



(Reference Number: 1491)

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**COMPCARE WELLNESS MEDICAL SCHEME  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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**COMPCARE WELLNESS MEDICAL SCHEME  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES**

The Trustees are responsible for the preparation, integrity, and fair presentation of the annual financial statements of CompCare Wellness Medical Scheme ("the Scheme"). The financial statements presented on pages 5 to 50 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Schemes Accounting Guide for the year ended 31 December 2011 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 satisfied that the information contained in the annual financial statements fairly presents the results of operations for the year and the financial position of the Scheme at year-end. The Trustees also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

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

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

The going concern basis has been adopted in preparing the 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 financial statements support the viability of the Scheme.

The Scheme's external auditors are responsible for auditing the annual financial statements and their report is presented on page 4.

The financial statements were approved by the Board of Trustees on 17 April 2012 and are signed on its behalf by:



M Machai  
Chairperson



B le Roux  
Trustee



R Hallowell  
Principal Officer

**COMPCARE WELLNESS MEDICAL SCHEME  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES**

The Scheme is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Trustees are proposed and elected by the members of the Scheme and the employers.

**Board of Trustees**

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

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

**Internal Control**

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

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



M Machai  
Chairperson



B le Roux  
Trustee



R Hallowell  
Principal Officer

17 April 2012



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMPCARE WELLNESS MEDICAL SCHEME

We have audited the annual financial statements of Compicare Wellness Medical Scheme, which comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 14 to 50.

### *Trustees' Responsibility for the Financial Statements*

The Trustees are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and in the manner required by 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 annual 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 about 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 judgment, 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 annual financial statements present fairly, in all material respects, the financial position of Compicare Wellness Medical Scheme as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act of South Africa.

*Deloitte & Touche*

**Deloitte & Touche  
Registered Auditors**

Per: J van Staden

Partner

17 April 2012

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit  
DL Kennedy Risk Advisory & Legal Services NB Kader Tax L Geeringh Consulting L Barn Corporate Finance  
JK Mazzocco Talent & Transformation CR Beukman Finance TJ Brown Chairman of the Board  
MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

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

Member of Deloitte Touche Tohmatsu Limited

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**The Board of Trustees hereby presents its report for the year ended 31 December 2011**

**1. DESCRIPTION OF THE MEDICAL SCHEME**

**1.1. Terms of registration**

The Scheme is a not-for-profit, open medical scheme registered in terms of the Medical Schemes Act 131 of 1998 (the "Act"), as amended. The Scheme's registration number is 1491.

**1.2 Benefit options within CompCare Wellness Medical Scheme**

The Scheme offers six benefit options to employers and members of the public. The benefit options are:

- Pinnacle
- Dynamix
- Symmetry
- Mumed
- Axis
- NetworX

**1.3 Savings plan**

In order to provide a facility for Scheme members to set funds aside to meet future healthcare costs, not covered by the benefit options, the Trustees have made the savings plan options available to meet this objective.

Members who belong to the Pinnacle and Dynamix benefit options may pay an agreed sum, according to their earnings and limited to 25% of their gross contributions, into a savings account so as to help pay the members' portion of healthcare costs, up to a prescribed threshold.

Unexpended savings amounts are accumulated for the long-term benefit of the member. For 2011, no interest is payable on members outstanding savings account balances.

Savings account balances are refundable when the member leaves the Scheme or transfers to an option within the Scheme which does not have a savings option. The money will be transferred to the member after five months of the date of the change.

The liability to the members in respect of the savings plan is reflected as a financial liability in the annual financial statements, repayable in terms of Regulation 10 of the Act.

Circular 38 of 2011, issued by the Council for Medical Schemes (CMS), indicates that savings balances should no longer be reflected in the Statement of Financial Position and that transactions should be presented net of savings transactions in the Statement of Comprehensive Income.

The Scheme has obtained an exemption from this circular until 31 December 2012. The Scheme is of the opinion that savings balances should be reflected in the Statement of Financial Position. As a result savings is included in the Statement of Financial Position in line with past practice.

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2011**

#### **1.4 Risk transfer arrangements**

The Scheme has entered into capitation agreements with Centre for Diabetes and Endocrinology (Pty) Ltd and ER24 EMS (Pty) Ltd to provide services for the duration of the year.

The risk transfer arrangement with Universal Care (Pty) Ltd was discontinued effective 31 December 2010. As such the Scheme now carries the risk of out-of-hospital claims for the NetworX option.

The risk transfer arrangement with International SOS (Pty) Ltd was discontinued effective 28 February 2011. An agreement was entered into with ER24 EMS (Pty) Ltd to now provide rescue care services to members.

The results of these arrangements are as follows:

<b>Provider</b>	<b>Service provided</b>	<b>Capitation fees paid R</b>	<b>Claims incurred by provider R</b>	<b>Net income/ (expense) R</b>
<b>2011</b>				
Centre for Diabetes and Endocrinology (Pty) Ltd	Diabetic management	(2,554,702)	2,352,098	(202,604)
ER24 EMS (Pty) Ltd	Rescue care	(1,169,821)	992,368	(177,453)
International SOS (Pty) Ltd	Rescue care	(394,092)	184,389	(209,703)
		<b>(4,118,615)</b>	<b>3,528,855</b>	<b>(589,760)</b>
<b>2010</b>				
Centre for Diabetes and Endocrinology (Pty) Ltd	Diabetic management	(3,655,979)	3,371,817	(284,162)
International SOS (Pty) Ltd	Rescue care	(2,635,750)	1,588,810	(1,046,940)
Universal Care (Pty) Ltd	Non-hospital risk	(1,137,381)	2,143,621	1,006,240
		<b>(7,429,110)</b>	<b>7,104,248</b>	<b>(324,862)</b>

#### **Centre for Diabetes and Endocrinology (Pty) Ltd**

The programme is offered to insulin dependent members on the Pinnacle and Dynamix options. Claims incurred by provider was estimated based on underlying fee-for-service data supplied by the service provider and excludes additional consultations and laboratory tests as deemed necessary and the provision of a 24 hour emergency line, risk of hospitalisation etc.

#### **ER24 EMS (Pty) Ltd**

Claims incurred by provider was based on underlying fee-for-service data supplied by the service provider. This is at rates negotiated by the service provider and excludes the infrastructure cost of a 24 hour call centre staffed with doctors and other appropriately qualified staff.

#### **International SOS (Pty) Ltd (discontinued effective 28 February 2011)**

Claims incurred by provider was estimated based on underlying fee-for-service data supplied by the service provider and excludes the infrastructure cost of a 24 hour call centre staffed with doctors and other appropriately qualified staff.

#### **Universal Care (Pty) Ltd (discontinued effective 31 December 2010)**

Claims incurred by provider was estimated based on underlying fee-for-service data supplied by the service provider and excludes the infrastructure cost of a 24 hour call centre staffed with doctors and other appropriately qualified staff.

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2011**

## **2. MANAGEMENT**

### **2.1 Board of Trustees in office during the year under review and up to the date of this report:**

<b>Name</b>	<b>Details</b>		
Mr M Machai	Chairperson	Member Trustee	Reappointed 30 June 2011
Mr S Ireton	Vice-Chairperson	Member Trustee	Reappointed 30 June 2011
Mr B le Roux		Member Trustee	Reappointed 30 June 2011
Mr P Masuku		Member Trustee	Reappointed 30 June 2011
Mr D Sherman		Member Trustee	Reappointed 30 June 2011
Mr K Mnisi		Member Trustee	Appointed 30 June 2011
Dr S Nkosi		Member Trustee	Appointed 30 June 2011
Mr H Leviton		Member Trustee	Appointed 30 June 2011
Mr M Brownie		Employer Trustee	Term of office expired
Mr J Fourie		Employer Trustee	Term of office expired
Ms R Lombard		Employer Trustee	Resigned 30 June 2011

### **2.2 Principal Officer**

Mr RJ Hallowell HalRoux Healthcare Solutions (Pty) Ltd Universal House 15 Tambach Road Sunninghill Park Sandton	PO Box 1554 Rivonia 2128
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### **2.3 Registered office address and postal address**

Universal House 15 Tambach Road Sunninghill Park Sandton	PO Box 1411 Rivonia 2128
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### **2.4 Medical Scheme Administrator during the year**

Universal Healthcare Administrators (Pty) Ltd Universal House 15 Tambach Road Sunninghill Park Sandton	PO Box 1411 Rivonia 2128
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Accreditation number: ADMIN:5

### **2.5 Actuary**

Roseanne da Silva Roseanne da Silva and Associates cc	PO Box 70929 Bryanston 2021
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### **2.6 Auditors**

Deloitte & Touche Deloitte Place The Woodlands 20 Woodlands Drive Woodmead Sandton	Private Bag X6 Gallo Manor 2052
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**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**3. INVESTMENT STRATEGY OF THE MEDICAL SCHEME**

The Scheme's investment objectives are to maximise the return on its investments on a long term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees. Details of investments are set out in the annual financial statements.

Investment decisions are made by the Board of Trustees to ensure that:

- the Scheme remains liquid;
- investments are placed at minimum risk and the best possible rate of return;
- investments are made in compliance with the regulations of the Act; and
- a risk assessment is performed.

The Scheme invested in call and term deposits, money market instruments and listed equities during 2011. This policy is reviewed regularly, taking into consideration compliance with the Act, the risk and returns of the various investment instruments and the surplus of funds available.

**4. MANAGEMENT OF INSURANCE RISK**

The primary insurance activity carried out by the Scheme assumes the risk of loss from members and their dependants that are directly subject to the risk. This risk relates 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 manages its 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, and the monitoring of emerging issues.

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

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES**

**5.1 Operational statistics**

<b>2011</b>	<b>Pinnacle</b>	<b>Dynamix</b>	<b>Symmetry</b>	<b>Mumed</b>	<b>Axis</b>	<b>Networx</b>	<b>Total</b>
Average number of members during the accounting period	1,253	1,892	3,127	2,902	702	1,818	11,693
Number of members at 31 December	1,231	1,836	3,006	2,793	679	1,650	11,195
Average number of beneficiaries during the accounting period	2,770	4,159	7,021	6,464	1,424	2,095	23,933
Number of beneficiaries at 31 December	2,718	4,042	6,720	6,155	1,366	1,819	22,820
Average number of dependants during the accounting period	1,517	2,268	3,894	3,563	722	277	12,240
Number of dependants at 31 December	1,487	2,206	3,714	3,362	687	169	11,625
Dependant ratio at 31 December	1.2	1.2	1.2	1.2	1.0	0.1	1.0
Net contributions per average beneficiary per month (R)	1,993	1,476	1,425	978	902	324	1,251
Relevant healthcare expenditure per average beneficiary per month (R)	1,584	1,226	1,239	706	978	211	1,026
Non-healthcare expenditure per average beneficiary per month (R)	225	213	207	197	206	122	200
Relevant healthcare expenditure as a percentage of gross contributions (%)	64%	66%	87%	72%	108%	65%	75%
Non-healthcare expenditure as a percentage of gross contributions (%)	9%	12%	15%	20%	23%	38%	15%
Average age	45	42	39	32	44	24	37
Pensioner ratio at 31 December	18%	18%	14%	6%	17%	0.4%	12%
Average accumulated funds per member at year end (R)	-	-	-	-	-	-	14,365
Return on investments as a percentage of investments (%)	-	-	-	-	-	-	6%

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (continued)**

**5.1 Operational statistics (continued)**

<b>2010</b>	<b>Pinnacle</b>	<b>Dynamix</b>	<b>Symmetry</b>	<b>Mumed</b>	<b>Axis</b>	<b>Networx</b>	<b>Total</b>
Average number of members during the accounting period	1,732	2,543	4,313	3,451	770	510	13,319
Number of members at 31 December	1,700	2,516	4,137	3,296	739	1,211	13,599
Average number of beneficiaries during the accounting period	3,813	5,534	9,908	8,063	1,547	605	29,470
Number of beneficiaries at 31 December	3,713	5,464	9,468	7,510	1,484	1,504	29,143
Average number of dependants during the accounting period	2,080	2,991	5,595	4,612	777	95	16,151
Number of dependants at 31 December	2,013	2,948	5,331	4,214	745	293	15,544
Dependent ratio at 31 December	1.2	1.2	1.3	1.3	1.0	0.2	1.2
Net contributions per average beneficiary per month (R)	1,719	1,216	1,239	857	832	393	1,154
Relevant healthcare expenditure per average beneficiary per month (R)	1,404	1,255	1,001	605	776	255	964
Non-healthcare expenditure per average beneficiary per month (R)	205	199	187	176	199	82	185
Relevant healthcare expenditure as a percentage of gross contributions (%)	61%	77%	81%	71%	93%	65%	74%
Non-health expenditure as a percentage of gross contributions (%)	9%	12%	15%	20%	24%	21%	14%
Average age	47	43	38	32	43	35	38
Pensioner ratio at 31 December	19%	18%	13%	6%	16%	1%	12%
Average accumulated funds per member at year end (R)	-	-	-	-	-	-	10,316
Return on investments as a percentage of investments (%)	-	-	-	-	-	-	7%

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (continued)**

**5.2 Results of operations**

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

**5.3 Solvency ratio**

	<b>2011 R</b>	<b>2010 R</b>
Total members' funds per statement of financial position	161,822,662	142,677,880
Less: Available-for-sale reserve	(1,007,705)	(859,268)
Less: Cumulative unrealised gain on revaluation of investments held at fair value through profit or loss in accumulated funds	(1,122,745)	(1,527,833)
Accumulated funds per Regulation 29	159,692,212	140,290,779
Gross contributions	394,164,492	460,927,475
<b>Solvency ratio:</b> (Accumulated funds/ Gross annual contribution income x 100)	<b>40.5%</b>	<b>30.4%</b>

**5.4 Reserve accounts**

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

**5.5 Outstanding claims**

The basis of calculation of the outstanding claims provision is discussed in Note 6 to the annual financial statements and this is consistent with the prior year. Movements in the outstanding claims provision are set out in Note 6 to the annual financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

**6. ACTUARIAL SERVICES**

The Scheme's actuary was consulted in the determination of benefit options as well as contribution and benefit levels for the 2010 and 2011 financial years.

**7. INVESTMENTS IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE MEDICAL SCHEME AND TO OTHER RELATED PARTIES**

The Scheme holds no direct investments in participating employers of Scheme members.

**8. RELATED PARTY TRANSACTIONS**

Related party transactions are set out in Note 17 to the annual financial statements.

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**9. AUDIT COMMITTEE**

An Audit Committee was established in accordance with provisions of the Act. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of five members of which two are members of the Board of Trustees. The majority of the members, including the chairperson, are not officers of the Scheme or its third party administrator. The committee met on two occasions during the course of the year.

In accordance with the provisions of the Act, the primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems and financial reporting practices.

The external auditors formally report to the committee on critical findings arising from audit activities.

The committee during the year under review comprised:

Name	Details	
Mr M Reid	Chairperson	Independent
Mr B Dowden		Independent
Mr C Fontaine		Independent
Mr R Harris		Independent (Alternate)
Mr B le Roux		Member Trustee
Mr H Leviton		Member Trustee
Mr J Fourie	Employer Trustee	Term of office expired

**10. BOARD OF TRUSTEES AND AUDIT COMMITTEE MEETING ATTENDANCE**

The following schedule sets out the Board of Trustees and Audit Committee meeting attendances. Trustee remuneration is disclosed in Note 12 to the annual financial statements.

Trustee/ Audit Committee Member	Board Meetings		Audit Committee Meetings		Other Sub Committee Meetings	
	A	B	A	B	A	B
* Mr M Machai	6	6	-	-	4	4
* Mr S Ireton	6	6	-	-	1	1
* Mr P Masuku	6	6	-	-	1	1
* Mr D Sherman	4	4	-	-	-	-
* Mr K Mnisi	3	3	-	-	-	-
* Dr S Nkosi	3	3	-	-	-	-
* Mr M Brownie	3	3	-	-	1	1
* Ms R Lombard	3	3	-	-	1	0
* Mr B le Roux	6	6	1	1	4	4
* Mr J Fourie	3	3	2	2	1	1
* Mr H Leviton	3	3	1	1	3	3
Mr M Reid	-	-	2	2	-	-
Mr B Dowden	-	-	2	2	-	-
Mr C Fontaine	-	-	1	1	-	-
Mr R Harris	-	-	1	1	-	-

A - Total possible number of meetings could have attended

B - Actual number of meetings attended

\* Trustee



**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2011**

## **11. NON-COMPLIANCE WITH THE ACT**

In accordance with the Council for Medical Schemes circular 11/2006, the Scheme is required to report all non-compliance with the Act noted during the course of the audit irrespective of whether the auditor considers the non-compliance as material or immaterial.

### **11.1 Payment of contributions**

Section 26(7) of the Act requires contributions to be paid to a scheme not later than three days after payment thereof becoming due. Whilst every effort is made to enforce this requirement the onus is on the member or employer group to ensure compliance. During the financial year certain contributions were identified that were not paid to the Scheme within three days of becoming due.

The non-compliance increases the liquidity risk to the Scheme. Credit control procedures are followed to collect outstanding amounts.

### **11.2 Board of Trustees**

Section 57(1) of the Act requires a medical scheme to have a Board of Trustees to manage the business contemplated by the medical scheme in accordance with the applicable laws and the rules of such medical scheme. The rules of the scheme provide for a minimum of eight Trustees. From 20 October 2010, the Board of Trustees comprised seven Trustees.

At the Board of Trustees meeting held on 5 April 2011, Mr D Sherman was appointed as a Trustee, thereby correcting the non-compliance.

### **11.3 Sustainability of benefit options**

Section 33(2) of the Act stipulates that each option shall be self-supporting in terms of membership and financial performance and be financially sound. At 31 December 2011 the Symmetry, Axis and NetworX options did not comply with Section 33(2). These three options have incurred net healthcare deficits, however the Symmetry and NetworX options have made net surpluses.

While the Scheme is committed to complying with the applicable legislation, the overall stability and financial soundness of the Scheme as a whole is strong. This is evident with the solvency ratio being 40.5%, well in excess of the minimum requirement of the Act.

### **11.4 Payment of claims**

Section 59(2) of the Act requires claims to be paid to a member or supplier of service within 30 days of receipt of such claims. During the year certain claims were identified that were not paid within 30 days of being received.

With effect from 1 January 2012, the Scheme has implemented a weekly payment process to settle claims on a more frequent basis.

## **12. OTHER MATTERS**

There is a difference in the interpretation of Regulation 8(1) to the Act, regarding the payment of Prescribed Minimum Benefits (PMBs). The Board of Healthcare Funders (BHF), which is the representative body of the majority of medical schemes resorting under the Act has applied to the High Court for a declaratory order on the interpretation of Regulation 8(1). This application was dismissed on grounds that the BHF had no local standing to bring such an application, as such there has been no ruling on the interpretation of the regulation.

**COMPCARE WELLNESS MEDICAL SCHEME**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2011**

	Notes	<u>2011</u> R	<u>2010</u> R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Available-for-sale investments	2	1,034,906	886,469
<b>Current assets</b>			
Trade and other receivables	3	214,119,003 19,509,896	208,980,458 25,249,673
Investments held at fair value through profit or loss	4	2,576,704	2,633,341
Cash and cash equivalents	5	192,032,403	181,097,444
<b>Total assets</b>		<b><u>215,153,909</u></b>	<b><u>209,866,927</u></b>
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
Accumulated funds		161,822,662 160,814,957	142,677,880 141,818,612
Available-for-sale reserve		1,007,705	859,268
<b>Current liabilities</b>			
Outstanding claims provision	6	53,331,247 6,870,000	67,189,047 13,056,689
Savings plan liability	7	25,748,207	32,810,102
Trade and other payables	8	20,713,040	21,322,256
<b>Total funds and liabilities</b>		<b><u>215,153,909</u></b>	<b><u>209,866,927</u></b>

**COMPCARE WELLNESS MEDICAL SCHEME  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	<b>2011</b>	<b>2010</b>
		<b>R</b>	<b>R</b>
<b>Net contribution income</b>	9	359,289,836	407,930,972
<b>Relevant healthcare expenditure</b>		(294,621,213)	(340,980,375)
Net claims incurred	10	(294,031,453)	(340,655,513)
Claims incurred		(295,355,645)	(341,308,472)
Third party claim recoveries		1,324,192	652,959
Net expense on risk transfer arrangements	10	(589,760)	(324,862)
Risk transfer arrangement fees		(4,118,615)	(7,429,110)
Recoveries from risk transfer arrangements		3,528,855	7,104,248
<b>Gross healthcare result</b>		<b>64,668,623</b>	<b>66,950,597</b>
Managed care: management services	11	(11,373,621)	(13,361,279)
Broker service fees		(6,439,316)	(8,359,422)
Administration expenditure	12	(38,532,594)	(44,675,070)
Net impairment (losses)/ gains on healthcare receivables	3	(986,360)	912,276
<b>Net healthcare result</b>		<b>7,336,732</b>	<b>1,467,102</b>
<b>Other income</b>		11,689,241	17,209,518
Investment income	13	10,870,760	16,633,813
Sundry income	14	818,481	575,705
<b>Other expenditure</b>			
Asset management fees		(29,628)	(41,611)
<b>Net surplus for the year</b>		<b>18,996,345</b>	<b>18,635,009</b>
<b>Other comprehensive income/ (deficit)</b>		<b>148,437</b>	<b>(3,346,553)</b>
Unrealised gains on the revaluation of available-for-sale investments	2	148,437	93,851
Reversal of the realised gain on the sale of available-for-sale investments from the available-for-sale reserve	2	-	(3,440,404)
<b>Total comprehensive income for the year</b>		<b>19,144,782</b>	<b>15,288,456</b>

**COMPCARE WELLNESS MEDICAL SCHEME  
STATEMENT OF CHANGES IN FUNDS AND RESERVES  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	<b>Accumulated funds</b>	<b>Available-for- sale reserve</b>	<b>Total members' funds</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Balance at 1 January 2010</b>	<b>123,183,603</b>	<b>4,205,821</b>	<b>127,389,424</b>
<b>Total comprehensive income for the year</b>	<b>18,635,009</b>	<b>(3,346,553)</b>	<b>15,288,456</b>
Surplus for the year	18,635,009	-	18,635,009
Other comprehensive deficit for the year	-	(3,346,553)	(3,346,553)
<b>Balance at 31 December 2010</b>	<b>141,818,612</b>	<b>859,268</b>	<b>142,677,880</b>
<b>Total comprehensive income for the year</b>	<b>18,996,345</b>	<b>148,437</b>	<b>19,144,782</b>
Surplus for the year	18,996,345	-	18,996,345
Other comprehensive income for the year	-	148,437	148,437
<b>Balance at 31 December 2011</b>	<b>160,814,957</b>	<b>1,007,705</b>	<b>161,822,662</b>

**COMPCARE WELLNESS MEDICAL SCHEME  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Notes	<u>2011</u> R	<u>2010</u> R
<b>Cash flows from operating activities</b>			
<b>Cash flows from operations before working capital changes</b>	16	8,125,585	2,001,196
Working capital changes:			
- Decrease/ (increase) in trade and other receivables		5,739,777	(4,253,989)
- Decrease in trade and other payables		(609,216)	(5,069,745)
- Decrease in outstanding claims provision		(6,186,689)	(2,918,311)
- (Decrease)/ increase in savings plan liability		(7,061,895)	5,829,504
<i>Cash generated from/ (utilised in) operating activities</i>		<u>7,562</u>	<u>(4,411,345)</u>
<b>Cash flows from investing activities</b>			
Purchase of investments		(331,287)	(873,579)
Proceeds on disposal of investments		281,274	7,642,527
Interest and dividend income		10,977,410	12,020,563
<i>Cash generated from investing activities</i>		<u>10,927,397</u>	<u>18,789,511</u>
<b>Net increase in cash and cash equivalents</b>		<b>10,934,959</b>	<b>14,378,166</b>
Cash and cash equivalents at beginning of year		181,097,444	166,719,278
<b>Cash and cash equivalents at end of year</b>	5	<u><b>192,032,403</b></u>	<u><b>181,097,444</b></u>



**COMPCARE WELLNESS MEDICAL SCHEME**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**1 PRINCIPAL ACCOUNTING POLICIES**

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 in accordance with International Financial Reporting Standards (IFRS) on the historical cost convention, except for financial instruments, which are carried at fair value.

*Critical accounting judgements and areas of key sources of estimation uncertainty*

The Scheme makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

Certain critical accounting judgements in applying the Scheme's accounting policies and key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year, are disclosed below. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*The ultimate liability arising from claims made under insurance contracts*

There are some sources of uncertainty that need to be considered in the estimate of the liability that the Scheme will ultimately pay for such claims. Initial estimates are made by the administrator's staff relating to the best calculations on reported claims and derived as the claims process develops. All estimates are revised and adjusted at year-end by management.

*New standards, amendments and interpretations effective in 2011 and relevant to the Scheme*

The following new standards, amendments and interpretations are effective for the current financial year and relevant to the Scheme:

Title		Effective date – Financial year commencing on or after
Improvements to IFRS 7	Financial Instruments: Disclosures	1 Jan 2011
Improvements to IAS 1	Presentation of Financial Statements	1 Jan 2011
IAS 24	Related Party Disclosures	1 Jan 2011

**COMPCARE WELLNESS MEDICAL SCHEME**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.1 Basis of preparation (continued)**

*New standards, amendments and interpretations effective in 2011 but not relevant to the Scheme*

The following new standards, amendments and interpretations are effective for the current financial year but not relevant to the Scheme's operations:

Title		Effective date – Financial year commencing on or after
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 Jan 2011
Amendments to IFRS 3	Business Combinations	1 Jan 2011
Amendments to IAS 27	Consolidated and Separate Financial Reporting	1 Jan 2011
Improvements to IAS 34	Interim Financial Reporting	1 Jan 2011
Improvements to IFRIC 13	Customer Loyalty Programmes	1 Jan 2011
Amendments to IFRIC 14 and IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 Jan 2011

*New standards, amendments and interpretations not yet effective but expected to be relevant to the Scheme*

The following new standards, amendments and interpretations are mandatory for accounting periods as indicated and are expected to be applicable to the Scheme:

Title		Effective date – Financial year commencing on or after
IFRS 9	Financial Instruments	1 Jan 2013
IFRS 10	Consolidated Financial Statements	1 Jan 2013
IFRS 12	Disclosure of Interests in Other Entities	1 Jan 2013
IFRS 13	Fair Value Measurement	1 Jan 2013
IAS 27	Separate Financial Statements (2011)	1 Jan 2013

**COMPCARE WELLNESS MEDICAL SCHEME**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.1 Basis of preparation (continued)**

*New standards, amendments and interpretations not yet effective and not expected to be relevant to the Scheme*

The following new standards, amendments and interpretations are mandatory for accounting periods as indicated however it is not expected to be applicable to the Scheme:

Title		Effective date – Financial year commencing on or after
Amendments to IFRS 7	Disclosures - Transfers of Financial Assets	1 Jul 2011
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	1 Jul 2012
IAS 19	Employee Benefits	1 Jul 2013
IFRS 11	Joint Arrangements	1 Jul 2013
IAS 28	Investment in Associates	1 Jul 2013

**1.2 Financial instruments**

*Recognition*

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. Such recognition presumes that the risks and rewards of ownership and the control over these financial assets and liabilities are vested in the Scheme.

*Measurement*

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

*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. Available-for-sale investments are subsequently carried at fair value. The fair value of unit trusts is based on repurchase prices as at the statement of financial position date. Unrealised gains and losses arising from changes in the fair value of the available-for-sale investments are included in the available-for-sale reserve. Once the available-for-sale investment is sold, the realised fair value gain or loss on the available-for-sale investments is included in the statement of comprehensive income as investment income. The realised gains and losses and unrealised gains or losses arising from changes in the fair value of investments held at fair value through profit or loss is included in the statement of comprehensive income as investment income.

Available-for-sale investments comprise listed shares on the JSE Limited. Investments held at fair value through profit or loss comprises a portfolio of listed shares on the JSE Limited.

**COMPCARE WELLNESS MEDICAL SCHEME**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.2 Financial instruments (continued)**

*Trade and other receivables*

Trade and other receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. An appropriate allowance for estimated irrecoverable amounts is recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. This allowance recognised is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. Permanent impairments are written-off to the statement of comprehensive income when identified.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, money market instruments and other short-term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

*Financial liabilities*

Financial liabilities are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. The fair value of financial liabilities with a demand feature (savings plan liability) is the amount payable on demand.

*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.

*Derecognition*

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred, and the Scheme has also transferred substantially all risks and rewards of ownership.

A financially liability is derecognised when the contractual obligation (deposit component) is discharged as expired.

**1.3 Savings plan liability**

The savings plan liability represents savings plan contributions which are a deposit component of the insurance contracts. The deposit component has been unbundled since the Scheme can measure the deposit component separately and its accounting policies do not otherwise require it to recognise all obligations and rights arising from the deposit component. The insurance component is accounted for under IFRS 4.

The deposit component is accounted for under IAS 39 and is measured at fair value because it has a demand feature. Subsequently, savings plan contributions are credited on the accrual basis and withdrawals on a cash basis, i.e. no provision is made for outstanding claims at year-end.

**1.4 Provisions**

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

**COMPCARE WELLNESS MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.5 Outstanding claims**

Claims outstanding comprise provisions for the Scheme's estimate of the ultimate cost of settling all claims incurred but not yet reported at the statement of financial position date. Claims outstanding are determined as accurately as possible on the basis of 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.

Estimated co-payments and payments from savings plan accounts are deducted in calculating the outstanding claims provision. The Scheme does not discount its provision for outstanding claims, since the effect of the time value of money is not considered material.

**1.6 Insurance contracts**

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

**1.7 Contribution income**

Contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. Net contributions represent gross contributions after deduction of savings plan contributions. The earned portion of contributions received is recognised as revenue. Contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis.

**1.8 Relevant healthcare expenditure**

Relevant healthcare expenditure consists of net claims incurred and net income or expense from risk transfer arrangements.

**1.9 Claims incurred**

Claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Scheme is responsible, whether or not reported by the end of the year. Net claims incurred represent claims incurred, net of discounts received, recoveries from members for co-payments and savings plan accounts after taking into account recoveries from third parties.



**COMPCARE WELLNESS MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.10 Risk transfer arrangements**

Risk transfer fees are recognised as an expense over the indemnity period on a straight-line basis. If applicable, a portion of risk transfer fees is treated as pre-payments.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Claims recoveries relating to risk transfer arrangements are calculated on the basis of what it would have cost the Scheme had the arrangement not been in place.

If applicable, assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding claims provisions and claims reported not yet paid. 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.

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

**1.11 Liabilities and related assets under liability adequacy test**

Since the outstanding claims provision and claims payable are realised mainly within the first three months after the end of the financial year, there are no significant liabilities extending beyond such a period. As a result, no discounting of future contractual cash flows is considered necessary. The carrying value of the liabilities is assumed to be reasonably stated.

**1.12 Reimbursements from the Road Accident Fund (RAF)**

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

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

**COMPCARE WELLNESS MEDICAL SCHEME**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.13 Investment income**

Investment income comprises interest, dividends, realised gains on available-for-sale investments and realised and unrealised gains or losses on investments held at fair value through profit or loss. Interest income is recognised on a yield to maturity 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.

Dividend income from investments is recognised when the right to receive payment is established.

Income from collective investment schemes (unit trusts) is recognised when entitlement to revenue is established.

**1.14 Brokers fees**

Broker service fees are recognised and paid, as incurred, on a monthly basis.

**1.15 Impairment 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.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Provision for impairment losses is calculated in terms of materiality and period overdue.

*Calculation of recoverable amount*

The Scheme's receivables are not discounted due to their short term maturities.

*Reversals of impairment*

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 if no impairment loss had been recognised.

**1.16 Allocation of income and expenditure to benefit options**

Items are allocated as follows:

*Directly allocated to benefit options:*

- Contribution income
- Claims incurred
- Broker service fees
- Impairment losses

*Apportioned based on the number of members on each option:*

- Managed care: management services
- Administration expenditure

*Apportioned based on contribution income:*

- Other income
- Other expenditure with the exception of stale cheques which are allocated directly to benefit options

**COMPCARE WELLNESS MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	<u>2011</u> R	<u>2010</u> R
<b>2. AVAILABLE-FOR-SALE INVESTMENTS</b>		
<b>Fair value at the beginning of the year</b>	<b>886,469</b>	<b>6,775,686</b>
Additions	-	42,664
Disposals		
- Proceeds on disposals	-	(6,847,103)
- Realised gains on disposals	-	(3,440,404)
- Realised gains on disposals - current	-	(821,371)
- Cost of investments	-	(2,585,328)
Realised gains on disposals	-	821,371
Unrealised gains on revaluation	148,437	93,851
<b>Fair value at end of year</b>	<b><u>1,034,906</u></b>	<b><u>886,469</u></b>
The investments included above comprise:		
- Medi Clinic	913,922	794,240
- Old Mutual	120,984	92,229
	<b><u>1,034,906</u></b>	<b><u>886,469</u></b>

Available-for-sale investments are classified as non-current assets, unless they are expected to be realised within twelve months of the statement of financial position date or unless they will need to be sold to raise operating capital.

**COMPCARE WELLNESS MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	<u>2011</u>	<u>2010</u>
	R	R
<b>3. TRADE AND OTHER RECEIVABLES</b>		
<b>Insurance receivables</b>		
Contributions outstanding	21,523,871	26,331,111
Less: provision for unintimated resignations	(170,573)	(175,408)
Less: provision for impairment of receivables - contributions	(2,166,728)	(1,690,616)
Amounts due from Road Accident Fund	-	59,722
Recoveries from members for co-payments	605,606	644,094
Less: provision for impairment of receivables - member co-payments	(555,188)	(542,032)
Amounts due from suppliers	120,771	100,013
Less: provision for impairment of receivables - suppliers	(91,443)	(26,381)
	<u>19,266,316</u>	<u>24,700,503</u>
<b>Non-insurance receivables</b>		
Pre-payments	66,140	113,543
Dividends receivable	22,344	14,110
Savings plan account advances (Note 7)	618,827	642,123
Less: provision for impairment of receivables	(463,731)	(220,606)
	<u>243,580</u>	<u>549,170</u>
	<u><b>19,509,896</b></u>	<u><b>25,249,673</b></u>

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

The Scheme makes use of an allowance account for impairment losses. Trade and other receivables are considered to be impaired when two months has elapsed and the outstanding amounts have not been collected plus all amounts outstanding for suspended and resigned members. The affordability and personal circumstances of the members or healthcare professionals are also considered.

The movement in the allowance for impairment for each class of financial asset, during the year was as follows:

	<b>Insurance receivables</b>	<b>Non-insurance receivables</b>
	R	R
<b>Balance at 1 January 2010</b>	<b>3,651,475</b>	<b>87,587</b>
(Unused amounts reversed)/ Additional provisions made	(1,392,446)	133,019
<b>Balance at 31 December 2010</b>	<b>2,259,029</b>	<b>220,606</b>
Additional provisions made	554,330	243,125
<b>Balance at 31 December 2011</b>	<b>2,813,359</b>	<b>463,731</b>

**COMPCARE WELLNESS MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**3. TRADE AND OTHER RECEIVABLES (continued)**

The impairment (losses)/ gains recognised in the Statement of Comprehensive Income is as follows:

	<u>2011</u>	<u>2010</u>
	R	R
Impairment losses recognised directly in the statement of comprehensive income	(188,904)	(347,151)
Movement in the allowance account for impairment losses	(797,456)	1,259,427
	<u><b>(986,360)</b></u>	<u><b>912,276</b></u>

**4. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS**

<b>Fair value at beginning of the year</b>	<b>2,633,341</b>	<b>2,246,375</b>
Additions	331,287	830,915
Disposals	(281,274)	(795,424)
Realised gain on disposal (Note 13)	12,074	266,749
Unrealised (loss)/ gain on revaluation (Note 13)	(118,724)	84,726
<b>Fair value at the end of the year</b>	<u><b>2,576,704</b></u>	<u><b>2,633,341</b></u>

The investments included above represent investments in listed equities on the JSE Limited. The fair values of these shares are based on the bid prices. A register of investments is available for inspection at the registered office of the Scheme.

	<u>2011</u>	<u>2010</u>
	R	R
<b>5. CASH AND CASH EQUIVALENTS</b>		
Call and term deposits	180,884,169	153,434,910
Current accounts	11,148,234	27,662,534
	<u><b>192,032,403</b></u>	<u><b>181,097,444</b></u>

The weighted average effective interest rates are:

Term deposits	5.99%	7.08%
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The average maturities are:

Term deposits	177 days	123 days
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The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.



**COMPCARE WELLNESS MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**6. OUTSTANDING CLAIMS PROVISION**

	<b>Not covered by risk transfer arrangements</b>	
	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>Balance at beginning of year</b>	<b>13,056,689</b>	<b>15,975,000</b>
Payments in respect of prior year	(14,180,416)	(15,974,365)
(Under)/ Over provision in prior year (Note 10)	(1,123,727)	635
Adjustment for current year	7,993,727	13,056,054
<b>Balance at end of year</b>	<b>6,870,000</b>	<b>13,056,689</b>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	7,626,972	16,780,591
Less: estimated recoveries from	(756,972)	(3,723,902)
- member co-payments	(554,629)	(2,002,507)
- savings plan accounts (Note 7)	(202,343)	(1,721,395)
<b>Balance at end of year</b>	<b>6,870,000</b>	<b>13,056,689</b>

*Process used to determine the assumptions*

(i) In order to qualify for benefits any claim must, unless otherwise arranged, be submitted to the scheme not later than the last day of the fourth month following the month in which the healthcare service was rendered.

(ii) Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from managed care: management services and historical evidence of the size of similar claims. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

The cost of outstanding claims is estimated as follows:

- random fluctuations, including the impact of large losses; and

- an estimate of claims, using claims run off tables, for the third and subsequent months succeeding the financial year end of the scheme. Historical claims development information is used on the assumption that this pattern will occur again in the future.

**COMPCARE WELLNESS MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

**6. OUTSTANDING CLAIMS PROVISION (continued)**

There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the method. Such reasons include:

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

The Scheme believes that the liability for claims reported in the statement of financial position is adequate and no additional provision is required in terms of a liability adequacy test.

*Changes in assumptions and sensitivities to changes in key variables*

No sensitivity analysis has been presented as the process used to determine the estimated cost of outstanding claims presents with a high degree of accuracy.

	<u>2011</u> R	<u>2010</u> R
<b>7. SAVINGS PLAN LIABILITY</b>		
<b>Balance on savings plan liability at the beginning of the year</b>	<b>32,810,102</b>	<b>26,980,598</b>
<b>Add:</b>		
Savings plan account contributions received or receivable for the current year (Note 9)	34,874,657	52,996,503
	<u>67,684,759</u>	<u>79,977,101</u>
<b>Less:</b>		
Claims paid on behalf of members (Note 10)	(32,894,535)	(45,971,746)
Refunds on death or resignation	(9,018,721)	(1,587,067)
<b>Add:</b>		
Movement on advances on savings plan accounts (Note 3)	(23,296)	391,814
<b>Balance on savings plan liability at end of year</b>	<b><u>25,748,207</u></b>	<b><u>32,810,102</u></b>

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

The savings plan liability contains a demand feature in terms of Regulation 10 of the Medical Schemes Act that any credit balance on a member's savings account must be taken as a cash benefit when the member terminates his or her membership of the scheme or benefit option, and then enrolls in another benefit option or medical scheme without a savings account or does not enrol in another medical scheme.

It is estimated that claims to be paid out of member's savings accounts in respect of claims incurred but not reported will amount to R202 343 (2010: R1 721 395) (Note 6).

**COMPCARE WELLNESS MEDICAL SCHEME  
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	<u>2011</u>	<u>2010</u>
	R	R
<b>8. TRADE AND OTHER PAYABLES</b>		
<b>Insurance payables</b>		
Reported claims not yet paid	11,308,390	10,941,820
Amounts due to suppliers	975,642	814,412
Amounts owing to brokers	574,572	687,781
Stale cheques	4,824	175,631
Amounts due to members	<u>3,176,597</u>	<u>3,002,778</u>
	<u>16,040,025</u>	<u>15,622,422</u>
<b>Non-insurance payables</b>		
Amounts owing to administrator	2,630,235	3,173,554
Amounts owing to auditors	660,490	617,262
Amounts owing to managed care organisations	997,793	1,488,824
Other payables	<u>384,497</u>	<u>420,194</u>
	<u>4,673,015</u>	<u>5,699,834</u>
	<u><b>20,713,040</b></u>	<u><b>21,322,256</b></u>

The carrying amounts of trade and other payables approximate their fair values due to the short-term maturities of these liabilities. The Scheme provides for audit fees as a constructive legal obligation arising from the requirement by the Medical Schemes Act to have an audit performed.

	<u>2011</u>	<u>2010</u>
	R	R
<b>9. NET CONTRIBUTION INCOME</b>		
Gross contributions	394,164,492	460,927,475
Less: savings contributions (Note 7)	<u>(34,874,657)</u>	<u>(52,996,503)</u>
	<u><b>359,289,836</b></u>	<u><b>407,930,972</b></u>

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	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>10. RELEVANT HEALTHCARE EXPENDITURE</b>		
Current year claims	334,436,870	390,198,529
Claims not covered by risk transfer arrangements	330,908,015	383,094,281
Claims covered by risk transfer arrangements	3,528,855	7,104,248
Movement in outstanding claims provision	(6,186,689)	(2,918,311)
Under/ (Over) provision in prior year (Note 6)	1,123,727	(635)
Adjustment for current year	(7,310,417)	(2,917,676)
Less :		
Claims charged to savings accounts (Note 7)	(32,894,535)	(45,971,746)
Third party claim recoveries	(1,324,192)	(652,959)
<b>Net claims incurred</b>	<b>294,031,453</b>	<b>340,655,513</b>
Risk transfer arrangement fees paid	4,118,615	7,429,110
Recovery from risk transfer arrangements	(3,528,855)	(7,104,248)
<b>Net expense on risk transfer arrangements</b>	<b>589,760</b>	<b>324,862</b>

The Scheme has entered into capitation agreements with Centre for Diabetes and Endocrinology (Pty) Ltd and ER24 EMS (Pty) Ltd to provide services for the duration of the year.

The risk transfer arrangement with Universal Care (Pty) Ltd was discontinued effective 31 December 2010. As such the Scheme now carries the risk of claims for the NetworX option.

The risk transfer arrangement with International SOS (Pty) Ltd was discontinued effective 28 February 2011. An agreement was entered into with ER24 EMS (Pty) Ltd to now provide rescue care services to members.

The results of these arrangements are as follows:

Provider	Service provided	Capitation fees paid R	Claims incurred by provider R	Net Income/ (Expense) R
<b>2011</b>				
Centre for Diabetes and Endocrinology (Pty) Ltd	Diabetic management	(2,554,702)	2,352,098	(202,604)
ER24 EMS (Pty) Ltd	Rescue care	(1,169,821)	992,368	(177,453)
International SOS (Pty) Ltd	Rescue care	(394,092)	184,389	(209,703)
		<b>(4,118,615)</b>	<b>3,528,855</b>	<b>(589,760)</b>
<b>2010</b>				
Centre for Diabetes and Endocrinology (Pty) Ltd	Diabetic management	(3,655,979)	3,371,817	(284,162)
International SOS (Pty) Ltd	Rescue care	(2,635,750)	1,588,810	(1,046,940)
Universal Care (Pty) Ltd	Out of Hospital Claims	(1,137,381)	2,143,621	1,006,240
		<b>(7,429,110)</b>	<b>7,104,248</b>	<b>(324,862)</b>

**Centre for Diabetes and Endocrinology**

The programme is offered to insulin dependent members on the Pinnacle and Dynamix options. Claims incurred by provider was estimated based on underlying fee-for-service data supplied by the service provider and excludes additional consultations and laboratory tests as deemed necessary and the provision of a 24 hour emergency line, risk of hospitalisation etc.

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**10. RELEVANT HEALTHCARE EXPENDITURE (continued)**

**ER24 EMS (Pty) Ltd**

Claims incurred by provider was based on underlying fee-for-service data supplied by the service provider. This is at rates negotiated by the service provider and excludes the infrastructure cost of a 24 hour call centre staffed with doctors and other appropriately qualified staff.

**International SOS (Pty) Ltd (discontinued effective 28 February 2011)**

Claims incurred by provider was estimated based on underlying fee-for-service data supplied by the service provider and excludes the infrastructure cost of a 24 hour call centre staffed with doctors and other appropriately qualified staff.

**Universal Care (Pty) Ltd (discontinued effective 31 December 2010)**

Claims incurred by provider was estimated based on underlying fee-for-service data supplied by the service provider and excludes the infrastructure cost of a 24 hour call centre staffed with doctors and other appropriately qualified staff.

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>11. MANAGED CARE: MANAGEMENT SERVICES</b>		
Hospital utilisation and case management	3,321,817	4,130,037
HIV management	659,375	820,142
Oncology utilisation management	132,308	122,508
Pharmacy benefit management	3,672,139	4,385,615
Trauma cost recovery management	-	590,149
Disease management/ prescribed minimum benefit management	1,607,766	1,999,282
Dental management	687,527	864,693
Pathology management	322,809	401,270
Network management	969,880	47,583
	<b>11,373,621</b>	<b>13,361,279</b>
<b>12. ADMINISTRATION EXPENDITURE</b>		
Actuarial fees	352,146	304,437
Administrator's fees	32,838,093	39,084,138
Advertising	96,041	786,030
Association fees	108,248	101,216
Auditors fees	600,834	554,000
- Current year accrual	598,363	554,000
- Prior year adjustment	2,471	-
Bank charges	378,001	355,856
Fidelity guarantee and professional indemnity insurance premium	123,569	138,609
Fraud investigation charges	973,396	1,038,575
Internal control review	241,637	229,474
Legal expenses	68,553	58,256
Marketing	648,687	501,505
Other expenses	147,490	131,464
Principal officer fees	692,318	656,845
Registrar's levies	295,971	244,226
Third party claims recoveries administration costs	394,345	-
Total Trustees remuneration and consideration expenses (refer page 33)	547,844	397,871
Website hosting costs	25,422	92,568
	<b>38,532,594</b>	<b>44,675,070</b>

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	<u>2011</u>	<u>2010</u>
	R	R
<b>12. ADMINISTRATION EXPENDITURE (continued)</b>		
<b>12.1 Trustees Remuneration and consideration expenses</b>		
<i>Fees for meeting attendance</i>	340,340	258,280
Mr M Machai	49,504	35,220
Mr S Ireton	37,128	29,350
Mr B le Roux*	61,880	52,830
Mr P Masuku	37,128	29,350
Mr D Sherman	24,752	-
Mr K Mnisi	18,564	-
Dr S Nkosi	18,564	-
Mr H Leviton	37,128	-
Mr M Brownie*	18,564	29,350
Mr J Fourie*	24,752	41,090
Ms R Lombard	12,376	17,610
Mr P Harper	-	5,870
Ms J Govender	-	17,610
<i>Retainer fees</i>	90,000	81,960
Mr M Machai	21,600	-
Mr S Ireton	25,200	40,980
Mr B le Roux *	43,200	40,980
<i>Accommodation, travel and meals</i>	117,504	57,631
Mr M Machai	59,337	26,411
Mr P Masuku	29,151	24,871
Mr D Sherman	1,394	-
Mr K Mnisi	11,548	-
Dr S Nkosi	10,175	-
Mr M Brownie	5,899	3,812
Mr P Harper	-	2,537
	<u><b>547,844</b></u>	<u><b>397,871</b></u>

Accommodation, travel and meals is reimbursed to Trustees based on actual expenditure incurred

\* Paid to employer

**COMPCARE WELLNESS MEDICAL SCHEME**  
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	<u>2011</u>	<u>2010</u>
	R	R
<b>13. INVESTMENT INCOME</b>		
<i>Income from available-for-sale investments</i>		
Interest income	-	25,360
Dividend income	10,472	45,880
Realised gain on disposal	-	3,440,404
Realised gain on disposal - current	-	821,371
	<u>10,472</u>	<u>4,333,015</u>
<i>Income from investments held at fair value through profit or loss</i>		
Interest income	15,463	14,968
Dividend income	64,178	47,668
Realised gain on disposal (Note 4)	12,074	266,749
Unrealised (loss)/ gain on revaluation (Note 4)	(118,724)	84,726
	<u>(27,009)</u>	<u>414,111</u>
<i>Income from cash and cash equivalents</i>		
Interest on current accounts	365,118	548,989
Interest on term deposits	10,522,179	11,337,698
	<u>10,887,297</u>	<u>11,886,687</u>
	<u><b>10,870,760</b></u>	<u><b>16,633,813</b></u>
<b>14. SUNDRY INCOME</b>		
Stale cheques written back	170,807	353,165
Member credit balances written back	646,433	222,540
Bad debts recovered	1,241	-
	<u><b>818,481</b></u>	<u><b>575,705</b></u>

**COMPCARE WELLNESS MEDICAL SCHEME**  
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**15. SURPLUS/ (DEFICIT) PER BENEFIT OPTION**

2011	Pinnacle R	Dynamix R	Symmetry R	Mumed R	Axis R	Networx R	Discontinued Options R	Total R
<b>Net contribution income</b>	<b>66,239,592</b>	<b>73,679,451</b>	<b>120,034,236</b>	<b>75,824,781</b>	<b>15,409,307</b>	<b>8,155,251</b>	<b>(52,782)</b>	<b>359,289,836</b>
<b>Relevant healthcare expenditure</b>	<b>(52,645,187)</b>	<b>(61,174,139)</b>	<b>(104,372,203)</b>	<b>(54,736,144)</b>	<b>(16,717,035)</b>	<b>(5,313,120)</b>	<b>336,616</b>	<b>(294,621,213)</b>
Net claims incurred	(52,492,182)	(61,020,054)	(104,267,642)	(54,639,110)	(16,693,669)	(5,255,412)	336,616	(294,031,453)
Claims incurred	(52,512,250)	(61,967,289)	(104,268,039)	(54,652,094)	(16,693,669)	(5,255,412)	(6,893)	(295,355,645)
Third party claim recoveries	20,068	947,235	397	12,983	-	-	343,509	1,324,192
Net expense on risk transfer arrangement	(153,006)	(154,085)	(104,561)	(97,034)	(23,365)	(57,708)	-	(589,760)
Risk transfer arrangement fees	(1,240,084)	(1,735,487)	(419,055)	(388,823)	(93,919)	(241,246)	-	(4,118,615)
Recoveries from risk transfer arrangements	1,087,079	1,581,402	314,494	291,789	70,554	183,538	-	3,528,855
<b>Gross healthcare result</b>	<b>13,594,405</b>	<b>12,505,312</b>	<b>15,662,033</b>	<b>21,088,637</b>	<b>(1,307,728)</b>	<b>2,842,130</b>	<b>283,834</b>	<b>64,668,623</b>
Managed care: management services	(1,326,242)	(2,003,044)	(3,311,781)	(3,072,106)	(690,568)	(969,880)	-	(11,373,621)
Broker services fees	(923,046)	(1,228,417)	(2,003,039)	(1,718,417)	(351,716)	(214,682)	-	(6,439,316)
Administration expenditure	(5,015,187)	(7,155,436)	(11,800,904)	(10,384,390)	(2,465,430)	(1,711,247)	-	(38,532,594)
Net impairment gains/(losses) on healthcare receivables	(224,117)	(240,961)	(330,191)	(90,389)	(3,352)	(174,653)	77,302	(986,360)
<b>Net healthcare result</b>	<b>6,105,813</b>	<b>1,877,455</b>	<b>(1,783,882)</b>	<b>5,823,335</b>	<b>(4,818,794)</b>	<b>(228,331)</b>	<b>361,136</b>	<b>7,336,732</b>
<b>Other income</b>	<b>2,140,110</b>	<b>2,333,121</b>	<b>3,800,869</b>	<b>2,415,731</b>	<b>487,995</b>	<b>256,182</b>	<b>255,233</b>	<b>11,689,241</b>
Investment income	2,004,913	2,228,949	3,631,391	2,293,925	466,136	245,446	-	10,870,760
Sundry income	135,197	104,172	169,478	121,806	21,859	10,736	255,233	818,481
<b>Other expenditure</b>								
Asset management fees	(5,484)	(6,104)	(9,822)	(6,228)	(1,258)	(732)		(29,628)
<b>Net surplus/ (deficit) for the year</b>	<b>8,240,439</b>	<b>4,204,472</b>	<b>2,007,166</b>	<b>8,232,838</b>	<b>(4,332,057)</b>	<b>27,119</b>	<b>616,369</b>	<b>18,996,345</b>



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**15. SURPLUS/ (DEFICIT) PER BENEFIT OPTION (continued)**

2010	Pinnacle	Dynamix	Symmetry	Mumed	Axis	Networx	Discontinued Options	Total
	R	R	R	R	R	R	R	R
<b>Net contribution income</b>	<b>78,636,105</b>	<b>80,763,722</b>	<b>147,307,164</b>	<b>82,922,968</b>	<b>15,448,520</b>	<b>2,852,493</b>	<b>-</b>	<b>407,930,972</b>
<b>Relevant healthcare expenditure</b>	<b>(64,225,335)</b>	<b>(83,344,671)</b>	<b>(118,954,448)</b>	<b>(58,541,810)</b>	<b>(14,402,941)</b>	<b>(1,850,015)</b>	<b>338,845</b>	<b>(340,980,375)</b>
Net claims incurred	(63,997,025)	(83,000,199)	(118,579,800)	(58,262,059)	(14,337,089)	(2,818,186)	338,845	(340,655,513)
Claims incurred	(64,121,337)	(83,029,582)	(118,639,522)	(58,274,155)	(14,337,089)	(2,818,186)	(88,601)	(341,308,472)
Third party claim recoveries	124,312	29,383	59,722	12,096	-	-	427,446	652,959
Net expense on risk transfer arrangement	(228,310)	(344,472)	(374,648)	(279,751)	(65,852)	968,171	-	(324,862)
Risk transfer arrangement fees	(1,829,215)	(2,257,864)	(1,122,471)	(784,527)	(201,812)	(1,233,221)	-	(7,429,110)
Recoveries from risk transfer arrangements	1,600,905	1,913,392	747,823	504,776	135,960	2,201,392	-	7,104,248
<b>Gross healthcare result</b>	<b>14,410,770</b>	<b>(2,580,949)</b>	<b>28,352,716</b>	<b>24,381,158</b>	<b>1,045,579</b>	<b>1,002,478</b>	<b>338,845</b>	<b>66,950,597</b>
Managed care: management services	(1,817,783)	(2,634,530)	(4,454,919)	(3,567,702)	(740,490)	(52,655)	(93,200)	(13,361,279)
Broker services fees	(1,336,802)	(1,766,847)	(2,792,865)	(2,010,706)	(381,505)	(70,697)	-	(8,359,422)
Administration expenditure	(6,332,968)	(8,825,896)	(15,099,803)	(11,603,278)	(2,548,322)	(264,803)	-	(44,675,070)
Net impairment gains/ (losses) on healthcare receivables	94,169	(6,857)	89,888	145,350	(31,611)	(25,046)	646,383	912,276
<b>Net healthcare result</b>	<b>5,017,386</b>	<b>(15,815,079)</b>	<b>6,095,017</b>	<b>7,344,822</b>	<b>(2,656,349)</b>	<b>589,277</b>	<b>892,028</b>	<b>1,467,102</b>
<b>Other income</b>	<b>3,308,461</b>	<b>3,311,358</b>	<b>6,017,781</b>	<b>3,387,001</b>	<b>627,622</b>	<b>162,185</b>	<b>395,110</b>	<b>17,209,518</b>
Investment income	2,387,678	2,449,172	4,464,491	2,514,732	468,516	87,449	-	12,372,038
Other realised gains	804,054	852,635	1,525,461	846,106	158,792	74,727	-	4,261,775
Sundry income	116,729	9,551	27,829	26,163	314	9	395,110	575,705
<b>Other expenditure</b>								
Asset management fees	(8,026)	(8,273)	(14,956)	(8,465)	(1,550)	(341)	-	(41,611)
<b>Net surplus/ (deficit) for the year</b>	<b>8,317,821</b>	<b>(12,511,994)</b>	<b>12,097,842</b>	<b>10,723,358</b>	<b>(2,030,277)</b>	<b>751,121</b>	<b>1,287,138</b>	<b>18,635,009</b>

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	<u>2011</u>	<u>2010</u>
	R	R
<b>16. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES</b>		
Surplus for the year	18,996,345	18,635,009
Adjustments for:		
- Interest and dividend income	(10,977,410)	(12,020,563)
- Other realised and unrealised losses/ (gains)	106,650	(4,613,250)
	<u><b>8,125,585</b></u>	<u><b>2,001,196</b></u>

**COMPCARE WELLNESS MEDICAL SCHEME**  
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**17. RELATED PARTY TRANSACTIONS**

**Transactions with key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the scheme. Key management personnel include the Board of Trustees and the principal officer.

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
Trustee remuneration (Note 12)	547,844	397,871
Principal officer's fees (Note 12)	692,318	656,845
Trustee remuneration payable	9,991	-

**Contributions and claims**

*Statement of comprehensive income*

Gross contributions	387,192	352,440
Claims incurred	296,384	160,576

*Statement of financial position*

Contributions outstanding	20,532	14,670
Claims reported not yet paid	19,019	931
Savings plan liability	404	8,819

**Trustee related to broker**

*Statement of comprehensive income*

Broker service fees	882,729	780,423
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*Statement of financial position*

Broker service fees not yet paid	67,248	79,580
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The terms and conditions of the related party transactions were as follows:

<b>Transaction</b>	<b>Nature of transaction and terms and conditions thereof</b>
Gross contributions	This constitutes the contributions raised for the related party as a member of the Scheme, in their individual capacity. All contributions were at the same terms as applicable to third parties.
Claims incurred	This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to third parties.
Contributions outstanding	This constitutes outstanding contributions receivable. The amounts are due immediately. No provisions for doubtful debts have been raised on these amounts.
Claims reported not yet paid	These are claims that have been reported, but not yet paid due to the fact that the Scheme does a payment run twice a month. The Scheme aims to settle all claims within 30 days of being received.
Savings plan liability	These are unexpended savings amounts due to the related party. No interest is payable on these outstanding amounts.
Broker service fees	This constitutes fees paid to the related party as a broker of the Scheme, in their individual capacity. All broker fees were paid at the same terms as applicable to third parties.
Broker service fees not yet paid	This constitutes broker service fees not yet paid due to the fact that this is settled monthly in arrears.

**COMPCARE WELLNESS MEDICAL SCHEME  
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**17. RELATED PARTY TRANSACTIONS (continued)**

**Transactions with parties that have significant influence over the scheme**

Universal Healthcare (Pty) Ltd is the holding company of Universal Healthcare Administrators (Pty) Ltd and Universal Care (Pty) Ltd.

Universal Healthcare Administrators (Pty) Ltd provides administration services to the Scheme and has significant influence over the scheme as it participates in the Scheme's financial and operating policy decisions, but does not control the Scheme.

Universal Care (Pty) Ltd provides managed healthcare services to the Scheme and has significant influence over the Scheme as it participates in the Scheme's financial and operating policy decisions, but does not control the Scheme.

**During the year the Scheme entered into the following transactions with these parties:**

	<u>2011</u> R	<u>2010</u> R
<b>Universal Healthcare Administrators (Pty) Ltd</b>		
Administration fees paid (Note 12)	32,838,093	39,084,138
Third party claims recoveries administration costs (Note 12)	<u>394,345</u>	<u>-</u>
	<u>33,232,438</u>	<u>39,084,138</u>
Balance due to Universal Healthcare Administrators (Pty) Ltd at end of year (Note 8)	2,638,818	3,173,554
<b>Contributions and claims</b>		
<i>Statement of Comprehensive Income</i>		
Gross contributions received	2,613,876	3,766,988
Claims incurred	1,680,162	2,466,211
<i>Statement of Financial Position</i>		
Contribution debtors	214,105	-
Claims reported not yet paid	53,895	2,587
<b>Universal Care (Pty) Ltd</b>		
Disease management/ prescribed minimum benefit management (Note 11)	1,607,766	1,999,282
HIV management (Note 11)	659,375	820,142
Hospital utilisation and case management (Note 11)	3,321,817	4,130,037
Trauma cost recovery management (Note 11)	-	590,149
Dental management (Note 11)	687,527	864,693
Pathology management (Note 11)	322,809	401,270
Network management (Note 11)	969,880	47,583
NetworX capitation fee (Note 10)	-	1,137,381
	<u>7,569,174</u>	<u>9,990,537</u>

**COMPCARE WELLNESS MEDICAL SCHEME  
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	<u>2011</u> R	<u>2010</u> R
<b>17. RELATED PARTY TRANSACTIONS (continued)</b>		
Balance due to Universal Care (Pty) Ltd at end of year	602,746	938,565
<b>Contributions and claims</b>		
<i>Statement of Comprehensive Income</i>		
Gross contributions received	804,198	740,602
Claims incurred	644,604	454,712
<i>Statement of Financial Position</i>		
Contribution debtors	71,826	-
Claims reported not yet paid	6,614	5,116

**Terms and conditions of the administration agreement**

The administration agreement is in terms of the rules of the Scheme and in accordance with instructions given by the Trustees of the Scheme. The agreement is automatically renewed each year unless notification of termination is received. The Scheme has the right to terminate the agreement on twelve months notice. Administration fees are payable monthly in arrears by the seventh day of each month.

**Terms and conditions of the managed care agreements**

The managed care agreements are in accordance with instructions given by the Trustees of the Scheme. The agreements are automatically renewed each year unless notification of termination is received. The Scheme has the right to terminate the agreement on twelve months notice. Managed care fees are payable monthly in arrears by the seventh day of each month.

**18. INSURANCE RISK MANAGEMENT**

**Nature and extent of risks arising from insurance contracts**

The Scheme issues contracts that transfer insurance risk. This section summaries these risks and the way the Scheme manages them.

**Insurance risk – description of benefit options**

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

*In-hospital benefits cover all costs incurred by registered beneficiaries, whilst they are in hospital to receive pre-authorised treatment for certain medical conditions.*

*Chronic benefits cover the cost of certain prescribed medicines consumed by members for chronic conditions or diseases, subject to pre-authorisation, protocols, formularies and designated service providers (DSP's).*

*Day-to-day benefits cover the cost up to certain limits of all out of hospital medical attention, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines.*

The above benefits are extended to the principal member and their contributing dependants based on their elected benefit option as indicated in the schedule on page 42.

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**18. INSURANCE RISK MANAGEMENT (continued)**

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

The primary insurance activity carried out by the Scheme assumes the risk of loss from members and their dependants that are directly subject to the risk. This risk relates 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 manages its 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 insurance risk exposures both for individual types of risks insured and overall risks. The principal risk is that the frequency and severity of claims is greater than expected.

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

The following table summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred, by age group and in relation to the type of risk covered/ benefits provided. Where appropriate prescribed minimum benefits (PMB) and non-PMB claims have been split:

Age grouping (in years) 2011	In-hospital R	Chronic PMB R	Chronic non-PMB R	Day-to-day R	Total R
< 26	20,649,138	959,840	63,476	12,953,957	34,626,411
26 – 35	12,196,364	745,634	35,335	6,653,441	19,630,774
36 – 50	30,417,378	2,952,703	168,090	18,108,803	51,646,974
51 – 65	54,750,324	9,286,158	382,029	25,600,621	90,019,132
> 65	72,962,939	7,702,772	386,716	20,671,191	101,723,618
	190,976,143	21,647,107	1,035,646	83,988,013	297,646,909
Claims covered by risk transfer arrangements					4,118,615
Outstanding claims provision adjustment and reported claims not yet paid adjustment					(5,820,119)
Less: Third party claim recoveries					(1,324,192)
<b>Total per statement of comprehensive income</b>					<b>294,621,213</b>

Age grouping (in years) 2010	In-hospital R	Chronic PMB R	Chronic non-PMB R	Day-to-day R	Total R
< 26	25,769,314	1,204,244	103,009	16,799,310	43,875,877
26 – 35	12,468,482	1,075,971	106,188	7,538,628	21,189,269
36 – 50	35,274,229	3,655,610	351,016	22,492,632	61,773,487
51 – 65	65,423,101	10,739,700	1,016,919	30,960,693	108,140,413
> 65	74,255,564	8,763,617	795,741	22,596,042	106,410,964
	213,190,690	25,439,142	2,372,873	100,387,305	341,390,010
Claims covered by risk transfer arrangements					7,429,110
Outstanding claims provision adjustment and reported claims not yet paid adjustment					(7,185,786)
Less: Third party claim recoveries					(652,959)
<b>Total per statement of comprehensive income</b>					<b>340,980,375</b>

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**18. INSURANCE RISK MANAGEMENT (continued)**

**Description of benefit options**

	<b>Pinnacle</b>	<b>Dynamix</b>	<b>Symmetry</b>	<b>Mumed</b>	<b>Axis</b>	<b>NetworX</b>
	Subject to pre-authorisation PMB unlimited subject to PMB and protocols	Subject to pre-authorisation PMB unlimited subject to PMB and protocols	Subject to pre-authorisation PMB unlimited subject to PMB and protocols	Subject to pre-authorisation PMB unlimited subject to PMB and protocols	Subject to pre-authorisation PMB unlimited subject to PMB and protocols	Subject to pre-authorisation PMB unlimited subject to PMB and protocols and network of hospitals
<b>In Hospital</b>	Non-PMB generally 100% of agreed tariff, subject to limits	Non-PMB generally 100% of agreed tariff, subject to limits	Non-PMB generally 100% of agreed tariff, subject to limits	Non-PMB generally 100% of agreed tariff, subject to limits	Non-PMB generally 100% of agreed tariff, subject to limits	Non-PMB generally 100% of agreed tariff, subject to limits and DSP's
	Cover at agreed tariffs. Specialist treatment covered at 200%. No top up.	Cover at agreed tariffs. No top up.	Cover at agreed tariffs. No top up.	Cover at agreed tariffs, subject to overall annual limit. No top up.	Cover at agreed tariffs. No top up.	Cover at agreed tariffs, subject to overall annual limit. Co-payments for use of non-DSP facility. No top up.
<b>Chronic medication</b>	100% of cost for CDL conditions, MRP applies, subject to registration	100% of cost for CDL conditions, MRP applies, subject to registration	100% of cost for CDL conditions, MRP applies, subject to registration	100% of cost for CDL conditions, MRP applies, subject to registration	100% of cost for CDL conditions, MRP applies, subject to registration	100% of cost for CDL conditions, MRP applies, subject to registration and network
	PMB's unlimited subject to protocols, formularies and DSP's	PMB's unlimited subject to protocols, formularies and DSP's	PMB's unlimited subject to protocols, formularies and DSP's	PMB's unlimited subject to protocols, formularies and DSP's	PMB's unlimited subject to protocols, formularies and DSP's	PMB's unlimited subject to protocols, formularies and DSP's
	Non-PMB's subject to limits	Non-PMB's subject to limits	Non-PMB's subject to limits	No benefit for non-PMB's	No benefit for non-PMB's	No benefit for non-PMB's
<b>Day to day cover (non- hospital expenses)</b>	Generally 100% of agreed tariff, subject to limits	Generally 100% of agreed tariff, subject to limits	Generally 100% of agreed tariff, subject to limits	Generally 100% of agreed tariff, subject to limits	No benefit for non-PMB's	Generally 100% of agreed tariff, subject to limits and
	Compulsory savings account to cover non-hospital benefits	Compulsory savings account to cover non-hospital benefits				

**Glossary**

<b>PMB</b>	- Prescribed Minimum Benefits
<b>NHRPL</b>	- National Health Reference Price List
<b>CDL</b>	- Chronic Disease List
<b>MRP</b>	- Mediscor Reference Price
<b>DSP</b>	- Designated Service Provider

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**18. INSURANCE RISK MANAGEMENT (continued)**

**Risk management objectives and policies for mitigating insurance risk (continued)**

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.

The Scheme has the right to change the terms and conditions of all contracts. Management information including contribution income and claims ratios by option, target market and demographic split, is reviewed monthly. There is also an underwriting review program that reviews contracts on a continuous basis to ensure adherence to the Scheme's objectives.

**Risk transfer arrangements**

The Scheme entered into capitation agreements with ER24 EMS (Pty) Ltd, to provide rescue services and the Centre for Diabetes and Endocrinology (Pty) Ltd, to provide diabetes related benefits, to beneficiaries of the scheme. These agreements are renewable annually. According to the terms of these agreements the suppliers provides certain minimum benefits to all scheme members as and when required by the members. The Scheme does, however, remain liable to its members if the supplier fails to meet the obligations it assumes.

The risk transfer arrangement with Universal Care (Pty) Ltd was discontinued effective 31 December 2010. As such the Scheme now carries the risk of claims for the NetworX option.

The risk transfer arrangement with International SOS (Pty) Ltd was discontinued effective 28 February 2011. An agreement was entered into with ER24 EMS (Pty) Ltd to now provide rescue care services to members.

When selecting a supplier the Scheme considers their relative financial security. The security is assessed from public rating information and from internal investigation.

**Claims development**

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

**Sensitivity to insurance risk**

A sensitivity analysis is provided below reflecting the impact on the Scheme's reported results for the year assuming a 1% increase/ (decrease) in the cost of claims incurred with all other variables held constant.

	Increase of 1% R	Decrease of 1% R
<b>2011</b>		
In-hospital claims incurred	(1,909,761)	1,909,761
Chronic PMB claims incurred	(216,471)	216,471
Chronic non-PMB claims incurred	(10,357)	10,357
Day-to-day claims incurred	(839,880)	839,880
<b>Total</b>	<b>(2,976,469)</b>	<b>2,976,469</b>
<b>2010</b>		
In-hospital claims incurred	(2,131,907)	2,131,907
Chronic PMB claims incurred	(254,391)	254,391
Chronic non-PMB claims incurred	(23,729)	23,729
Day-to-day claims incurred	(1,003,873)	1,003,873
<b>Total</b>	<b>(3,413,900)</b>	<b>3,413,900</b>



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**19. FINANCIAL RISK MANAGEMENT**

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

Risk management and investment decisions are made by the Board of Trustees.

**19.1 Market risk**

*Currency risk*

The Scheme operates in South Africa and therefore its cash flows are denominated in South African Rand (ZAR). No exposure exists to foreign currency risk.

*Interest rate risk*

The Scheme's investment policy is to hold the majority of all investments in interest bearing instruments. This constitutes a significant portion of the Scheme's investments being exposed to changes in the market interest rates.

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

	Up to 1 month R	2 – 3 months R	4 – 12 months R	Non-interest bearing (no stated maturity) R	Carrying amount R
<b>2011</b>					
Available-for-sale investments	-	-	-	1,034,906	1,034,906
Trade and other receivables	-	-	-	19,509,896	19,509,896
Investments held at fair value through profit or loss	-	-	-	2,576,704	2,576,704
Cash and cash equivalents	116,785,118	19,288,662	55,958,623	-	192,032,403
<b>Total</b>	<b>116,785,118</b>	<b>19,288,662</b>	<b>55,958,623</b>	<b>23,121,506</b>	<b>215,153,909</b>
<b>2010</b>					
Available-for-sale investments	-	-	-	886,469	886,469
Trade and other receivables	-	-	-	25,249,673	25,249,673
Investments held at fair value through profit or loss	-	-	-	2,633,341	2,633,341
Cash and cash equivalents	99,924,243	-	81,173,201	-	181,097,444
<b>Total</b>	<b>99,924,243</b>	<b>-</b>	<b>81,173,201</b>	<b>28,769,483</b>	<b>209,866,927</b>

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**19. FINANCIAL RISK MANAGEMENT (continued)**

**19.1 Market risk (continued)**

*Interest rate risk (continued)*

A sensitivity analysis is provided below assuming a 1% movement in interest rates with all other variables held constant. Only cash and cash equivalents are directly exposed to fluctuations in the interest rate.

	Increase of 1% R	Decrease of 1% R
<b>2011</b>		
Increase/ (decrease) in surplus	1,920,324	(1,920,324)
Increase/ (decrease) in asset	1,920,324	(1,920,324)
Increase/ (decrease) in members' funds	1,920,324	(1,920,324)
<b>2010</b>		
Increase/ (decrease) in surplus	1,810,974	(1,810,974)
Increase/ (decrease) in asset	1,810,974	(1,810,974)
Increase/ (decrease) in members' funds	1,810,974	(1,810,974)

*Equity risk*

Sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate due to changes in market prices, whether these changes are caused by factors specific to the individual equity issuer or factors affecting all similar securities traded in the market.

The equity securities described in the notes are classified as available-for-sale and investments held at fair value through profit or loss. The investments held at fair value through profit or loss consists of a portfolio of listed equities on the JSE Limited, whereas available-for-sale investments consists of Old Mutual and Medi Clinic shares. An increase/ (decrease) of 10% in market prices would impact as follows:

	Increase of 10% R	Decrease of 10% R
<b>2011</b>		
Increase/ (decrease) in total comprehensive income	361,161	(361,161)
Increase/ (decrease) in assets	361,161	(361,161)
Increase/ (decrease) in members' funds	361,161	(361,161)
<b>2010</b>		
Increase/ (decrease) in total comprehensive income	351,981	(351,981)
Increase/ (decrease) in assets	351,981	(351,981)
Increase/ (decrease) in members' funds	351,981	(351,981)

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**19. FINANCIAL RISK MANAGEMENT (continued)**

**19.2 Credit risk**

The Scheme's financial assets comprise available-for-sale investments, investments held at fair value through profit or loss, trade and other receivables and cash and cash equivalents.

The carrying amounts of these financial assets represents the maximum credit exposure as follows:

	2011 R	2010 R
Available-for-sale investments	1,034,906	886,469
Investments held at fair value through profit or loss	2,576,704	2,633,341
Cash and cash equivalents	192,032,403	181,097,444
Insurance receivables	19,266,316	24,700,503
Non-insurance receivables	243,580	549,170
<b>Total</b>	<b>215,153,909</b>	<b>209,866,927</b>

With respect to available-for-sale investments, investments held at fair value through profit or loss and cash and cash equivalents the Scheme limits its counterparty exposure by only dealing with financial institutions that have high external credit ratings. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution in accordance with the limitation on asset requirements specified in the Regulations to the Medical Schemes Act.

Credit risk in respect of trade and other receivables is controlled through the application of credit monitoring procedures. Section 26(7) of the Medical Schemes Act requires all contributions to be paid to the Scheme within 3 days of becoming due. Whilst every effort is made to enforce this requirement the onus is on the member or employer group to ensure compliance. The rules of the Scheme provide for suspension and ultimately termination of membership after specified periods of arrears. The amounts presented in the statement of financial position are net of impairment allowances.

	Total	Neither past due nor impaired	Past due but not impaired				Impaired
	R	R	30 days R	60 days R	90 days R	>90 days R	R
<b>2011</b>							
Insurance receivables	22,250,248	19,005,909	193,194	67,212	-	-	2,983,933
Non-insurance receivables	707,311	243,580	-	-	-	-	463,731
<b>Total</b>	<b>22,957,559</b>	<b>19,249,489</b>	<b>193,194</b>	<b>67,212</b>	<b>-</b>	<b>-</b>	<b>3,447,664</b>
<b>2010</b>							
Insurance receivables	27,134,940	24,360,061	215,117	125,325	-	-	2,434,437
Non-insurance receivables	769,776	549,170	-	-	-	-	220,606
<b>Total</b>	<b>27,904,716</b>	<b>24,909,231</b>	<b>215,117</b>	<b>125,325</b>	<b>-</b>	<b>-</b>	<b>2,655,043</b>

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**19. FINANCIAL RISK MANAGEMENT (continued)**

**19.2 Credit risk (continued)**

Amounts past due but not impaired, are not impaired due to the expected recoverability of these outstanding amounts.

The credit quality of financial assets that are neither past due nor impaired has been assessed on the basis of historical information about counter party default rates as follows:

	2011 R	2010 R
<b>Insurance receivables</b>		
Group 1 – New members (less than 6 months)	564,604	1,303,006
Group 2 – Existing members (more than 6 months) with no past defaults	18,383,219	22,987,074
Group 3 – Existing members (more than 6 months) with some past defaults	58,086	69,981
	19,005,909	24,360,061
<b>Non-insurance receivables</b>		
On demand	243,580	549,170
<b>Total</b>	<b>19,249,489</b>	<b>24,909,231</b>

**19.3 Liquidity risk**

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

The table below summarises the Scheme's financial liabilities categorised by the earlier of contractual maturity or expected maturity dates.

	Up to 1 month R	2 – 3 months R	4 – 12 months R	Total R
<b>2011</b>				
Outstanding claims provision	3,040,564	2,748,000	1,081,436	6,870,000
Savings plan liability	-	-	25,748,207	25,748,207
Trade and other payables	20,052,549	660,491	-	20,713,040
	<b>23,093,113</b>	<b>3,408,491</b>	<b>26,829,643</b>	<b>53,331,247</b>
<b>2010</b>				
Outstanding claims provision	6,885,630	5,779,359	391,700	13,056,689
Savings plan liability	-	-	32,810,102	32,810,102
Trade and other payables	18,160,469	907,097	2,254,690	21,322,256
	<b>25,046,099</b>	<b>6,686,456</b>	<b>35,456,492</b>	<b>67,189,047</b>

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**19. FINANCIAL RISK MANAGEMENT (continued)**

**19.4 Fair value of financial instruments**

*Valuation techniques and assumptions applied for the purpose of measuring fair value*

The fair value of the publicly traded financial instruments held at fair value through profit or loss and available-for-sale securities is based on quoted market prices at the statement of financial position date.

In assessing the fair value of other financial instruments, the Scheme uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Other techniques, such as estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the scheme for similar financial instruments.

*Fair value measurements recognised in the statement of financial position (fair value hierarchy)*

The table below categorises the Scheme's investments, measured at fair value, into three hierarchy levels. This reflects the significance of the inputs used to make the measurements.

Level 1 fair value measurement represents those assets which are measured using unadjusted quoted prices for identical assets. The predominance of market inputs is actively quoted and can be validated through external sources or reliably interpolated if less observable.

Level 2 fair value measurement represents those assets which are measured using inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices). They are often based on model pricing techniques that are effectively discount prospective cash flows to present value using appropriate sector-adjusted credit spreads commensurate with the security's duration, also taking into consideration issuer-specific credit quality and liquidity.

If one or more of the significant inputs is not based on observable market data, then the instrument is included in Level 3.

	Level 1 R	Level 2 R	Level 3 R	Reclassification R	Total R
<b>2011</b>					
Available-for-sale investments	1,034,906	-	-	-	1,034,906
Investments held at fair value through profit or loss	2,576,704	-	-	-	2,576,704
<b>Total</b>	<b>3,611,610</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,611,610</b>
<b>2010</b>					
Available-for-sale investments	886,469	-	-	-	886,469
Investments held at fair value through profit or loss	2,633,341	-	-	-	2,633,341
<b>Total</b>	<b>3,519,810</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,519,810</b>

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**19. FINANCIAL RISK MANAGEMENT (continued)**

**19.5 Capital adequacy risk**

The Scheme's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide benefits for its stakeholders.

The principal risk is that the frequency and severity of claims is greater than expected and that there are insufficient reserves to provide for their settlement.

The Medical Schemes Act, 131 of 1998 requires a minimum solvency ratio, calculated as accumulated funds expressed as a percentage of gross contributions, of 25%. The Scheme's solvency ratio was 40.5% at 31 December 2011 (2010: 30.4%).

**20. CONTINGENT ASSET**

The Scheme has lodged claims against the Road Accident Fund to the value of R5 935 585 (2010: R6 679 585). Due to the uncertain outcomes of these claims the Scheme has not accounted for the economic benefit thereof.

**21. NON-COMPLIANCE WITH THE ACT**

In accordance with the Council for Medical Schemes circular 11/2006, the Scheme is required to report all non-compliance with the Act noted during the course of the audit irrespective of whether the auditor considers the non-compliance as material or immaterial.

**21.1 Payment of contributions**

Section 26(7) of the Act requires contributions to be paid to a Scheme not later than three days after payment thereof becoming due. Whilst every effort is made to enforce this requirement the onus is on the member/ employer group to ensure compliance. During the financial year certain contributions were identified that were not paid to the Scheme within three days of becoming due.

The non-compliance increases the liquidity risk to the Scheme. Credit control procedures are followed to collect outstanding amounts.

**21.2 Board of Trustees**

Section 57(1) of the Act requires a medical scheme to have a Board of Trustees to manage the business contemplated by the medical scheme in accordance with the applicable laws and the rules of such medical scheme. The rules of the scheme provide for a minimum of eight Trustees. From 20 October 2010, the Board of Trustees comprised seven Trustees.

At the Board of Trustees meeting held on 5 April 2011, Mr D Sherman was appointed as a Trustee, thereby correcting the non-compliance.

**21.3 Sustainability of benefit options**

Section 33(2) of the Act stipulates that each option shall be self-supporting in terms of membership and financial performance and be financially sound. At 31 December 2011 the Symmetry, Axis and NetworX options did not comply with Section 33(2). These three options have incurred net healthcare deficits however the Symmetry and NetworX options have made net surpluses.

While the Scheme is committed to complying with the applicable legislation, the overall stability and financial soundness of the Scheme as a whole is strong. This is evident with the solvency ratio being 40.5%, well in excess of the requirement of the Act.

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**21. NON-COMPLIANCE WITH THE ACT (continued)**

**21.4 Payment of claims**

Section 59(2) of the Act requires claims to be paid to a member or supplier of service within 30 days of receipt of such claims. During the year certain claims were identified that were not paid within 30 days of being received.

With effect from 1 January 2012, the Scheme has implemented a weekly payment process to settle claims on a more frequent basis.

**22. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE**

There have been no events that have occurred subsequent to the end of the accounting period that affect the annual financial report and that the Trustees consider should be brought to the attention of the members of the Scheme.