Note 7 to the Annual Financial Statements.

5.5 Sustainability

As at 31 December 2015, the Scheme's accumulated funds ratio was 28.7%. The Board continues to consider Momentum Health's future Risk Based Capital requirements and the Scheme's actuaries have assessed the Scheme's requirement in order to provide the Board with comfort that Momentum Health remains sustainable. The result of the 31 December 2015 assessment has once again confirmed the Scheme's strong capital position.

The Trustees assure Members that the Scheme's sustainability is their primary focus and although the Scheme has exceeded the required statutory solvency ratio, they will continue to monitor experience against the sustainability strategy and business plan and will continue to develop initiatives to ensure that the Scheme remains sustainable into the future.

The accumulated funds ratio is calculated on the following basis:

	2015	2014
	R'000	R'000
Total Members' funds per Statement of Financial Position including unrealised gains	972 712	924 080
Less: Cumulative net unrealised gain on re-measurement to fair value of investments	22 996	0
	941 714	924 080
Gross contribution income	3 311 027	2 932 069
Members' funds / Gross annual contribution income x 100%		
— including unrealised gains	29.4%	31.5%
— excluding unrealised gains	28.7%	31.5%

The Scheme received an improved rating of AA- in 2015 from the South African Global Credit Rating Company (GCR). This is further evidence of the Scheme's sustainability, as the rating denotes a sound claims paying ability.

5.6. Actuarial Services

Momentum Health utilises the expertise of the Momentum Group Health actuarial team for actuarial support. These actuaries analyse claiming patterns, monitor the timing and severity of claims and advise on the determination of contributions and benefit levels. During 2015, the Scheme also contracted the services of external consulting actuaries, True South Actuaries and Consultants (Pty) Ltd, for independent actuarial advice and support.

5.7 Subsequent Events

No material events have occurred subsequent to the end of the accounting period to the date of this report that affect the Annual Financial Statements, which the Trustees consider should be brought to the attention of the Members of the Scheme.

5.8 Related Party Transactions

Refer to related parties and Trustee remuneration disclosures in Note 18 and 19 to the Annual Financial Statements.

5.9 Loans to Members of the Scheme and other related parties

Consistent with the Act, the Scheme does not grant loans to Members or any related parties, and confirms that no such loans have been granted.

5.10 Management of Insurance Risk

The primary insurance activity carried out by the Scheme is that of assuming the risk of certain claims costs from Members and their Dependants as these relate to their health. As such the Scheme is exposed to the risk of uncertainty surrounding the timing and severity of claims.

The Scheme manages its insurance risk through approval procedures for claims that involve pricing guidelines, pre-authorisation, case management, benefit limits and sub-limits, service provider profiling, centralised management of risk transfer arrangements and the monitoring of issues that may impact on risk.

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

Insurance events are by their nature random, and the actual number and size of events during any one year may vary from those estimated by using statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the annual financial statements and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Scheme's cash flow.

5.11 Non–Compliance Matters

5.11.1 Sustainability of Benefit Options

Nature and impact

In terms of section 33(2) of the Act, each option shall be self-supporting in terms of membership and financial performance and be financially sound. As at 31 December 2015 the consolidated Incentive and Extender options did not meet this requirement.

Causes

The current demographic profile and claiming patterns of the members on these options have resulted in the deficits incurred.

Corrective course

The Board of Trustees continue to monitor the potential risk and impact, to the Scheme as a whole, of buy-downs to less costly options due to affordability resulting from high increases and/or significant benefit cuts which would have to be introduced to eliminate the operational deficits experienced on these two options.

5.11.2 Investment in an Employer Group or Administrator

Nature and impact

In terms of Section 35 (8) of the Act, a medical scheme shall not invest any of its assets in any medical scheme administrator or a holding company of a medical scheme administrator or an employer who participates in the medical scheme. The Scheme invests a portion of its assets with Sanlam Life Insurance Ltd and Prudential Investment Managers (South Africa) (Pty) Limited.

Causes

As a consequence of the investment decisions within the asset managers' portfolios, the Scheme currently has investments in contravention of Section 35 (8). The Scheme has no influence over the investment decisions of the independent asset managers regarding what assets they invest the Scheme's funds into, or the size of that asset holding. The investment decisions are made entirely at the asset manager's discretion.

Corrective Course

The Scheme made application to the Council for Medical Schemes for an exemption from this section of the Act and received such exemption.

5.11.3 Payment of Member Claims

Nature and impact

In terms of Section 59 (2) of the Act, a medical scheme shall pay a member or supplier of service, any benefit owing to that member or supplier within 30 days after the day on which the claim was received.

Causes

Of the total 1 273 092 claims received for the year, 156 claims received were not paid within 30 days of receipt due to certain procedures to validate claims such as clinical auditing.

Corrective course

The claims paid outside of 30 days are investigated by the Scheme in conjunction with the Administrator to ensure effective management.

5.11.4 Collection of Contributions

Nature and impact

In terms of Section 26 (7) of the Medical Schemes Act, member contributions must be received within 3 days after payment thereof becoming due. There are instances where the Scheme received contributions after three days of becoming due; however, there are no contracts in place agreeing to this practice.

Causes

The Scheme continues to maintain its debit order strike facility which is in line with legislation. We do however have large number of members who pay via EFT or cash deposits. For these Members, the Scheme has no control over the timing of the receipt of contributions.

Corrective course

The financial risk is mitigated by the Scheme's stringent credit control policy and processes which minimises the risk of non-recoverability. The management of the contributions collections is an on-going process involving interaction with the employer groups, brokers and Members.

6. Conclusion

Momentum Health's continued positive financial position is a clear indication of the success of the Scheme's continued focus on optimal health risk management and appropriate membership growth.

A Robberts
(Chairman)

BPS van Eck
(Trustee)

TJ van den Bergh
(Principal Officer)

22 April 2016

Statement of Responsibility by the Board of Trustees for the year ended 31 December 2015

The Trustees are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of Momentum Health. The financial statements presented on pages 17 to 45 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Schemes Act 131 of 1998, as amended, and include amounts based on judgements and estimates made by management.

The Trustees consider that in preparing the Annual Financial Statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

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.

Momentum Health operates in a well-established control environment, which is fully 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. No item/event has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.

Based on the results of the formal documented review of the Scheme's system of internal controls and risk management, including the design, implementation, effectiveness of internal financial controls conducted by the internal audit function during the 2015 year, considering information and explanations given by management and discussions with the external auditor on the results of the audit, assessed by the Audit Committee, no events have come to the Board's attention that indicate that the Scheme's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The Board's opinion is supported by the Audit Committee.

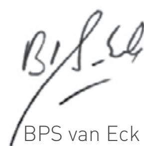
The going concern basis has been adopted in preparing the Annual Financial Statements. The Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These Annual Financial Statements support the viability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

The 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 the year end. The Trustees are also responsible for both the accuracy and consistency of the Annual Financial Statements with the other information included in the Annual Report.

The Scheme's external auditors, Deloitte & Touche, are responsible for auditing the financial statements in terms of International Standards on Auditing and their report is presented on page 16.

The financial statements were approved by the Board of Trustees on 14 April 2016 and are signed on its behalf by:

A Robberts
(Chairman)



BPS van Eck
(Trustee)

22 April 2016

Report of the Independent Auditors to the Members of Momentum Health

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Durban 4000
South Africa

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Report on the Financial Statements

We have audited the financial statements of Momentum Health set out on pages 17 to 45, which comprise the statement of financial position at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in funds and reserves and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Trustees' Responsibility for the Financial Statements

The Scheme's Trustees are responsible for the preparation and fair presentation of these 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 trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Momentum Health as at 31 December 2015, 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.

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act

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.

Deloitte & Touche
Registered Auditor

Per B. Botes CA (SA)
Partner

22 April 2016

National Executive: *LL Bam Chief Executive *AE Swiegers Chief Operating Officer *GM Pinnock Audit
*N Sing Risk Advisory *NB Kader Tax TP Pillay Consulting S Gwala BPaaS *K Black Clients & Industries
*JK Mazzocco Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy *MJ Comber Reputation & Risk
*TJ Brown Chairman of the Board
Regional Leader: *R Redfearn

A full list of partners and directors is available on request * Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

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

Statement of Financial Position at 31 December 2015

	Note	2015 R'000	2014 R'000
Assets			
Non-current assets		**971 094**	**-**
Investments held at fair value through profit or loss			
Scheme		971 094	-
Current assets		**391 516**	**1 290 470**
Investments held at fair value through profit or loss	2	285 407	1 032 153
Scheme		176 051	929 742
Personal medical savings account trust monies invested		109 356	102 411
Trade and other receivables	3	38 618	30 531
Cash and cash equivalents	4	67 491	227 786
Total assets		**1 362 610**	**1 290 470**
Funds and Liabilities			
Members' funds			
Accumulated funds		972 712	924 080
Current liabilities		389 898	366 390
Personal Medical Savings account trust monies managed by the Scheme on behalf of its Members	5	108 474	102 390
Trade and other payables	6	76 520	103 728
Outstanding claims provision	7	204 904	160 272
Total funds and liabilities		**1 362 610**	**1 290 470**

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015

	Notes	2015 R'000	Reclassified 2014 R'000
Risk contribution income	8	**3 061 735**	**2 691 675**
Relevant healthcare expenditure		**(2 638 358)**	**(2 269 794)**
Net claims incurred	9	(2 587 077)	(2 223 346)
Risk claims incurred		(2 533 505)	(2 173 911)
Third party claim recoveries		27 210	12 802
Managed care: management services		(80 782)	(62 237)
Net expense on risk transfer arrangements	10	(51 281)	(46 448)
Risk transfer arrangements fees / premiums paid		(298 810)	(271 200)
Loss share from risk transfer arrangements		472	(267)
Recoveries from risk transfer arrangements		247 057	225 019
Gross healthcare result		**423 377**	**421 881**
Administration expenditure	12	(287 136)	(257 039)
Acquisition, marketing and servicing costs	13	(146 922)	(126 640)
Net impairment losses on healthcare receivables	14	(1 540)	(1 716)
Net healthcare result		**(12 221)**	**36 486**
Other income		**73 375**	**58 023**
Investment income	15	70 450	53 506
Scheme		63 179	47 409
Personal medical savings account trust monies invested		7 271	6 097
Sundry income		2 925	4 517
Other expenditure		**(12 522)**	**(8 118)**
Asset management fees		(5 052)	(2 187)
Interest paid on savings plan accounts	5	(7 470)	(5 931)
Net surplus for the year		**48 632**	**86 391**
Other comprehensive income		-	-
Total comprehensive income for the year		**48 632**	**86 391**

Statement of Changes in Funds and Reserves for the year ended 31 December 2015

	Accumulated Funds
	R'000
Balance at 1 January 2014	**837 689**
Total comprehensive income for the year	86 391
Balance at 31 December 2014	**924 080**
Total comprehensive income for the year	48 632
Balance at 31 December 2015	**972 712**

Statement of Cash Flows for the year ended 31 December 2015

	Notes	2015	2014
		R'000	R'000
Cash flows from operating activities			
Cash from operations before working capital changes	16	(9 296)	41 003
Working capital changes			
— Increase in trade and other receivables		(8 087)	(5 163)
— Increase in savings plan liability		6 084	7 837
— (Decrease)/ increase in trade and other payables		(27 208)	21 193
— Increase in outstanding claims provision		44 632	9 236
Cash from operations		**6 125**	**74 106**
Interest paid on savings plan accounts		(7 470)	(5 931)
Net cash (utilised in)/ generated from operating activities		**(1 345)**	**68 175**
Cash flows utilised in investing activities			
Purchase of investments		(1 812 857)	(292 921)
Proceeds on disposal of investments		1 612 794	130 364
Interest and dividend income		46 165	78 990
Asset management fees		(5 052)	(2 187)
Net cash utilised in investing activities		**(158 950)**	**(85 754)**
Net decrease in cash and cash equivalents		**(160 295)**	**(17 579)**
Cash and cash equivalents at the beginning of the year		227 786	245 365
Cash and cash equivalents at the end of the year	4	**67 491**	**227 786**

Notes to the Annual Financial Statements for the year ended 31 December 2015

1. Principal Accounting Policies and Definitions

These financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Medical Schemes Act 131 of 1998, as amended (the Act) on the going concern basis. The following are the principal accounting policies used by the Scheme, which are consistent with those of the previous year.

1.1 Basis of Preparation

The financial statements are prepared on the historical cost convention with the exception of:

- Investments classified at fair value through profit or loss and
- Cash and cash equivalents 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 or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or liability. The fair value of financial instruments is determined by reference to published indices on the Bond Exchange of South Africa and the Johannesburg Securities Exchange (JSE) Ltd.

Impairment

Impairments of financial instruments are recognised through the statement of profit or loss and other comprehensive income in the year in which the impairment arose.

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. Investments held at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of investments held at fair value through profit or loss are included in profit or loss in the period in which they arise.

Trade and other receivables

Trade and other receivables originated by the Scheme, due to their short-term nature, are stated at cost less an appropriate allowance for estimated irrecoverable amounts. This is recognised through profit or loss 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 and 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 recognised at amortised cost, namely original debt less principal payments and amortisations.

Gains and losses on disposal of investments

On disposal of an investment, the difference between the net disposal proceeds and carrying amount is recognised in profit or loss.

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 Savings Plan Liability

The savings plan liability is measured at cost because it has a demand feature. The savings plan liability represents funds held on behalf of members of the Scheme. The savings plan facility assists members in managing the cash flows for 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. Savings plan contributions are credited on the accrual basis and withdrawals are debited on a cash basis, i.e. no provision is made for outstanding claims at the year end. In terms of the implementation of the requirements of the Council for Medical Schemes Circular 38 of 2011, with effect from 1 January 2012, the actual interest earned on the positive personal medical savings balances less management fees is paid to members.

Unexpended savings at the year end are carried forward to meet future expenses for which the members are responsible. In terms of the Medical Schemes Act 131 of 1998, as amended (the Act), balances standing to the credit of members are only refundable in terms of Regulation 10 of the Act.

In accordance with the rules of the Scheme, the risk of impairment of savings plan advances is underwritten by the Scheme.

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.

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 and paid by that date. This provision is determined as accurately as possible based on a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the nature and

number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim. The outstanding claims provision is reduced by the estimated recoveries from members for co-payments, and savings plan accounts.

1.5 Medical Insurance Contracts and Liability Adequacy Test

Contracts under which the Scheme accepts significant medical insurance risk from another party (the member) by agreeing to compensate the member or their beneficiary if a specified uncertain future event (the insured event) adversely affects the member or their beneficiary are classified as medical insurance contracts. The liability for medical 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 (if any). For the liability relating to potential future claims which have already been incurred at the year end, but of which the Scheme has not yet received (Incurred But Not Received (IBNR)), tests are performed to ensure that the liability is sufficient to cover historical run-off profiles.

1.6 Contribution Income

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

1.7 Managed Care: Management 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. These expenses are recognised as an expense in the year incurred on a straight-line basis.

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. The net claims incurred cost comprises:

— claims already submitted plus the provision for outstanding claims in respect of 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;

— Under/ (over) provision of the prior year 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 the service provider's negotiated tariff.

1.9 Risk Transfer Arrangements

Only contracts that give rise to a significant transfer of medical insurance risk are accounted for as risk transfer arrangements. Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis. An appropriate portion of risk transfer premiums is treated as a prepayment. Risk transfer premiums and benefits reimbursed are presented in the Statement of Profit or Loss and Other Comprehensive Income and statement of financial position on a gross basis. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the outstanding claims provisions, claims reported not yet paid and settled claims associated with the risk transfer arrangement.

Amounts recoverable under risk transfer arrangements are assessed for impairment at each financial year end. 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

The carrying amounts of the Scheme's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an allowance account to record impairment losses is created.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which the adjustment is made to the estimate of the carrying amount.

Calculation of recoverable amount

The recoverable amount of the accounts receivable balances carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

Reversals of impairment

An impairment loss in respect of trade and other receivables balances 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 asset's 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 Road Accident Fund Recoveries

Recoveries from the Road Accident Fund are recognised on a receipt basis and are netted off against claims expenditure. A debtor is not recognised as it would be fully impaired (refer to note 17).

1.12 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. Dividends are recognised when the right to receive payments is established.

1.13 Employee Benefits

Contributions to a defined contribution fund are recognised in the Statement of Profit or Loss and Other Comprehensive Income during the year in which they are incurred.

1.14 Accounting Standards and Interpretations not yet effective

The following new accounting standards and interpretations are in issue, but not yet effective. None of these standards have been early adopted by the Scheme.

Standard	Subject	Effective date*
IFRS 9	Financial instruments : IFRS 9 (2009) retains but simplifies the mixed measurement model for financial assets and establishes two primary measurement categories: amortised cost and fair value. IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities and derecognition of financial assets and liabilities. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset.	1-Jan-18
IFRS 15	IFRS 15 Revenue from Contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.	1-Jan-18

* Annual periods commencing on or after.

1.15 Allocation of Income and Expenditure to Benefit Options

The following items are directly allocated to benefit options:

- Contribution income;
- Claims incurred;
- Net income/ (expense) on risk transfer arrangements;
- Managed care: management services;
- Administration expenditure; and
- Acquisition, marketing and servicing costs

The remaining items are apportioned based on the gross contributions on each option:

- Other administration expenditure;
- Investment income;
- Net impairment losses on healthcare receivables;
- Other income; and
- Other expenditure

1.16 Comparatives

Reclassification of amounts previously reported

Council for Medical Schemes Circular 56 of 2015: Accounting for accredited managed care services has resulted in a reclassification of accredited managed care services from non-healthcare expenditure to healthcare benefits.

There is no impact on the net result of the Scheme as reported in 2014.

	Reclassified 2015 R'000	2014 R'000
Risk contribution income	**2 691 675**	**2 691 675**
Relevant healthcare expenditure	**(2 269 794)**	**(2 207 557)**
Net claims incurred	(2 223 346)	(2 161 109)
Risk claims incurred	(2 173 911)	(2 173 911)
Third party claim recoveries	12 802	12 802
Managed care: management services	(62 237)	-
Net expense on risk transfer arrangements	(46 448)	(46 448)
Risk transfer arrangements fees/ premiums paid	(271 200)	(271 200)
Loss share from risk transfer arrangement	(267)	(267)
Recoveries from risk transfer arrangements	225 019	225 019
Gross healthcare result	**421 881**	**484 118**
Managed care: management services	-	(65 170)
Administration expenditure	(257 039)	(254 106)
Acquisition, marketing and servicing costs	(126 640)	(126 640)
Net impairment losses on healthcare receivables	(1 716)	(1 716)
Net healthcare result	36 486	36 486

As a result of the reclassification required in terms of Council for Medical Schemes Circular 56 of 2015, the Jump Magazine fee has been reclassified from Managed care services to Administration expenditure.

	2015	2014
Note 11		
Managed Care: Management Services		
Jump magazine	-	2 933
Note 12		
Administration Expenditure		
Jump magazine	2 933	-

2. Investments Held at Fair Value Through Profit or Loss

	2015 R'000	2014 R'000
Fair value at the beginning of the year	1 032 153	895 080
Additions	1 812 857	292 921
Disposals	(1 612 794)	(130 364)
Net gains/(loss) on financial assets at fair value through profit or loss (refer Note 15)	24 285	(25 484)
Fair value at the end of the year	**1 256 501**	**1 032 153**
Non-current portion	971 094	-
Current portion	285 407	1 032 153
	1 256 501	**1 032 153**
The investments included above represent investments in:		
Scheme	1 147 145	929 742
The Safex Clearing Company (Pty) Ltd (Safcom)	-	210
Momentum Asset Management (Pty) Ltd	176 051	929 532
Prudential Investment Managers (South Africa) (Pty) Ltd	486 870	-
Sanlam Life Insurance Limited	484 224	-
Personal Medical Savings account trust monies invested	109 356	102 411
Momentum Asset Management (Pty) Ltd	109 356	102 411
Fair value at the end of the year	**1 256 501**	**1 032 153**

At the end of the year cumulative unrealised gains amounted to R 25 m (2014: R1.7m cumulative unrealised losses).

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

3. Trade and Other Receivables

	2015 R'000	2014 R'000
Contributions outstanding	4 291	11 911
Amounts due from members*	1 903	2 251
Amounts due from suppliers	16 026	773
Savings plan account advances (refer Note 5)	5 150	5 131
	27 370	20 066
Less: Impairment of receivables	(3 465)	(4 357)
	23 905	15 709
Accrued interest	310	1 389
Other sundry accounts receivable	59	575
Share of outstanding claims provision covered by risk transfer arrangements	14 344	12 858
	38 618	**30 531**

* Amounts due from members include members that have left the Scheme and have amounts owing for outstanding contributions, savings plan advances and claims debts.

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

2015	Contribution Debt	Member Debt	Supplier Debt	Savings Plan Account Advances	Total
	R'000	R'000	R'000	R'000	R'000
Balance as at 1 January	653	2 187	216	1 301	4 357
Amount recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period (refer Note 14)					
Additional provisions made in the period	(148)	2 117	(92)	(337)	1 540
Amounts utilised during the period	-	(2 422)	(10)	-	(2 432)
Balance as at 31 December	**505**	**1 882**	**114**	**964**	**3 465**

2014	Contribution Debt	Member Debt	Supplier Debt	Savings Plan Account Advances	Total
	R'000	R'000	R'000	R'000	R'000
Balance as at 1 January	726	3 100	168	1 088	5 082
Amount recognised in the Statement of Profit or Loss and Other Comprehensive Income for the period (refer Note 14)					
Additional provisions made in the period	(73)	1 518	58	213	1 716
Amounts utilised during the period	-	(2 431)	(10)	-	(2 441)
Balance as at 31 December	**653**	**2 187**	**216**	**1 301**	**4 357**

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

4. Cash and Cash Equivalents

	2015	2014
	R'000	R'000
Money market instruments	64	187 320
Current accounts	67 427	40 466
	67 491	**227 786**

At year end, the weighted average effective interest rate on money market instruments was 9.08% (2014: 7.59%).

The overall weighted average effective interest rate on cash and cash equivalents at year end was 7.04% (2014: 7.18%) which includes the overnight call rate earned on the current accounts.

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

5. Personal Medical Savings Account Trust Monies Managed by the Scheme on behalf of its Members

	2015	2014
	R'000	R'000
Balance of personal medical savings account trust liability at the beginning of the year	102 390	94 553
Less: Advances on savings plan accounts at the beginning of the year	(5 131)	(5 099)
Net balance on savings plan liability at the beginning of the year	97 259	89 454
Add: Savings plan account contributions received or receivable	254 423	245 493
For the current year (refer Note 8)	249 292	240 394
Allocated to settle prior year advances	5 131	5 099
Interest paid on savings plan account balances	7 470	5 931
Less:		
Transfers to other Schemes and repayments on death or resignation	(5 185)	(2 901)
Claims paid on behalf of members (refer Note 9)	(250 643)	(240 718)
	103 324	97 259
Advances on savings plan accounts included in trade and other receivables at the end of the year (refer Note 3)	5 150	5 131
Balances due to members on personal medical savings accounts held in trust at the end of the year	**108 474**	**102 390**

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 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, balances standing to the credit of members are only refundable in terms of Regulation 10 of the Regulations to the Act. In accordance with the rules of the Scheme, the bad debt risk of savings plans advances is underwritten by the Scheme.

Advances on personal medical savings accounts are funded by the scheme and are included in trade and other receivables. The scheme does not charge interest on advances on personal medical savings accounts.

The actual interest earned on the positive personal medical savings balances is credited to members less management fees.

It is estimated that claims to be paid out of members' savings accounts in respect of claims incurred in 2015 but not recorded will amount to R10.2 million (2014: R9.0 million) (refer note 7).

At year end the carrying amounts of the members' personal medical savings accounts approximate their fair values due to the short-term maturities of these liabilities.

The personal medical savings accounts were invested on behalf of members in the following assets at 31 December:

	2015	2014
	R'000	R'000
Money market instruments	109 356	102 411

6. Trade and Other Payables

	2015 R'000	2014 R'000
Contributions received in advance	42 208	33 284
Credit balances in accounts receivable	5 276	13 845
Amounts due to members	5 423	4 827
Amounts due to service providers	21 569	49 590
Provision for leave pay	211	205
Sundry accounts payable	1 833	1 977
	76 520	**103 728**

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

7. Outstanding Claims Provision

	2015 R'000	2014 R'000
Not covered by risk transfer arrangements		
Provision for outstanding claims	190 560	147 414
	190 560	**147 414**
Analysed as follows		
Provision for outstanding claims		
Estimated gross claims	200 747	156 399
Less: Estimated recoveries from savings plan accounts	(10 187)	(8 985)
	190 560	**147 414**
Analysis of movements in outstanding claims		
Balance at the beginning of the year	147 414	138 456
Estimated gross claims	156 399	147 718
Less: Estimated recoveries from savings plan accounts	(8 985)	(9 262)
Payments in respect of prior year	(150 741)	(132 070)
Reversal of prior year under/(over) provision (refer Note 9)	3 327	(6 386)
Current year movement in the outstanding claims provision	190 560	147 414
Balance at the end of the year	**190 560**	**147 414**
Covered by risk transfer arrangements		
Provision for outstanding claims	14 344	12 858
	14 344	**12 858**
Analysis of movements in outstanding claims		
Balance at the beginning of the year	12 858	12 580
Payments in respect of prior year	(12 858)	(12 580)
Current year movement in the outstanding claims provision (refer Note 9)	14 344	12 858
Balance at the end of the year	**14 344**	**12 858**
Total outstanding claims provision at the end of the year	**204 904**	**160 272**

Basis for determination of the outstanding claims provision

The outstanding claims provision is the estimated cost of healthcare benefits that have occurred before the year end 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.

Process used to determine the assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out on a regular basis. There is more emphasis on current trends, and 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, it is assumed 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 may inter alia 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;
- variations in the nature and average cost incurred per claim;
- legislative changes (e.g. expansion of the definition of a Prescribed Minimum Benefit (PMB) / Chronic Disease List (CDL) condition); and
- random fluctuations.

The provision is a best estimate 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 is difficult to estimate. The provision estimation difficulties also differ by category of claims (i.e. hospital (major medical benefit), chronic, day-to-day and above threshold benefits) 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 on the outstanding claims provision are the expected claims ratios for the most recent benefit years for the hospital, chronic, day-to-day and above threshold categories of claims. The expected claims ratio assumed for the benefit year 2015 is 98% (2014: 98%) for hospital, 0.5% (2014: 1%) for chronic and 1.5% (2014: 1%) for above threshold benefits.

Changes in assumptions

The table below outlines the sensitivity of insured liability estimates to particular movements in assumptions used in the estimation process. It should be noted that this is a deterministic approach with no correlations between the key variables.

Where variables are considered to be immaterial, no impact has been assessed for 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.

An analysis of sensitivity around various scenarios for the general medical insurance business provides an indication of the adequacy of the estimation process. The Trustees believe that the liability for claims reported in the Statement of Financial Position is adequate. However, they recognise 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 was 5% inaccurate, the impact on the net surplus of the Scheme would be as follows:

Impact on total comprehensive income and accumulated funds for the year due to changes in key variables

	Change in variable	2015	2014
	%	R'000	R'000
Hospital (major medical benefit) claims ratio	5%	911	741
Chronic claims ratio	5%	4	3
Above threshold benefit claims ratio	5%	14	14

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

The sensitivity of the estimation process is reduced by the value of the claims paid subsequent to the year end as detailed in the table below:

	2015 R'000	2014 R'000
Outstanding claims provision (not covered by risk transfer arrangements)	190 560	147 414
Portion of outstanding claims provision paid to 18 March 2016 (2014:13 March 2015)	(172 757)	(132 573)
Residual estimate of claims incurred but not paid	**17 803**	**14 841**

8. Risk Contribution Income

	2015 R'000	2014 R'000
Gross contributions	3 311 027	2 932 069
Less: Savings contributions (refer Note 5)	(249 292)	(240 394)
Risk contribution income	**3 061 735**	**2 691 675**

The savings contributions are received by the Scheme in terms of Regulation 10(1) and the Scheme's registered rules and held in trust on behalf of its members. Refer to Note 5 for more details on how these monies were utilised.

9. Net Claims Incurred

	2015 R'000	2014 R'000
Current year claims	2 337 188	2 044 363
Movement in outstanding claims provision	193 887	141 028
Under/(over) provision of the prior year balance (refer note 7)	3 327	(6 386)
Provision for current year (refer Note 7)	190 560	147 414
Less:		
Claims paid from savings accounts (refer Note 5)	(250 643)	(240 718)
Discounts received on claims	(21 193)	(8 583)
Managed care: healthcare benefits	80 782	62 237
Claims incurred in respect of risk transfer arrangements	247 056	225 019
Current year claims	232 712	212 161
Movement in outstanding claims provision	14 344	12 858
Over provision of the prior year balance (refer Note 7)	-	-
Provision for current year (refer Note 7)	14 344	12 858
	2 587 077	**2 223 346**

10. Net Expense on Risk Transfer Arrangements

	2015 R'000	2014 R'000
Premiums / fees in respect of risk transfer arrangements		
MMI Health (Pty) Ltd: Primary Care Network	97 119	86 955
MMI Health (Pty) Ltd: Wellness Compliance Incentive	187 337	171 809
Traumalink (Pty) Ltd (Netcare 911)	14 354	12 436
	298 810	271 200
Loss sharing arrangements		
Traumalink (Pty) Ltd (Netcare 911)	(472)	267
	(472)	267
Recoveries under risk transfer arrangements		
MMI Health (Pty) Ltd: Primary Care Network	80 525	71 886
MMI Health (Pty) Ltd: Wellness Compliance Incentive	153 135	140 261
Traumalink (Pty) Ltd (Netcare 911)	13 397	12 872
	247 057	225 019
Net expense / (recovery) on risk transfer arrangements		
MMI Health (Pty) Ltd: Primary Care Network	16 594	15 069
MMI Health (Pty) Ltd: Wellness Compliance Incentive	34 202	31 548
Traumalink (Pty) Ltd (Netcare 911)	485	(169)
	51 281	**46 448**

MMI Health (Pty) Ltd provide primary care to members on the Ingwe and Access options of the Scheme at healthcare centres and through contracted network service providers nationwide. MMI Health (Pty) also provided chronic care benefits for the 26 Prescribed Minimum Benefit Chronic Disease List conditions for Members on all options except Ingwe and Access options.

Traumalink (Pty) Ltd (Netcare 911) provide a capitated ambulance service for Members on all options.

11. Managed Care: Management Services

	2015 R'000	2014 R'000
Hospital benefit management services	28 093	20 849
Pharmacy benefit management services	14 964	13 118
Active disease risk management services	21 903	16 528
Dental benefit management services	4 448	3 301
Managed care network management services and risk management	11 374	8 441
	80 782	**62 237**

* Council for Medical Schemes Circular 56 of 2015: Accounting for accredited managed care services has resulted in a reclassification of accredited managed care services for 2015. In accordance with this, whilst the fee agreements for the prior year have not changed, the 2014 fees have been reclassified to be comparable with 2015. This reclassification has been done on a proportionate basis relative to the 2015 classifications and fees paid.

12. Administration Expenditure

	2015 R'000	2014 R'000
Administrator's fees	271 533	242 538
Auditor's remuneration	1 080	799
Audit fees - current year	966	799
Audit fees - prior year under provision	114	-
Board of Healthcare Funders (BHF) subscriptions	199	36
Consultants fees and expenses	58	643
Debt collection fees	149	142
Liability insurance	282	297
Global Credit Rating fees	393	550
Current year	393	308
Prior year	-	242
International travel benefit administration fees	741	660
Jump magazine *	3 431	2 932
Legal fees	69	-
Principal Officer remuneration and related expenses	1 953	1 910
Publication costs	64	70
Registrar's levies	3 572	3 009
Salaries costs	1 279	802
Total trustees' and committee members' remuneration and consideration expenses (refer note 19)	1 899	2 165
Remuneration	1 579	1 817
Travelling, accommodation and disbursements	320	348
Other expenses	434	485
	287 136	**257 039**

* Council for Medical Schemes Circular 56 of 2015: Accounting for accredited managed care services has resulted in a reclassification of accredited managed care services from non-healthcare expenditure to healthcare benefits. The Jump magazine fee has been reclassified to administration expenditure as a result of this.

13. Acquisition, Marketing and Distribution Costs

	2015 R'000	2014 R'000
Brokers' service fees	71 360	61 020
Distribution and marketering fees paid	75 562	65 620
	146 922	**126 640**

14. Net Impairment Losses on Healthcare Receivables

	2015 R'000	2014 R'000
Amounts due from members*	2 117	1 518
Service providers' portions	(92)	58
Advances from savings plan accounts	(337)	213
Outstanding member contributions	(148)	(73)
Net Statement of Profit or Loss and Other Comprehensive Income movement	**1 540**	**1 716**

* Amounts due from members is relevant to members who have left the Scheme and have amounts owing for outstanding contributions, savings advances and claims debts.

15. Investment Income

	2015 R'000	2014 R'000
Interest income		
Scheme		
Financial investments at fair value through profit or loss	32 550	53 909
Cash and and cash equivalents	6 302	18 697
Personal Medical Savings account trust monies invested		
Financial investments at fair value through profit or loss	7 313	6 384
Net gains or losses on financial assets at fair value through profit or loss		
Scheme		
realised losses	(422)	(23 282)
unrealised gains/(losses)	24 750	(1 915)
Personal medical savings account trust monies invested		
realised gains/(losses)	27	(73)
unrealised losses	(70)	(214)
	70 450	**53 506**

16. Cash from Operations Before Working Capital Changes

	2015 R'000	2014 R'000
Net surplus for the year	48 632	86 391
Adjustments for:		
Items separately disclosed		
Investment income	(46 165)	(78 990)
Scheme	(38 852)	(72 606)
Personal Medical Savings account trust monies invested	(7 313)	(6 384)
Asset management fees	5 052	2 187
Interest paid on savings plan accounts	7 470	5 931
Realised and unrealised (losses)/gains on financial instruments	(24 285)	25 484
Scheme	(24 328)	25 197
Personal Medical Savings account trust monies invested	43	287
Cash from operations before working capital changes	**(9 296)**	**41 003**

17. Contingent Assets

The Scheme has potential recoveries from the Road Accident Fund of approximately R 58.5 million (2014: R44.4 million) for claims that have been lodged with the fund. The general likelihood of recovery of these amounts is not considered certain, 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. The Trustees consider, based on past experience and the current financial stability of the Road Accident Fund, that the receivable, were it to be recognised, would be fully impaired.

18. Related Party Transactions

The following transactions were entered into with individuals or entities who are considered to be related parties in terms of the definition or in the nature of their relationship with the Scheme.

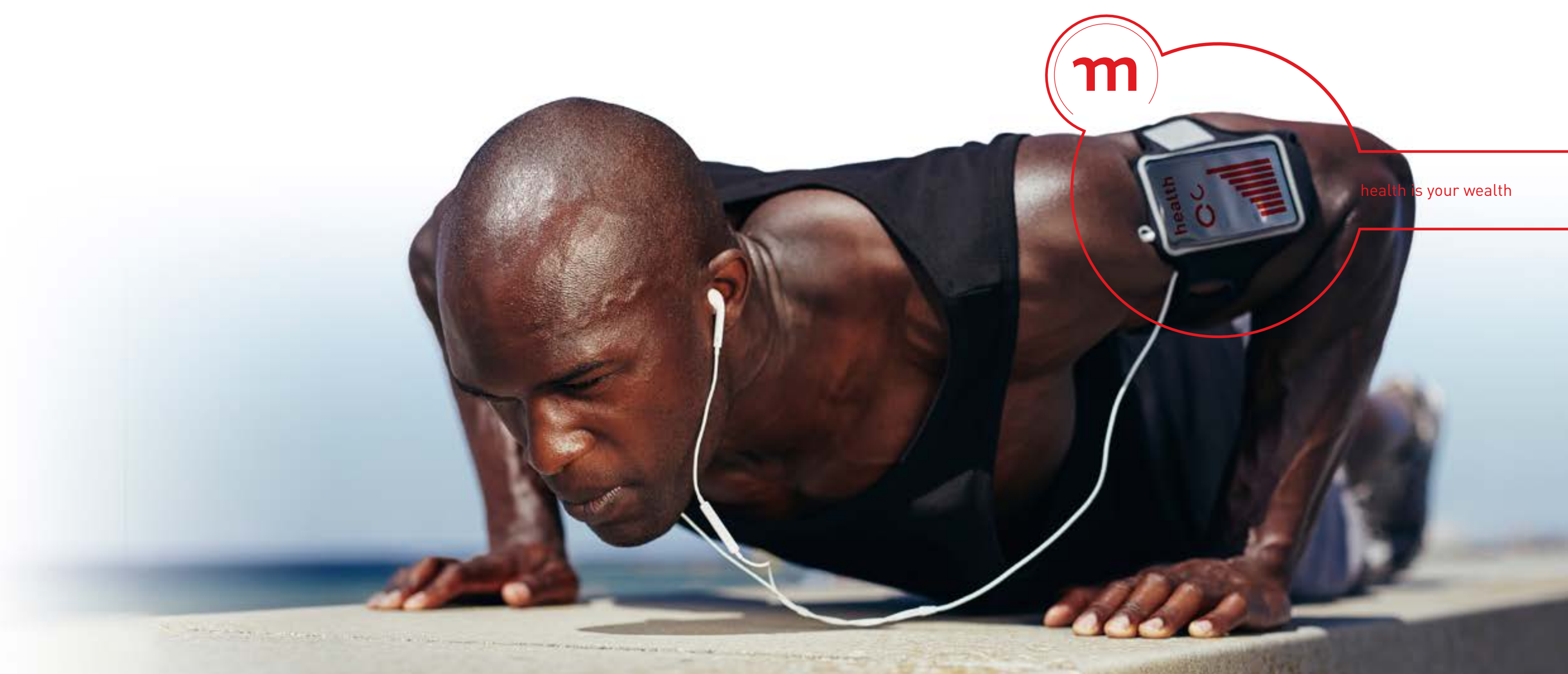
Related Party	Transaction Type	2015 R'000	2014 R'000
MMI Health (Pty) Ltd and its employees	— Net contribution income received	17 510	15 700
	— Net claims paid	12 158	14 403
MMI Health (Pty) Ltd	— Administration fees paid	271 533	242 538
	— Managed care fees paid	82 909	50 810
	— Distribution and marketing fees paid	75 562	65 620
	— Risk transfer fees	284 456	258 764
Trustees and Scheme management	— Net contribution income received	425	491
	— Net claims paid	171	249
	— Trustees fees / expenses paid	1 569	1 781
	— Principal officer and Scheme manager remuneration/ expenses	2 885	2 274

Contributions receivable from and claims paid in respect of employees of MMI Health (Pty) Ltd and the Trustees, Principal Officer and Scheme management during the period, were in accordance with the rules of the Scheme and the provisions of the Act. Accordingly, all such individuals were treated in the same manner by the Scheme as would any member have been, at arms length.

The amounts reflected as owed by related parties are inclusive of outstanding contribution income, amounts held as member savings account balances and commissions outstanding.

Amounts owed to related parties at year end

	2015 R'000	2014 R'000
MMI Health (Pty) Ltd	(3 230)	(32 511)
Trustees, Principal officer and Scheme management	(9)	(5)
	(3 239)	**(32 516)**



19. Trustees and Committee Members' Remuneration and Consideration Expenses

31 December 2015

Name	Fees for Attendance at Meetings R	Accommodation traveling and other R	Total R
Dr EP Dorkin (§)	147 560	14 497	162 057
Ms CJ Kennedy (%)	120 960	13 850	134 810
Ms Y Kwinana (%)	25 760	13 043	38 803
Ms T Mahuma (^)	146 720	26 811	173 531
Mr PL Naidoo (^ - Chairman)	171 070	45 698	216 768
Mr S Nkosi (^)	51 520	3 649	55 169
Mr A Robberts: Chairman (%)(+)(#)	285 015	49 388	334 403
Mr MS Sikhakhane	54 040	17 704	71 744
Dr CF Swanepoel (§- Chairman)	157 350	50 952	208 302
Total - Trustees	1 306 715	262 198	1 568 913
Dr H Botha (§)	12 880	6 067	18 947
Mr P Davis (+)	40 320	18 010	58 330
Mr L Fullarton (+ - Chairman)	48 375	1 150	49 525
Ms T Abdool-Samad (%)	27 440	1 945	29 385
Mr M Mia (% - Chairman)	63 830	6 354	70 184
Ms A Turner (nee Dearham) (§)	39 480	18 121	57 601
Mr GP Wayne (%)	39 480	6 260	45 740
Total - Committee members	271 805	57 907	329 712
Total	**1 578 520**	**320 105**	**1 898 625**

31 December 2014

Name	Fees for Attendance at Meetings R	Accommodation traveling and other R	Total R
Dr EP Dorkin (§)	89 490	6 848	96 338
Mr L Fullarton (+ - Chairman)	94 400	15 309	109 709
Ms Y Kwinana (%)	87 480	10 755	98 235
Ms T Mahuma (^)	174 960	25 825	200 785
Mr PL Naidoo (^ - Chairman)	184 990	68 880	253 870
Mr S Nkosi (^)	149 870	13 559	163 429
Mr A Robberts: Chairman (%)(+)(#)	306 145	47 431	353 576
Mr GHA Steyn (%)	123 440	18 657	142 097
Dr CF Swanepoel (§- Chairman)	145 920	43 982	189 902
Prof BPS van Eck (^)	149 200	24 248	173 448
Total- Trustees	1 505 895	275 494	1 781 389
Dr H Botha (§)	37 750	11 178	48 928
Mr P Davis (+)	37 970	19 436	57 406
Ms CJ Kennedy (%)	50 180	5 434	55 614
Mr M Mia (% - Chairman)	84 630	6 006	90 636
Mr I Mohamed (+)	-	3 936	3 936
Ms A Turner (nee Dearham) (§)	50 630	16 304	66 934
Mr GP Wayne (%)	50 180	10 579	60 759
Total - Committee members	311 340	72 873	384 213
Total	**1 817 235**	**348 367**	**2 165 602**

(%) Audit Committee
(^) Governance and Remuneration Committee
(§) Clinical Risk and Governance Committee
(+) Investment committee
(#) The Chairman of the Board of Trustees is remunerated for attendance at Committee meetings of which he is not a member in addition to other meetings attended on behalf of the Scheme.

The travel expenses above relate to the costs incurred in travelling to Board and Sub-Committee meetings. These were paid or reimbursed directly by the Scheme to the relevant provider or the individuals.

20. Critical Accounting Judgements and Areas of Key Sources of Estimation Uncertainty

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

Provision for outstanding claims

The provision for outstanding claims is an estimate of the potential liability at year end for claims that have been incurred by members but not yet received by the Scheme. Refer to Note 7 for detailed information used in the development of the major assumptions used in the computation of the provision.

Net impairment losses - accounts receivable

An historical experience basis has been applied to the current contribution billings to determine a reasonable estimate of potential future reversals of premiums already billed. In addition outstanding contribution debtors have been assessed on an individual basis for possible impairment, and specific impairment provisions raised where applicable.

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.

Advances from savings plan accounts for off benefit members are impaired where the account is outstanding longer than 60 days. Additional impairment is also raised for advances from savings plan accounts for certain on benefit members where the likelihood of recovery is low.

Estimates

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

21. Capital Risk Management

The Scheme defines its capital as accumulated funds as detailed in the statement of changes in funds and reserves. The Scheme manages its capital in an attempt to ensure that it will be able to continue as a going concern as well as meet the accumulated funds ratio of 25%, as regulated in the Act. For the year ended 31 December 2015, the Scheme's accumulated funds ratio is 28.7% (2014: 31.5%). Refer to section 5 in the Report of the Board of Trustees for further information.

22. Medical 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 dependents 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 Board of Trustees maintains a schedule of identified risks to the Scheme and have evaluated both the likelihood and impact of these risks. This list is reviewed on an ongoing basis and remedial action is taken as and when is necessary.

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 for a portfolio of medical insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

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 by each option, 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 by option, target market and demographic split, is reviewed monthly. There is also a program that regularly reviews contractual premium and benefit data to ensure compliance with the Scheme's objectives.

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.

Concentration of medical insurance risk

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, by age group and in relation to the type of risk covered or benefits provided.

Hospital (major medical) benefits cover all costs incurred by members whilst they are in hospital receiving preauthorised treatment for certain medical conditions. Chronic benefits cover the cost of certain prescribed medicines consumed by members for chronic conditions/ diseases, such as high blood pressure, cholesterol and asthma. Day-to-day benefits cover the cost of out-of-hospital medical attention, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines.

2015	Major Medical		Chronic		Day-to-Day Benefits		Total
Age grouping (in years)	PMB R'000	Non-PMB R'000	PMB R'000	Non-PMB R'000	PMB R'000	Non-PMB R'000	R'000
< 26	213 988	109 363	86	1 977	857	4 447	330 718
26 - 35	209 380	66 295	46	284	472	1 957	278 434
36 - 50	250 496	100 834	406	694	1 391	5 007	358 828
51 - 65	379 450	114 632	568	1 926	1 617	5 138	503 331
> 65	488 191	121 332	597	2 034	2 754	7 736	622 644
	1 541 505	**512 456**	**1 703**	**6 915**	**7 091**	**24 285**	**2 093 955**

2014	Major Medical		Chronic		Day-to-Day Benefits		Total
Age grouping (in years)	PMB R'000	Non-PMB R'000	PMB R'000	Non-PMB R'000	PMB R'000	Non-PMB R'000	R'000
< 26	171 089	92 201	53	1 839	684	5 103	270 969
26 - 35	178 821	56 506	112	290	535	2 668	238 932
36 - 50	232 296	89 038	337	631	1 220	6 053	329 575
51 - 65	340 887	108 244	565	1 865	1 651	6 306	459 518
> 65	397 052	100 979	475	1 909	2 502	7 320	510 237
	1 320 145	**446 968**	**1 542**	**6 534**	**6 592**	**27 450**	**1 809 231**

	2015 R'000	2014 R'000
Reconciliation of net claims to current year claims paid in Note 9		
Total net claims as above	2 093 955	1 809 231
Road Accident Fund claims recoveries	(6 017)	(4 219)
Claims adjustments	(1 393)	(1 367)
Claims paid from savings plan accounts	250 643	240 718
Current year claims paid	**2 337 188**	**2 044 363**

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.

Risk transfer arrangements

The Scheme has entered into capitation agreements which are, in substance, the same as a non-proportional reinsurance treaty which aim to reduce the net exposure to the Scheme to medical insurance risk.

The Scheme cedes medical insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks and defined blocks of business, 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 if any capitation provider fails to meet the obligations it assumes. When selecting a capitation provider the Scheme considers its stability from publicly available information and investigations.

23. Financial Risk Management

The Scheme's activities expose it to a variety of financial risks, including the effects of changes in bond and equity market prices, foreign currency exchange rates and interest rates. The Scheme's overall investment risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligations to its members.

Investment risk management and investment decisions are carried out by the investment committee, under the guidance and policies approved by the Board of Trustees. The investment committee identifies, evaluates and economically hedges, where appropriate, financial risk associated with the Scheme's investment portfolio. The investment committee provides written policies for overall investment risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity. The Board of Trustees approves all of the written investment policies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is the exposure that the Scheme has to changes in interest rates. The main exposure to the Scheme would be a reduction in interest income on investments if interest rates were to decrease. In order to reduce the impact of any potential interest rate changes, the Scheme holds a diversified portfolio of investments.

The Scheme's investments in interest bearing instruments constitute a significant portion of the Scheme's total investments, and are exposed to interest rate risk. These funds are placed at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate placings within market expectations. Yields on interest bearing instruments have improved in the year due to the increase in interest rates.

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

As at 31 December 2015	Up to 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	Total R'000
Investments held at fair value through profit or loss	1 256 501	-	-	1 256 501
Prudential Investment Managers (South Africa) (Pty) Ltd	486 870	-	-	486 870
Sanlam Life Insurance Limited	484 224	-	-	484 224
Momentum Asset Management (Pty) Ltd	285 407	-	-	285 407
Cash and cash equivalents	67 491	-	-	67 491
	1 323 992	-	-	1 323 992

As at 31 December 2014	Up to 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	Total R'000
Investments held at fair value through profit or loss	1 032 153	-	-	1 032 153
The Safex Clearing Company (Pty) Ltd (Safcom)	210	-	-	210
Momentum Asset Management (Pty) Ltd	1 031 943	-	-	1 031 943
Cash and cash equivalents	227 786	-	-	227 786
	1 259 939	-	-	1 259 939

If interest rates changed by 1%, assuming all other variables remain constant, and the recent past is predictive of the future, the impact to the return on investment and the resulting impact on the surplus of the Scheme is illustrated below:

	2015 R'000	2014 R'000
Cash and cash equivalents	343	1 513

If interest rates changed by 1%, assuming all other variables remain constant, and the recent past is predictive of the future, the impact on the fair value of the investment, is illustrated below:

	2015 R'000	2014 R'000
Money market portfolio - Momentum Asset Management (Pty) Ltd	3 257	9 203

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 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 direct foreign investments.

The Scheme is indirectly exposed to foreign currency risk to the extent that certain underlying healthcare service provider costs charged to the Scheme in Rand's are impacted by the changes in foreign currency. The Scheme is also exposed to the changes in foreign currency in its international travel benefit where the costs of claims are affected by changes in foreign currency.

Market risk

Market 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.

Should the South African equities market change by 10% (2014: no equity investments), 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:

	% SA market movement	2015 R'000	2014 R'000
Investments held at fair value through profit or loss			
Equities	10%	26 145	-

Credit risk

Credit risk is the risk of loss arising from the inability of a counter party to service their debt obligations.

The Scheme's principal financial assets are cash and cash equivalents, accounts receivables and investments. The Scheme's credit risk is attributable primarily to trade and other receivables and fixed interest or bond investments. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables (i.e. impairment losses), which have been estimated by the Trustees based on prior experience and the current economic environment. The credit risk on derivative instruments and cash transactions in liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution to ensure that there are no significant concentrations of credit risk, with exposure spread over a large number of counterparties and members. This is in line with Annexure B of the regulations to the Act.

The Scheme's maximum exposure to credit risk at the reporting date is represented by it's trade receivables, cash and investment holdings to the value of R 1 363 million (2014: R1 290 million). None of the terms of the Scheme's financial assets have been renegotiated.

Trade and other receivables	2015 R'000	2014 R'000
Fully performing	34 196	26 640
Past due but not impaired	4 422	3 891
Past due and impaired	3 465	4 357
	42 083	34 888
Provision for impairment of trade and other receivables	(3 465)	(4 357)
Trade and other receivables (refer Note 3)	**38 618**	**30 531**

Trade and other receivables are impaired once they have exceeded 90 days past due. In addition, outstanding contribution debtors have been assessed on an individual basis for possible impairment, and specific impairment provisions raised where applicable. Other balances older than 90 days which were received in subsequent payments were not impaired. In order to further mitigate this risk, there is a formal policy in place for the treatment of any debt that becomes past due.

Age analysis of past due but not impaired	2015	2014
	R'000	R'000
< 30 days	4 122	3 646
Between 30 and 60 days	300	245
	4 422	3 891

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet liabilities when due. By monitoring the availability of funding through liquid holding cash positions with various financial institutions, the Trustees ensure that the Scheme has the ability to fund its day-to-day operations. Liquidity is further managed by monitoring forecast cash flows to ensure that the Scheme has adequate cash resources to meet its short term commitments.

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. The table is based on discounted amounts adjusted for interest to reconcile to the value per the Statement of Financial Position.

As at 31 December 2015	Up to 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	Discounting adjustment R'000	Total R'000
Non-current assets	971 094	-	-	-	971 094
Investments held at fair value through profit or loss	971 094	-	-	-	971 094
Current assets	391 516	-	-	-	391 516
Trade and other receivables	38 618	-	-	-	38 618
Investments held at fair value through profit or loss	285 407	-	-	-	285 407
Cash and cash equivalents	67 491	-	-	-	67 491
Current liabilities	233 276	141 702	22 542	(7 622)	389 898
Savings plan liability *	20 244	92 547	3 305	(7 622)	108 474
Trade and other payables	76 520	-	-	-	76 520
Outstanding claims provision	136 512	49 155	19 237	-	204 904
Net positive liquidity	1 129 334	(141 702)	(22 542)	7 622	972 712

* Interest to be paid on savings plan liability is based on the 2016 budget.

As at 31 December 2014	Up to 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	Discounting adjustment R'000	Total R'000
Current assets	1 290 470	-	-	-	1 290 470
Trade and other receivables	30 531	-	-	-	30 531
Investments held at fair value through profit or loss	1 032 153	-	-	-	1 032 153
Cash and cash equivalents	227 786	-	-	-	227 786
Current liabilities	229 923	112 497	28 121	(4 151)	366 390
Savings plan liability	20 244	73 678	12 619	(4 151)	102 390
Trade and other payables	103 728	-	-	-	103 728
Outstanding claims provision	105 951	38 819	15 502	-	160 272
Net positive liquidity	1 060 547	(112 497)	(28 121)	4 151	924 080

Breakdown of investments

The investments are split between held at fair value through profit or loss and cash and cash equivalents in the Annual Financial Statements. To understand the liquidity risk associated with the current investment portfolio, the following disclosure is presented under each category:

	2015	2014
	R'000	R'000
Investments held at fair value through profit or loss (refer Note 2)	1 256 501	1 032 153
Cash and cash equivalents (refer Note 4)	67 491	227 786

Fair value estimation

The fair value of publicly traded financial instruments held at fair value through profit or loss is based on quoted market prices which fluctuate on a daily basis. The face values less any estimated impairment adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

		2015		2014
	Carrying amount	Fair Value	Carrying amount	Fair Value
	R'000	R'000	R'000	R'000
Financial Assets				
Trade and other receivables	38 618	38 618	30 531	30 531
Investments held at fair value through profit or loss	1 256 501	1 256 501	1 032 153	1 032 153
Cash and cash equivalents	67 491	67 491	227 786	227 786
Financial Liabilities				
Savings plan liability	108 474	108 474	102 390	102 390
Trade and other payables	76 520	76 520	103 728	103 728

Fair value of financial assets and liabilities by hierachy 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.

	2015	2014
Financial assets measured at fair value	R'000	R'000
Level 1		
Investments held at fair value through profit or loss (refer Note 2)	1 256 501	1 032 153

Level 1 - Financial assets whose fair value is determined directly by reference to published price quotations in an active market.

Capital adequacy risk

This represents the risk that there are insufficient reserves to provide for adverse variations on future investment values and claims experience.

The Scheme has R975 million (2014 R925.8 million) of members' funds at 31 December 2015, which translated to an accumulated funds ratio per the Council for Medical Schemes method of calculation of 28.7 % (2014: 31.5%). The level of accumulated funds would have covered 4.4 months (2014: 4.9 months) of the claims costs incurred for the year.

Liability insurance

The Scheme participated in an exclusive liability insurance policy from Santam Ltd for an amount of R250 million (2014: R250 million).

24. Non-Compliance with the Medical Schemes Act

There were no significant deviations from the Act but the following matters of non-compliance with the Act were noted:

24.1 Sustainability of Benefit Options

Nature and impact

In terms of section 33(2) of the Act, each option shall be self-supporting in terms of membership and financial performance and be financially sound. As at 31 December 2015 the consolidated Incentive and Extender options did not meet this requirement.

Causes

The current demographic profile and claiming patterns of the members on these options have resulted in the deficits incurred.

Corrective course

The Board of Trustees continue to monitor the potential risk and impact to the Scheme as a whole of buy-downs to less costly options due to affordability, resulting from high increases and/or significant benefit cuts which would have to be introduced to eliminate the operational deficits experienced on these two options.

24.2 Investment in an employer group or administrator

Nature and impact

In terms of Section 35 (8) of the Act a medical scheme shall not invest any of its assets in any medical scheme administrator or a holding company of a medical scheme administrator or an employer who participates in the medical scheme. The Scheme invests a portion of its assets with Sanlam Life Insurance Ltd and Prudential Investment Managers (South Africa) (Pty) Limited

Causes

As a consequence of the investment decisions within the asset managers' portfolios the Scheme currently has investments in contravention of Section 35 (8). The Scheme has no influence over the investment decisions of the independent asset managers regarding what assets they invest the Scheme's funds into or the size of that asset holding. The investment decisions are made entirely at the asset manager's discretion.

Corrective course

The Scheme made application to the Council for Medical Schemes for an exemption from this section of the Act and received such exemption.

24.3 Payment of Member Claims

Nature and impact

In terms of Section 59 (2) of the Act, a medical scheme shall pay a member or supplier of service any benefit owing to that member or supplier within 30 days after the day on which the claim was received.

Causes

Of the total 1 273 092 claims received for the year, 156 claims received were not paid within 30 days of receipt due to certain procedures to validate claims such as clinical auditing.

Corrective course

The claims paid outside of 30 days are investigated by the Scheme in conjunction with the Administrator to ensure effective management.

24.4 Collection of Contributions

In terms of Section 26 (7) of the Medical Schemes Act, member contributions must be received within 3 days after payment thereof becoming due. There are instances where the Scheme received contributions after three days of becoming due; however, there are no contracts in place agreeing to this practice.

Causes

The Scheme continues to maintain its debit order strike facility which is line with legislation. We do however have large number of members who pay via EFT or cash deposits. For these Members, the Scheme has no control over the timing of the receipt of contributions.

Corrective course

The financial risk is mitigated by the Scheme's stringent credit control policy and processes which minimises the risk of non-recoverability. The management of the contributions collections is an on-going process involving interaction with the employer groups, brokers and Members.

25. Administration Software

In terms of the current agreement, the Scheme has granted MMI Group Ltd an exclusive licence to utilise the Software initially developed by the Scheme for the purposes of carrying on the business of providing administration and managed care services. In return MMI Group Ltd is required to incur all necessary costs associated with the maintenance, support and development of the Software.

The copyright of the Software vests with the Scheme for the duration of the administration agreement until such date as the relationship between the two parties is terminated. At this point both parties shall be entitled to a copy of the Software and related documentation existing at that date.

26. Subsequent Events

No material events have occurred subsequent to the end of the accounting period to the date of signing that affect the annual financial report and that the Trustees consider should be brought to the attention of the Members of the Scheme.

27. Comprehensive Income / (Loss) per Benefit Option

2015

	Ingwe				Access	Custom						
	Ingwe Primary Care State Hospital R'000	Ingwe Primary Care Associated Hospital R'000	Ingwe Primary Care Any Hospital R'000	Ingwe Total R'000	R'000	Custom State Associated Hospital R'000	Custom State Any Hospital R'000	Custom Any GP/ Pharmacy Any Hospital R'000	Custom Any GP/ Pharmacy Associated Hospital R'000	Custom Associated GP/ Pharmacy Any Hospital R'000	Custom Associated GP/ Pharmacy Associated Hospital R'000	Custom Total R'000
Risk contributions	6 401	130 392	118 033	254 826	81 029	660 558	128 464	85 841	78 534	18 923	92 658	1 064 978
Relevant healthcare expenditure	(2 714)	(120 006)	(75 983)	(198 703)	(59 390)	(471 279)	(82 054)	(89 729)	(90 322)	(18 276)	(94 253)	(845 913)
Net claims incurred	(2 674)	(113 324)	(65 298)	(181 296)	(60 068)	(405 588)	(72 598)	(95 277)	(99 635)	(18 592)	(95 687)	(787 377)
Net (expense) / income on risk transfer arrangements	(40)	(6 682)	(10 685)	(17 407)	678	(65 691)	(9 456)	5 548	9 313	316	1 434	(58 536)
Recovery on risk transfer arrangements	2 048	28 009	35 209	65 266	19 453	3 455	547	10 983	15 119	1 578	9 021	40 703
Risk transfer arrangement expenses	(2 088)	(34 691)	(45 894)	(82 673)	(18 775)	(69 146)	(10 003)	(5 435)	(5 806)	(1 262)	(7 587)	(99 239)
Gross healthcare result	3 687	10 386	42 050	56 123	21 639	189 279	46 410	(3 888)	(11 788)	647	(1 595)	219 065
Acquisition, marketing and servicing costs	(359)	(6 181)	(7 534)	(14 074)	(3 458)	(39 504)	(6 227)	(3 352)	(3 566)	(793)	(4 565)	(58 007)
Administration expenses	(614)	(9 403)	(13 894)	(23 911)	(5 671)	(74 566)	(10 972)	(6 095)	(6 446)	(1 389)	(8 300)	(107 768)
Net impairment losses on healthcare receivables	3	(37)	48	14	(52)	(70)	(22)	-	(12)	(1)	(11)	(116)
Net healthcare result	2 717	(5 235)	20 670	18 152	12 458	75 139	29 189	(13 335)	(21 812)	(1 536)	(14 471)	53 174
Other income	163	3 247	3 329	6 739	1 931	15 905	3 058	2 030	1 866	448	2 210	25 517
Other expenditure	(18)	(221)	(196)	(435)	(134)	(1 187)	(259)	(191)	(139)	(37)	(165)	(1 978)
Surplus / (Deficit) for the year	2 862	(2 209)	23 803	24 456	14 255	89 857	31 988	(11 496)	(20 085)	(1 125)	(12 426)	76 713
Other comprehensive income	-	-	-	-		-	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	**2 862**	**(2 209)**	**23 803**	**24 456**	**14 255**	**89 857**	**31 988**	**(11 496)**	**(20 085)**	**(1 125)**	**(12 426)**	**76 713**
Number of members	742	11 519	23 426	35 687	2 735	33 307	4 617	2 400	2 560	573	3 486	46 943
Average number of principals	675	10 459	25 328	36 462	2 849	30 383	4 412	2 404	2 564	560	3 342	43 663
Average number of dependants	231	5 114	1 431	6 775	2 756	37 574	6 466	2 703	2 926	703	4 047	54 418
Average number of beneficiaries	905	15 573	26 759	43 237	5 606	67 956	10 877	5 107	5 490	1 262	7 389	98 081
Number of principals at the end of the period	742	11 519	23 426	35 687	2 735	33 307	4 617	2 400	2 560	573	3 486	46 943
Number of beneficiaries at the end of the period	1 016	17 266	25 061	43 343	5 383	74 305	11 353	5 096	5 451	1 296	7 688	105 189
Average age of beneficiaries	29.62	30.22	24.28	26.81	30.95	29.03	27.97	41.42	42.90	36.24	37.90	31.03
Beneficiaries >65 years (%)	0.30%	6.82%	0.34%	2.92%	6.50%	2.98%	2.95%	16.80%	17.26%	11.03%	12.63%	5.19%
Dependant ratio	0.34	0.49	0.06	0.19	0.97	1.24	1.47	1.12	1.14	1.26	1.21	1.25
Risk contributions												
Per average member per month (Rands)	790	1 039	388	582	2 370	1 812	2 427	2 976	2 553	2 816	2 311	2 033
Per average beneficiary per month (Rands)	589	698	368	491	1 205	810	984	1 401	1 192	1 249	1 045	905
Relevant healthcare expenditure												
Per average member per month (Rands)	335	956	250	454	1 737	1 293	1 550	3 111	2 936	2 721	2 351	1 614
Per average beneficiary per month (Rands)	250	642	237	383	883	578	629	1 464	1 371	1 207	1 062	718
Total relevant healthcare expenditure as % of gross contributions	42%	92%	64%	78%	73%	71%	64%	105%	115%	97%	102%	79%
Non-healthcare expenditure												
Per average member per month (Rands)	120	124	70	87	269	313	325	328	326	325	321	317
Per average beneficiary per month (Rands)	89	84	67	73	136	140	132	154	152	144	145	141
Non-healthcare expenses as a % of risk contributions	15%	12%	18%	15%	11%	17%	13%	11%	13%	12%	14%	16%
Return on investments as a % of investments												
Average accumulated funds per member at 31 December												

* The consolidated Incentive and Extender benefit options incurred an operational deficit for the year.

Incentive*							Extender*							Summit	TOTAL
Incentive State Associated Hospital R'000	Incentive State Any Hospital R'000	Incentive Any GP/ Pharmacy Any Hospital R'000	Incentive Any GP/ Pharmacy Associated Hospital R'000	Incentive Associated GP/ Pharmacy Any Hospital R'000	Incentive Associated GP/ Pharmacy Associated Hospital R'000	Incentive Total R'000	Extender State Associated Hospital R'000	Extender State Any Hospital R'000	Extender Any GP/ Pharmacy Any Hospital R'000	Extender Any GP/ Pharmacy Associated Hospital R'000	Extender Associated GP/ Pharmacy Any Hospital R'000	Extender Associated GP/ Pharmacy Associated Hospital R'000	Extender Total R'000	R'000	R'000
310 195	282 428	416 243	91 916	35 673	64 146	1 200 601	25,395	68,593	209,617	39,250	10,534	13,814	367,203	93,098	3,061,735
(237 137)	(213 835)	(461 647)	(91 409)	(38 701)	(64 558)	(1 107 287)	(18 457)	(37 319)	(211 945)	(46 086)	(12 098)	(13 649)	(339 554)	(87 511)	(2 638 358)
(211 157)	(195 418)	(493 349)	(100 087)	(39 169)	(66 146)	(1 105 326)	(17 340)	(34 648)	(228 891)	(50 011)	(12 381)	(14 397)	(357 668)	(95 342)	(2 587 077)
(25 980)	(18 417)	31 702	8 678	468	1 588	(1 961)	(1 117)	(2 671)	16 946	3 925	283	748	18 114	7 831	(51 281)
1 401	1 136	54 543	14 010	2 515	5 759	79 364	85	171	24 546	5 596	703	1 369	32 470	9 800	247 056
(27 381)	(19 553)	(22 841)	(5 332)	(2 047)	(4 171)	(81 325)	(1 202)	(2 842)	(7 600)	(1 671)	(420)	(621)	(14 356)	(1 969)	(298 337)
73 058	68 593	(45 404)	507	(3 028)	(412)	93 314	6 938	31 274	(2 328)	(6 836)	(1 564)	165	27 649	5 587	423 377
(19 365)	(13 995)	(15 956)	(3 932)	(1 512)	(3 064)	(57 824)	(1 059)	(2 462)	(6 190)	(1 396)	(352)	(524)	(11 983)	(1 576)	(146 922)
(39 276)	(28 551)	(33 931)	(7 854)	(2 989)	(6 090)	(118 691)	(2 238)	(5 256)	(14 206)	(3 087)	(774)	(1 140)	(26 701)	(4 394)	(287 136)
(594)	(89)	(130)	(56)	(49)	(128)	(1 046)	(78)	(52)	(92)	(123)	(49)	(29)	(423)	83	(1 540)
13 823	25 958	(95 421)	(11 335)	(7 578)	(9 694)	(84 247)	3 563	23 504	(22 816)	(11 442)	(2 739)	(1 528)	(11 458)	(300)	(12 221)
7 414	6 697	9 806	2 168	841	1 518	28 444	595	1 606	4 896	919	247	324	8 587	2 157	73 375
(1 423)	(1 590)	(1 664)	(288)	(120)	(216)	(5 301)	(405)	(1 116)	(2 404)	(392)	(74)	(106)	(4 497)	(177)	(12 522)
19 814	31 065	(87 279)	(9 455)	(6 857)	(8 392)	(61 104)	3 753	23 994	(20 324)	(10 915)	(2 566)	(1 310)	(7 368)	1 680	48 632
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19 814	31 065	(87 279)	(9 455)	(6 857)	(8 392)	(61 104)	3 753	23 994	(20 324)	(10 915)	(2 566)	(1 310)	(7 368)	1 680	48 632
12 594	8 670	9 893	2 324	922	1 864	36 267	516	1 215	3 296	721	184	272	6 204	845	128 681
12 012	8 649	10 111	2 359	906	1 846	35 882	529	1 256	3 360	739	186	274	6 345	869	126 070
14 941	11 560	10 291	2 809	1 172	2 083	42 856	826	1 811	3 510	685	211	293	7 335	611	114 752
26 952	20 209	20 401	5 168	2 078	3 929	78 738	1 355	3 067	6 870	1 424	397	567	13 680	1 481	240 822
12 594	8 670	9 893	2 324	922	1 864	36 267	516	1 215	3 296	721	184	272	6 204	845	128 681
28 158	20 335	19 870	5 066	2 106	3 943	79 478	1 331	2 976	6 708	1 380	390	562	13 347	1 432	248 172
30.04	31.62	46.44	43.19	37.46	39.99	36.15	32.41	32.34	47.92	50.59	43.64	45.03	43.01	59.31	32.67
4.44%	6.18%	26.09%	19.50%	12.96%	15.57%	12.04%	6.84%	5.65%	28.65%	30.36%	23.59%	26.33%	21.28%	48.05%	8.13%
1.24	1.34	1.02	1.19	1.29	1.13	1.19	1.56	1.44	1.04	0.93	1.13	1.07	1.16	0.70	0.91
2 152	2 721	3 431	3 247	3 282	2 896	2 788	3 999	4 550	5 199	4 424	4 724	4 198	4 823	8 923	2 024
959	1 165	1 700	1 482	1 431	1 361	1 271	1 562	1 864	2 543	2 297	2 213	2 031	2 237	5 239	1 059
1 645	2 060	3 805	3 229	3 560	2 915	2 572	2 906	2 475	5 257	5 195	5 425	4 147	4 460	8 388	1 744
733	882	1 886	1 474	1 552	1 369	1 171	6.84%	5.65%	28.65%	30.36%	23.59%	26.33%	21.28%	48.05%	8.13%
69%	68%	100%	90%	98%	91%	83%	55%	41%	76%	89%	87%	75%	70%	94%	80%
411	411	412	418	419	419	412	531	515	508	519	527	514	514	564	288
183	176	204	191	182	197	188	208	211	249	270	247	249	238	331	151
19%	15%	12%	13%	13%	14%	15%	13%	11%	10%	12%	11%	12%	11%	6%	14%
															22%
															7.56

27. Comprehensive Income / (Loss) per Benefit Option

2014

	Ingwe				Access	Custom						
	Ingwe Primary Care State Hospital R'000	Ingwe Primary Care Associated Hospital R'000	Ingwe Primary Care Any Hospital R'000	Ingwe Total R'000	R'000	Custom State Associated Hospital R'000	Custom State Any Hospital R'000	Custom Any GP/ Pharmacy Any Hospital R'000	Custom Any GP/ Pharmacy Associated Hospital R'000	Custom Associated GP/ Pharmacy Any Hospital R'000	Custom Associated GP/ Pharmacy Associated Hospital R'000	Custom Total R'000
Risk contributions	6 127	109 568	96 803	212 498	85 829	492 962	101 906	79 100	71 404	14 061	71 611	831 044
Relevant healthcare expenditure	(2 638)	(101 168)	(60 297)	(164 103)	(66 373)	(361 704)	(70 372)	(75 757)	(75 769)	(13 517)	(72 834)	(669 953)
Net claims incurred	(2 273)	(96 199)	(54 187)	(152 659)	(62 830)	(308 861)	(62 193)	(79 756)	(83 453)	(13 549)	(72 723)	(620 535)
Net (expense) / income on risk transfer arrangements	(365)	(4 969)	(6 110)	(11 444)	(3 543)	(52 843)	(8 179)	3 999	7 684	32	(111)	(49 418)
Recovery on risk transfer arrangements	1 833	25 066	31 603	58 502	17 390	3 134	488	9 595	13 417	1 070	6 385	34 089
Risk transfer arrangement expenses	(2 198)	(30 035)	(37 713)	(69 946)	(20 933)	(55 977)	(8 667)	(5 596)	(5 733)	(1 038)	(6 496)	(83 507)
Gross healthcare result	3 489	8 400	36 506	48 395	19 456	131 258	31 534	3 343	(4 365)	544	(1 223)	161 091
Acquisition, marketing and servicing costs	(349)	(5 105)	(6 147)	(11 601)	(3 662)	(29 750)	(4 994)	(3 165)	(3 271)	(607)	(3 589)	(45 376)
Administration expenses	(614)	(7 928)	(11 508)	(20 050)	(6 089)	(57 723)	(9 039)	(5 890)	(5 996)	(1 090)	(6 757)	(86 495)
Net impairment losses on healthcare receivables	(2)	(147)	5	(144)	(27)	(61)	(10)	-	(12)	(1)	(14)	(98)
Net healthcare result	2 524	(4 780)	18 856	16 600	9 678	43 724	17 491	(5 712)	(13 644)	(1 154)	(11 583)	29 122
Other income	142	2 462	2 457	5 061	1 842	10 701	2 186	1 686	1 529	301	1 539	17 942
Other expenditure	(15)	(97)	(79)	(191)	(70)	(486)	(124)	(108)	(65)	(16)	(68)	(867)
Surplus / (Deficit) for the year	2 651	(2 415)	21 234	21 470	11 450	53 939	19 553	(4 134)	(12 180)	(869)	(10 112)	46 197
Other comprehensive income	-	-	-	-		-	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	**2 651**	**(2 415)**	**21 234**	**21 470**	**11 450**	**53 939**	**19 553**	**(4 134)**	**(12 180)**	**(869)**	**(10 112)**	**46 197**
Number of members	693	9 903	19 413	30 009	3 192	27 062	4 031	2 448	2 534	472	3 016	39 563
Average number of principals	731	9 409	22 115	32 255	3 300	24 577	3 828	2 472	2 534	459	2 860	36 730
Average number of dependants	260	4 617	742	5 618	3 196	31 016	5 649	2 788	3 011	573	3 412	46 449
Average number of beneficiaries	991	14 026	22 856	37 873	6 496	55 594	9 477	5 260	5 546	1 032	6 272	83 180
Number of principals at the end of the period	693	9 903	19 413	30 009	3 192	27 062	4 031	2 448	2 534	472	3 016	39 563
Number of beneficiaries at the end of the period	940	14 783	20 290	36 013	6 320	60 847	9 957	5 213	5 506	1 055	6 620	89 198
Average age of beneficiaries	30.54	31.07	24.16	27.19	30.23	28.78	27.92	39.82	41.37	35.84	37.18	30.88
Beneficiaries >65 years (%)	0.53%	7.09%	0.28%	3.08%	5.63%	2.77%	2.78%	15.08%	14.73%	10.05%	11.50%	4.97%
Dependant ratio	0.36	0.49	0.03	0 .17	0.97	1.26	1.48	1.13	1.19	1.25	1.19	1.26
Risk contributions												
Per average member per month (Rands)	698	970	365	549	2 167	1 671	2 218	2 667	2 348	2 550	2 087	1 885
Per average beneficiary per month (Rands)	515	651	353	468	1 101	739	896	1 253	1 073	1 136	952	833
Relevant healthcare expenditure												
Per average member per month (Rands)	301	896	227	424	1 676	1 226	1 532	2 554	2 491	2 454	2 122	1 520
Per average beneficiary per month (Rands)	222	601	220	361	852	542	619	1 200	1 139	1 092	967	670
Total relevant healthcare expenditure as % of gross contributions	43%	92%	62%	77%	77%	73%	69%	96%	106%	96%	102%	81%
Non-healthcare expenditure												
Per average member per month (Rands)	110	117	67	82	247	297	306	305	305	308	302	299
Per average beneficiary per month (Rands)	81	78	64	70	125	131	123	143	139	137	138	132
Non-healthcare expenses as a % of risk contributions	16%	12%	18%	15%	11%	18%	14%	11%	13%	12%	14%	16%
Return on investments as a % of investments												
Average accumulated funds per member at 31 December												

* The consolidated Incentive benefit option incurred an operational deficit for the year.

Incentive*							Extender							Summit	TOTAL
Incentive State Associated Hospital R'000	Incentive State Any Hospital R'000	Incentive Any GP/ Pharmacy Any Hospital R'000	Incentive Any GP/ Pharmacy Associated Hospital R'000	Incentive Associated GP/ Pharmacy Any Hospital R'000	Incentive Associated GP/ Pharmacy Associated Hospital R'000	Incentive Total R'000	Extender State Associated Hospital R'000	Extender State Any Hospital R'000	Extender Any GP/ Pharmacy Any Hospital R'000	Extender Any GP/ Pharmacy Associated Hospital R'000	Extender Associated GP/ Pharmacy Any Hospital R'000	Extender Associated GP/ Pharmacy Associated Hospital R'000	Extender Total R'000	R'000	R'000
248 228	258 797	412 333	85 414	28 975	54 782	1 088 529	28 808	67 087	219 218	39 380	10 238	12 948	377 679	96 096	2 691 675
(188 551)	(187 720)	(411 769)	(79 011)	(28 962)	(56 338)	(952 351)	(16 945)	(34 215)	(221 455)	(38 975)	(10 639)	(14 663)	(336 892)	(83 055)	(2 272 727)
(166 418)	(169 398)	(439 078)	(86 300)	(29 063)	(56 769)	(947 026)	(15 536)	(31 327)	(236 859)	(42 496)	(10 723)	(15 234)	(352 175)	(91 054)	(2 226 279)
(22 133)	(18 322)	27 309	7 289	101	431	(5 325)	(1 409)	(2 888)	15 404	3 521	84	571	15 283	7 999	(46 448)
1 303	1 070	52 123	12 719	1 927	4 303	73 445	82	166	24 101	5 303	515	1 203	31 370	10 223	225 019
(23 436)	(19 392)	(24 814)	(5 430)	(1 826)	(3 872)	(78 770)	(1 491)	(3 054)	(8 697)	(1 782)	(431)	(632)	(16 087)	(2 224)	(271 467)
59 677	71 077	564	6 403	13	(1 556)	136 178	11 863	32 872	(2 237)	405	(401)	(1 715)	40 787	13 041	418 948
(15 435)	(12 852)	(15 996)	(3 710)	(1 259)	(2 620)	(51 872)	(1 226)	(2 456)	(6 587)	(1 395)	(335)	(501)	(12 500)	(1 629)	(126 640)
(32 043)	(26 726)	(34 531)	(7 536)	(2 535)	(5 329)	(108 700)	(2 578)	(5 311)	(15 269)	(3 101)	(753)	(1 097)	(28 109)	(4 663)	(254 106)
(272)	(160)	(167)	(63)	(23)	(60)	(745)	(51)	(66)	(162)	(54)	(22)	(22)	(377)	(325)	(1 716)
11 927	31 339	(50 130)	(4 906)	(3 804)	(9 565)	(25 139)	8 008	25 039	(24 255)	(4 145)	(1 511)	(3 335)	(199)	6 424	36 486
5 345	5 527	8 749	1 814	616	1 167	23 218	608	1 415	4 610	830	216	273	7 952	2 008	58 023
(873)	(1 103)	(1 127)	(182)	(66)	(126)	(3 477)	(359)	(862)	(1 790)	(273)	(58)	(71)	(3 413)	(100)	(8 118)
16 399	35 763	(42 508)	(3 274)	(3 254)	(8 524)	(5 398)	8 257	25 592	(21 435)	(3 588)	(1 353)	(3 133)	4 340	8 332	86 391
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16 399	**35 763**	**(42 508)**	**(3 274)**	**(3 254)**	**(8 524)**	**(5 398)**	**8 257**	**25 592**	**(21 435)**	**(3 588)**	**(1 353)**	**(3 133)**	**4 340**	**8 332**	**86 391**
11 088	8 652	10 833	2 367	835	1 719	35 494	635	1 302	3 767	773	182	278	6 937	952	116 147
10 303	8 579	10 979	2 399	807	1 697	34 764	657	1 354	3 849	788	191	279	7 118	982	115 149
13 024	11 442	11 553	2 903	1 041	2 015	41 977	1 016	1 932	4 162	807	234	307	8 458	724	106 422
23 327	20 021	22 532	5 302	1 848	3 712	76 741	1 673	3 286	8 011	1 595	425	586	15 576	1 706	221 571
11 088	8 652	10 833	2 367	835	1 719	35 494	635	1 302	3 767	773	182	278	6 937	952	116 147
25 002	20 219	22 158	5 186	1 917	3 738	78 220	1 603	3 158	7 829	1 540	407	576	15 113	1 623	226 487
29.96	31.23	45.08	42.21	36.97	39.00	36.06	31.81	32.34	46.43	48.81	41.00	48.81	42.07	58.74	32.95
4.42%	5.78%	23.65%	18.16%	12.52%	14.29%	11.80%	5.36%	5.64%	25.55%	26.36%	19.41%	26.36%	19.18%	46.77%	8.29%
1.26	1.33	1.05	1.21	1.29	1.19	1.21	1.55	1.43	1.08	1.02	1.23	1.10	1.19	0.74	0.92
2 008	2 514	3 130	2 967	2 994	2 690	2 609	3 654	4 128	4 747	4 164	4 467	3 871	4 422	8 152	1 948
887	1077	1 525	1 342	1 307	1 230	1 182	1 435	1 701	2 280	2 058	2 007	1 842	2 021	4 694	1 012
1 525	1 823	3 125	2 744	2 992	2 766	2 283	2 150	2 105	4 795	4 121	4 642	4 384	3 944	7 046	1 645
674	781	1 523	1 242	1 306	1 265	1 033	844	868	2 304	2 037	2 086	2 085	1 801	4 057	855
69%	65%	90%	84%	90%	93%	79%	44%	38%	76%	75%	79%	86%	67%	86%	78%
386	386	385	393	394	393	387	489	482	477	481	484	484	480	561	277
171	165	187	178	172	180	175	192	199	229	238	218	230	219	323	144
19%	15%	12%	13%	13%	15%	15%	13%	12%	10%	12%	11%	13%	11%	7%	14%
															22%
															8.37

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