



(Reference Number: 1491)

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

**COMPCARE WELLNESS MEDICAL SCHEME
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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**COMPCARE WELLNESS MEDICAL SCHEME
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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 2010 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 operated 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 5 April 2011 and are signed on its behalf by:



S Ireton
Chairperson



B le Roux
Trustee



R Hallowell
Principal Officer

**COMPCARE WELLNESS MEDICAL SCHEME
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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.



S Ireton
Chairperson



B le Roux
Trustee



R Hallowell
Principal Officer

5 April 2011

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 2010, 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 annual 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 2010, 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
Registered Auditors

Per: J van Staden
Partner
5 April 2011

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit
DL Kennedy Risk Advisory NB Kader Tax & Legal Services L Geeringh Consulting L Bam Corporate Finance
JK Mazzocco Human Resources CR Beukman Finance TJ Brown Clients NT Mtoba 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/AAA (certified by Empowerdex)

Member of Deloitte Touche Tohmatsu Limited

**COMPCARE WELLNESS MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2010**

The Board of Trustees hereby presents its report for the year ended 31 December 2010

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 Accolade option was discontinued effective 31 December 2009, with members previously on the Accolade option being transferred to the Pinnacle option. 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 option 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. No interest is payable on members outstanding savings account balances.

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.

In terms of the rules of the Scheme, the Scheme carries the risk.

Savings contributions 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.

**COMPCARE WELLNESS MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2010**

1.4 Risk transfer arrangements

The Scheme has entered into capitation agreements with International SOS (Pty) Ltd, Centre for Diabetes and Endocrinology (Pty) Ltd and Universal Care Plus (Pty) Ltd, to provide services for the duration of the year.

The results of these arrangements are as follows:

Provider	Service provided	Capitation fees paid R	Recovery from provider R	Net income/ (expense) R
2010				
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
		(7,429,110)	7,104,248	(324,862)
2009				
Centre for Diabetes and Endocrinology (Pty) Ltd	Diabetic Management	(8,391,101)	6,661,345	(1,729,756)
International SOS (Pty) Ltd	Rescue care	(1,925,902)	1,767,054	(158,848)
Universal Care (Pty) Ltd	Non-hospital risk	(398,584)	243,558	(155,026)
		(10,715,587)	8,671,957	(2,043,630)

Centre for Diabetes and Endocrinology (Pty) Ltd

The programme is offered to insulin dependent members on the Pinnacle and Dynamix options. The recovery from 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.

International SOS (Pty) Ltd

The recovery from 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

The recovery from 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.

2. MANAGEMENT

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

Name	Details
Mr S Ireton	Chairman Member Trustee
Mr M Brownie	Employer Trustee
Mr J Fourie	Employer Trustee
Ms R Lombard	Employer Trustee Appointed 20 April 2010
Ms J Govender	Employer Trustee Resigned 20 October 2010
Mr P Harper	Employer Trustee Resigned 1 February 2010
Mr B le Roux	Member Trustee
Mr M Machai	Member Trustee
Mr P Masuku	Member Trustee

**COMPCARE WELLNESS MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2010**

2. MANAGEMENT (continued)

2.2 Principal Officer

Mr RJ Hallowell	
HalRoux Healthcare Solutions (Pty) Ltd	
Status House	PO Box 1554
15 Tambach Road	Rivonia
Sunninghill Park	2128
Sandton	

2.3 Registered office address and postal address

C/O Universal Healthcare Administrators (Pty) Ltd	
Status House	
15 Tambach Road	PO Box 1411
Sunninghill Park	Rivonia
Sandton	2128

2.4 Medical Scheme Administrator during the year

Universal Healthcare Administrators (Pty) Ltd (previously Status Medical Aid Administrators (Pty) Ltd)	
Status House	PO Box 1411
15 Tambach Road	Rivonia
Sunninghill Park	2128
Sandton	

Accreditation number: ADMIN:5

2.5 Actuary

Roseanne da Silva	
Roseanne da Silva and Associates cc	PO Box 70929
	Bryanston
	2021

2.6 Auditors

Deloitte & Touche	
Deloitte Place	Private Bag X6
The Woodlands	Gallo Manor
20 Woodlands Drive	2052
Woodmead	
Sandton	

**COMPCARE WELLNESS MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2010**

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, listed equities and unit trusts during 2010. 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 dependents 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 2010**

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

5.1 Operational statistics

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

**COMPCARE WELLNESS MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

5.1 Operational statistics (continued)

2009	Pinnacle	Mumed	Accolade	Dynamix	Symmetry	Axis	Networx	Total
Average number of members during the accounting period	790	3,577	1,206	2,371	4,910	919	63	13,836
Number of members at 31 December	762	3,460	1,182	2,307	4,745	835	62	13,353
Average number of beneficiaries during the accounting period	1,846	8,780	2,629	5,192	11,457	1,832	107	31,843
Number of beneficiaries at 31 December	1,776	8,436	2,546	5,031	11,030	1,670	98	30,587
Average number of dependants during the accounting period	1,057	5,202	1,423	2,822	6,547	913	44	18,008
Number of dependants at 31 December	1,014	4,976	1,364	2,724	6,285	835	36	17,234
Dependent ratio at 31 December	1.3	1.4	1.2	1.2	1.3	1.0	0.1	1.3
Average net contributions per beneficiary per month (R)	1,452	723	2,064	1,056	1,093	671	726	1,059
Relevant healthcare expenditure per average beneficiary per month (R)	1,460	680	2,060	1,237	1,160	749	920	1,106
Non-healthcare expenditure per average beneficiary per month (R)	186	165	212	196	181	193	225	181
Relevant healthcare expenditure as a percentage of gross contributions (%)	75%	94%	100%	88%	106%	112%	127%	97%
Non-health expenditure as a percentage of gross contributions (%)	10%	23%	10%	14%	17%	29%	31%	16%
Average age	41	30	48	42	37	43	34	37
Pensioner ratio at 31 December	11%	5%	21%	18%	11%	14%	11%	12%
Average accumulated funds per member at year end (R)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9,144
Return on investments as a percentage of investments (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9%

**COMPCARE WELLNESS MEDICAL SCHEME
REPORT OF THE BOARD OF TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

	2010 R	2009 R
Total members' funds per statement of financial position	142,677,880	127,389,424
Less: Available-for-sale reserve	(859,268)	(4,205,821)
Less: Cumulative unrealised gain on revaluation of investments held at fair value through profit or loss in accumulated funds	(1,527,833)	(1,078,936)
Accumulated funds per Regulation 29	<u>140,290,779</u>	<u>122,104,667</u>
Gross contributions	<u>460,927,475</u>	<u>437,415,001</u>
Solvency ratio: (Accumulated funds/ Gross annual contribution income x 100)	30.4%	27.9%

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 2009 and 2010 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 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 2010**

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 alternate Mr R Harris
Mr B Dowden	Independent
Mr C Fontaine	Independent
Mr J Fourie	Employer Trustee
Mr B le Roux	Member Trustee

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 Brownie	5	5	N/A	N/A	1	0
* Ms J Govender	4	3	N/A	N/A	N/A	N/A
* Mr P Harper	1	1	N/A	N/A	N/A	N/A
* Mr S Ireton	5	5	N/A	N/A	N/A	N/A
* Mr M Machai	5	4	N/A	N/A	2	2
* Ms R Lombard	3	3	N/A	N/A	N/A	N/A
* Mr P Masuku	5	5	N/A	N/A	N/A	N/A
* Mr J Fourie	5	5	2	2	1	1
* Mr B le Roux	5	5	2	2	3	3
Mr B Dowden	N/A	N/A	2	2	N/A	N/A
Mr C Fontaine	N/A	N/A	2	2	N/A	N/A
Mr R Harris	N/A	N/A	0	0	N/A	N/A
Mr M Reid	N/A	N/A	2	2	N/A	N/A

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 2010**

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 Foreign component of units in collective investment scheme ("CIS") portfolios

Regulation 30 under the Act, read with Annexure B, which governs the limitations on the assets, prohibits the investment of the Scheme's assets in territories outside the Republic of South Africa. During 2010 the Scheme held some investments with foreign components.

The Scheme disposed of these investments during the year under review, thereby correcting the non-compliance.

11.3 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 DJ Sherman was appointed as a Trustee, thereby correcting the non-compliance.

12. OTHER MATTERS

There is currently a difference in the interpretation of Regulation 8(1) to the Medical Schemes Act, No 131 of 1998 (the Act) regarding the payment of Prescribed Minimum Benefits (PMBs). Regulation 8(1) stipulates that PMBs are to be paid at "full cost" and the Council for Medical schemes considers "full cost" to be the full invoice price claimed by the service provider. The Board of Healthcare Funders (BHF), which is the representative body of the majority of medical schemes resorting under the Act, is applying to the High Court for a declaratory order on the interpretation of "full cost", as medical schemes are of the view that benefits may only be paid at the cost as registered in the rules of such medical scheme.

Application for a preferential Court date will be made and is estimated earliest May 2011. The Board of Trustees continues to monitor the activities surrounding this important matter in order to manage the exposure of risk to the Scheme and its members.

COMPCARE WELLNESS MEDICAL SCHEME
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Notes	<u>2010</u> R	<u>2009</u> R
ASSETS			
Non-current assets			
Available-for-sale investments	2	886,469	6,775,686
Current assets			
Trade and other receivables	3	208,980,458 25,249,673	189,961,337 20,995,684
Investments held at fair value through profit or loss	4	2,633,341	2,246,375
Cash and cash equivalents	5	181,097,444	166,719,278
Total assets		<u>209,866,927</u>	<u>196,737,023</u>
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		142,677,880 141,818,612	127,389,424 123,183,603
Available-for-sale reserve		859,268	4,205,821
Current liabilities			
Outstanding claims provision	6	67,189,047 13,056,689	69,347,599 15,975,000
Savings plan liability	7	32,810,102	26,980,598
Trade and other payables	8	21,322,256	26,392,001
Total funds and liabilities		<u>209,866,927</u>	<u>196,737,023</u>

**COMPCARE WELLNESS MEDICAL SCHEME
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	<u>2010</u> R	<u>2009</u> R
Net contribution income	9	407,930,972	404,789,024
Relevant healthcare expenditure		(340,980,375)	(422,632,978)
Net claims incurred	10	(340,655,513)	(420,589,348)
Claims incurred		(341,308,472)	(421,522,918)
Third party claim recoveries		652,959	933,570
Net expense on risk transfer arrangements	10	(324,862)	(2,043,630)
Risk transfer arrangement fees		(7,429,110)	(10,715,587)
Recoveries from risk transfer arrangements		7,104,248	8,671,957
Gross healthcare result		<u>66,950,597</u>	<u>(17,843,954)</u>
Managed care: management services	11	(13,361,279)	(14,072,331)
Broker service fees		(8,359,422)	(8,259,388)
Administration expenditure	12	(44,675,070)	(45,637,486)
Net impairment gains/ (losses) on healthcare receivables	3	912,276	(937,595)
Net healthcare result		<u>1,467,102</u>	<u>(86,750,754)</u>
Other income		17,209,518	48,249,925
Investment income	13	16,633,813	47,882,823
Sundry income	14	575,705	367,102
Other expenditure			
Asset management fees		(41,611)	(68,853)
Net surplus/ (deficit) for the year		<u>18,635,009</u>	<u>(38,569,682)</u>
Other comprehensive deficit		<u>(3,346,553)</u>	<u>(24,104,542)</u>
Unrealised gains on the revaluation of available-for-sale investments	2	93,851	1,223,513
Reversal of the realised gain on the sale of available-for-sale investments from the available-for-sale reserve	2	(3,440,404)	(25,328,055)
Total comprehensive income/ (deficit) for the year		<u><u>15,288,456</u></u>	<u><u>(62,674,224)</u></u>

**COMPCARE WELLNESS MEDICAL SCHEME
STATEMENT OF CHANGES IN FUNDS AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<u>Accumulated funds</u> R	<u>Available-for- sale reserve</u> R	<u>Total members' funds</u> R
Balance at 1 January 2009	161,753,285	28,310,363	190,063,648
Total comprehensive deficit for the year	(38,569,682)	(24,104,542)	(62,674,224)
Deficit for the year	(38,569,682)	-	(38,569,682)
Other comprehensive deficit for the year	-	(24,104,542)	(24,104,542)
Balance at 31 December 2009	123,183,603	4,205,821	127,389,424
Total comprehensive income for the year	18,635,009	(3,346,553)	15,288,456
Surplus for the year	18,635,009	-	18,635,009
Other comprehensive deficit for the year	-	(3,346,553)	(3,346,553)
Balance at 31 December 2010	141,818,612	859,268	142,677,880

**COMPCARE WELLNESS MEDICAL SCHEME
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	<u>2010</u> R	<u>2009</u> R
Cash flows from operating activities			
Cash flows from operations before working capital changes	16	2,001,196	(86,452,505)
Working capital changes:			
- (Increase)/ decrease in trade and other receivables		(4,253,989)	2,298,183
- Decrease in trade and other payables		(5,069,745)	(630,516)
- Decrease in outstanding claims provision		(2,918,311)	(6,083,878)
- Increase in savings plan liability		5,829,504	3,193,724
<i>Cash utilised in operating activities</i>		<u>(4,411,345)</u>	<u>(87,674,992)</u>
Cash flows from investing activities			
Purchase of investments		(873,579)	(2,962,557)
Proceeds on disposal of investments		7,642,527	53,238,557
Interest and dividend income		12,020,563	17,423,127
<i>Cash generated from investing activities</i>		<u>18,789,511</u>	<u>67,699,127</u>
Net increase/ (decrease) in cash and cash equivalents		14,378,166	(19,975,865)
Cash and cash equivalents at beginning of year		166,719,278	186,695,143
Cash and cash equivalents at end of year	5	<u>181,097,444</u>	<u>166,719,278</u>

COMPCARE WELLNESS MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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 available-for-sale investments and investments held at fair value through profit or loss, 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 2010 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
IFRS 3	Business Combinations (Revised)	1 Jul 2009
Amendment to IAS 38	Intangible Assets	1 Jul 2009
Amendment to IAS 39	Financial Instruments: Recognition and Measurement (IAS 39) - Exposures Qualifying for Hedge Accounting	1 Jul 2009
	Improvements to IFRSs (Issued April 2009)	1 Jan 2010 (unless otherwise specified)

COMPCARE WELLNESS MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

New standards, amendments and interpretations effective in 2010 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 17	Distributions of Non-cash Assets to Owners	1 Jul 2009
IFRIC 18	Transfers of Assets from Customers	1 Jul 2009
IAS 27	Consolidated and Separate Financial Statements (Revised)	1 Jul 2009
IFRS 1	First-time Adoption of International Financial Reporting Standards (Revised)	1 Jul 2009
Amendment to IFRS 2	Share-Based Payments - Group cash-settled share-based payment transactions	1 Jan 2010
Amendment to IAS 32	Financial Instruments: Presentation - Classification of rights issues	1 Feb 2010

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
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
IFRS 9	Financial Instruments	1 Jan 2013

COMPCARE WELLNESS MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 Jan 2011
Amendments to IFRS 3	Business Combinations	1 Jan 2011
Amendments to IAS 7	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

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 and taken to the statement of comprehensive income. 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 2010

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 cost 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 2010**

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 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. 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 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 2010**

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 as 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 2010**

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 and insurance policies are recognised when entitlement to revenue is established. Realised gains arising on the sale of available-for-sale investments are recognised in the statement of comprehensive income as investment income.

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.

**COMPCARE WELLNESS MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

1 PRINCIPAL ACCOUNTING POLICIES (continued)

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 2010**

	<u>2010</u> R	<u>2009</u> R
2. AVAILABLE-FOR-SALE INVESTMENTS		
Fair value at the beginning of the year	6,775,686	51,233,111
Additions	42,664	2,585,070
Disposals		
- Proceeds on disposals	(6,847,103)	(52,900,560)
- Realised gains on disposals	(3,440,404)	(25,328,055)
- Realised gains on disposals - current	(821,371)	(4,634,552)
- Cost of investments	(2,585,328)	(22,937,953)
Realised gains on disposals	821,371	4,634,552
Unrealised gains on revaluation	93,851	1,223,513
Fair value at end of year	<u>886,469</u>	<u>6,775,686</u>
The investments included above represent investments in:		
- Investment in collective investment scheme (CIS) portfolios	-	5,983,068
- Listed equity on the JSE Limited	886,469	792,618
	<u>886,469</u>	<u>6,775,686</u>

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.

The Scheme disposed of the investment in CIS portfolios due to non-compliance with the Act.

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

**COMPCARE WELLNESS MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<u>2010</u>	<u>2009</u>
	R	R
3. TRADE AND OTHER RECEIVABLES		
Insurance receivables		
Contributions outstanding	26,331,111	23,827,060
Less: provision for unintimated resignations	(175,408)	(286,979)
Less: provision for impairment of receivables - contributions	(1,690,616)	(3,108,831)
Amounts due from Road Accident Fund	59,722	14,949
Recoveries from members for co-payments	644,094	722,904
Less: provision for impairment of receivables - member co-payments	(542,032)	(504,742)
Amounts due from suppliers	100,013	103,037
Less: provision for impairment of receivables - suppliers	(26,381)	(37,902)
	<u>24,700,503</u>	<u>20,729,496</u>
Non-insurance receivables		
Pre-payments	113,543	103,466
Dividends receivable	14,110	-
Savings plan account advances (Note 7)	642,123	250,309
Less: provision for impairment of receivables	(220,606)	(87,587)
	<u>549,170</u>	<u>266,188</u>
	<u>25,249,673</u>	<u>20,995,684</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:

	Insurance receivables	Non-insurance receivables
	R	R
Balance at 1 January 2009	2,784,598	17,936
Additional provisions made	866,877	69,651
Balance at 31 December 2009	<u>3,651,475</u>	<u>87,587</u>
(Unused amounts reversed)/ Additional provisions made	(1,392,446)	133,019
Balance at 31 December 2010	<u><u>2,259,029</u></u>	<u><u>220,606</u></u>

**COMPCARE WELLNESS MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

3. TRADE AND OTHER RECEIVABLES (continued)

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

	<u>2010</u>	<u>2009</u>
	R	R
Impairment losses recognised directly in the statement of comprehensive income	(347,151)	(1,067)
Movement in the allowance account for impairment losses	1,259,427	(936,528)
	<u>912,276</u>	<u>(937,595)</u>

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

Fair value at beginning of the year	2,246,375	1,709,796
Additions	830,915	377,487
Disposals	(795,424)	(337,997)
Realised gain/ (loss) on disposal (Note 13)	266,749	(23,820)
Unrealised gain on revaluation (Note 13)	84,726	520,909
Fair value at the end of the year	<u>2,633,341</u>	<u>2,246,375</u>

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

	<u>2010</u>	<u>2009</u>
	R	R
5. CASH AND CASH EQUIVALENTS		
Call and term deposits	153,434,910	151,714,980
Current accounts	27,662,534	15,004,298
	<u>181,097,444</u>	<u>166,719,278</u>

The weighted average effective interest rates are:

Term deposits	7.08%	8.00%
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The average maturities are:

Term deposits	123 days	96 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 2010**

6. OUTSTANDING CLAIMS PROVISION

	Not covered by risk transfer arrangements	
	2010	2009
	R	R
Balance at beginning of year	15,975,000	22,058,878
Payments in respect of prior year	(15,974,365)	(22,376,657)
Over/ (Under) provision in prior year (Note 10)	635	(317,779)
Adjustment for current year	13,056,054	16,292,779
Balance at end of year	13,056,689	15,975,000
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	16,780,591	18,373,274
Less: estimated recoveries from	(3,723,902)	(2,398,274)
- member co-payments	(2,002,507)	(1,354,376)
- savings plan accounts (Note 7)	(1,721,395)	(1,043,898)
Balance at end of year	13,056,689	15,975,000

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 2010**

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>2010</u> R	<u>2009</u> R
7. SAVINGS PLAN LIABILITY		
Balance on savings plan liability at the beginning of the year	26,980,598	23,786,874
Add:		
Savings plan account contributions received or receivable for the current year (Note 9)	52,996,503	32,625,977
	<u>79,977,101</u>	<u>56,412,851</u>
Less:		
Claims paid on behalf of members (Note 10)	(45,971,746)	(27,007,926)
Refunds on death or resignation	(1,587,067)	(2,656,699)
Add:		
Movement on advances on savings plan accounts (Note 3)	391,814	232,372
Balance on savings plan liability at end of year	<u>32,810,102</u>	<u>26,980,598</u>

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 recorded will amount to R1 721 395 (2009: R1 043 898) (Note 6).

**COMPCARE WELLNESS MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<u>2010</u>	<u>2009</u>
	R	R
8. TRADE AND OTHER PAYABLES		
Insurance payables		
Reported claims not yet paid	10,941,820	15,209,295
Amounts due to suppliers	814,412	634,919
Amounts owing to brokers	687,781	653,037
Stale cheques	175,631	529,759
Outstanding cheques for claims expenses	-	1,896
Amounts due to members	<u>3,002,778</u>	<u>3,778,199</u>
	<u>15,622,422</u>	<u>20,807,105</u>
Non-insurance payables		
Amounts owing to administrator	3,173,554	3,204,720
Amounts owing to auditors	617,262	726,728
Amounts owing to managed care organisations	1,488,824	1,253,826
Amount owing to Council for Medical Schemes	-	100,000
Other payables	<u>420,194</u>	<u>299,622</u>
	<u>5,699,834</u>	<u>5,584,896</u>
	<u>21,322,256</u>	<u>26,392,001</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>2010</u>	<u>2009</u>
	R	R
9. NET CONTRIBUTION INCOME		
Gross contributions	460,927,475	437,415,001
Less: savings contributions (Note 7)	(52,996,503)	(32,625,977)
	<u>407,930,972</u>	<u>404,789,024</u>

**COMPCARE WELLNESS MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

10. RELEVANT HEALTHCARE EXPENDITURE	2010	2009
	R	R
Current year claims	390,198,529	454,614,722
Claims not covered by risk transfer arrangements	383,094,281	445,942,765
Claims covered by risk transfer arrangements	7,104,248	8,671,957
Movement in outstanding claims provision	(2,918,311)	(6,083,878)
(Over)/ Under provision in prior year (Note 6)	(635)	317,779
Adjustment for current year	(2,917,676)	(6,401,657)
Less :		
Claims charged to savings accounts (Note 7)	(45,971,746)	(27,007,926)
Third party claim recoveries	(652,959)	(933,570)
Net claims incurred	340,655,513	420,589,348
Risk transfer arrangement fees paid	7,429,110	10,715,587
Recovery from risk transfer arrangements	(7,104,248)	(8,671,957)
Net expense on risk transfer arrangements	324,862	2,043,630

The Scheme has entered into capitation agreements with International SOS (Pty) Ltd, Centre for Diabetes and Endocrinology (Pty) Ltd and Universal Care (Pty) Ltd, to provide services for the duration of the year. The results of these arrangements are as follows:

Provider	Service provided	Capitation fees paid R	Recovery from provider R	Net Income/ (Expense) R
2010				
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
		(7,429,110)	7,104,248	(324,862)
2009				
Centre for Diabetes and Endocrinology (Pty) Ltd	Diabetic management	(8,391,101)	6,661,345	(1,729,756)
International SOS (Pty) Ltd	Rescue care	(1,925,902)	1,767,054	(158,848)
Universal Care (Pty) Ltd	Out of Hospital Claims	(398,584)	243,558	(155,026)
		(10,715,587)	8,671,957	(2,043,630)

Centre for Diabetes and Endocrinology (Pty) Ltd

The recovery from 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.

International SOS (Pty) Ltd

The recovery from 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

The recovery from 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.

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	<u>2010</u>	<u>2009</u>
	R	R
11. MANAGED CARE: MANAGEMENT SERVICES		
Hospital utilisation and case management	4,130,037	4,233,962
HIV management	820,142	840,358
Oncology utilisation management	122,508	184,217
Pharmacy benefit management	4,385,615	4,710,087
Trauma cost recovery management	590,149	767,534
Disease management/ prescribed minimum benefit management	1,999,282	2,049,790
Dental management	864,693	875,668
Pathology management	401,270	410,715
Networx- capitation management	47,583	-
	<u>13,361,279</u>	<u>14,072,331</u>
12. ADMINISTRATION EXPENDITURE		
Actuarial fees	304,437	403,950
Administrator's fees	39,084,138	39,846,240
Advertising	786,030	1,051,285
Association fees	101,216	103,944
Auditors fees	554,000	461,737
- Current year accrual	554,000	513,000
- Prior year adjustment	-	(51,263)
Bank charges	355,856	483,495
Fidelity guarantee and professional indemnity insurance premium	138,609	154,641
Penalties	-	100,000
Fraud investigation charges	1,038,575	1,007,519
Internal control review	229,474	213,727
Legal expenses	58,256	155,535
Marketing	501,505	47,747
Other expenses	131,464	117,022
Principal officer fees	656,845	615,600
Registrar's levies	244,226	225,749
Total Trustees remuneration and consideration expenses (refer page 34)	397,871	570,692
Website hosting costs	92,568	78,603
	<u>44,675,070</u>	<u>45,637,486</u>

**COMPCARE WELLNESS MEDICAL SCHEME
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	<u>2010</u>	<u>2009</u>
	R	R
12. ADMINISTRATION EXPENDITURE (continued)		
12.1 Trustees Remuneration and consideration expenses		
<i>Fees for meeting attendance</i>	258,280	390,500
Mr M Brownie *	29,350	44,000
Mr J Fourie *	41,090	49,500
Ms J Govender *	17,610	38,500
Mr P Harper	5,870	49,500
Mr S Ireton	29,350	38,500
Mr B le Roux *	52,830	66,000
Ms R Lombard	17,610	-
Mr M Machai	35,220	55,000
Mr P Masuku	29,350	49,500
<i>Retainer fees</i>	81,960	76,800
Mr S Ireton	40,980	38,400
Mr B le Roux *	40,980	38,400
<i>Accommodation, travel and meals</i>	57,631	103,392
Mr P Harper	2,537	27,600
Mr M Machai	26,411	36,735
Mr P Masuku	24,871	36,515
Mr M Brownie	3,812	-
Mr B le Roux *	-	2,542
	<u>397,871</u>	<u>570,692</u>

* Paid to employer

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	<u>2010</u>	<u>2009</u>
	R	R
13. INVESTMENT INCOME		
<i>Income from available-for-sale investments</i>		
Interest income	25,360	738,794
Dividend income	45,880	1,908,348
Realised gain on disposal	3,440,404	25,328,055
Realised gain on disposal - current	<u>821,371</u>	<u>4,634,552</u>
	<u><u>4,333,015</u></u>	<u><u>32,609,749</u></u>
 <i>Income from investments held at fair value through profit or loss</i>		
Interest income	14,968	14,810
Dividend income	47,668	46,191
Realised gain/ (loss) on disposal (Note 4)	266,749	(23,820)
Unrealised gain on revaluation	<u>84,726</u>	<u>520,909</u>
	<u><u>414,111</u></u>	<u><u>558,090</u></u>
 <i>Income from cash and cash equivalents</i>		
Interest on current accounts	548,989	1,311,625
Interest on term deposits	<u>11,337,698</u>	<u>13,403,359</u>
	<u><u>11,886,687</u></u>	<u><u>14,714,984</u></u>
	<u><u>16,633,813</u></u>	<u><u>47,882,823</u></u>
 14. SUNDRY INCOME		
Stale cheques written back	353,165	367,102
Member credit balances written back	222,540	-
	<u><u>575,705</u></u>	<u><u>367,102</u></u>

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

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

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

2009	Pinnacle R	Mumed R	Accolade R	Dynamix R	Symmetry R	Axis R	Networx R	Discontinued Options R	Total R
Net contribution income	32,172,573	76,150,049	65,128,105	65,816,530	150,272,068	14,742,133	932,579	(425,013)	404,789,024
Relevant healthcare expenditure	(32,351,411)	(71,632,567)	(64,997,928)	(77,054,569)	(159,542,447)	(16,464,176)	(1,180,840)	590,960	(422,632,978)
Net claims incurred	(32,220,676)	(71,366,749)	(64,715,514)	(76,629,826)	(158,892,922)	(16,329,532)	(1,025,089)	590,960	(420,589,348)
Claims incurred	(32,353,084)	(71,366,749)	(64,715,514)	(76,671,780)	(158,892,922)	(16,329,532)	(1,025,089)	(168,248)	(421,522,918)
Third party claim recoveries	132,408	-	-	41,954	-	-	-	759,208	933,570
Net expense on risk transfer arrangement	(130,735)	(265,818)	(282,414)	(424,743)	(649,525)	(134,644)	(155,751)	-	(2,043,630)
Risk transfer arrangement fees	(701,390)	(1,624,272)	(1,509,917)	(2,218,479)	(3,579,846)	(674,306)	(407,377)	-	(10,715,587)
Recoveries from risk transfer arrangements	570,655	1,358,454	1,227,503	1,793,736	2,930,321	539,662	251,626	-	8,671,957
Gross healthcare result	(178,838)	4,517,482	130,177	(11,238,039)	(9,270,379)	(1,722,043)	(248,261)	165,947	(17,843,954)
Managed care: management services	(824,253)	(3,589,147)	(1,211,775)	(2,373,226)	(4,921,893)	(861,566)	(59,147)	(231,324)	(14,072,331)
Broker services fees	(549,442)	(1,976,548)	(880,394)	(1,477,930)	(2,950,899)	(406,961)	(17,214)	-	(8,259,388)
Administration expenditure	(2,729,554)	(11,397,953)	(4,398,353)	(7,770,224)	(16,287,708)	(2,858,514)	(195,180)	-	(45,637,486)
Net impairment gains/ (losses) on healthcare receivables	(17,145)	(379,747)	(180,259)	(581,724)	(656,555)	(102,947)	(16,981)	997,763	(937,595)
Net healthcare result	(4,299,232)	(12,825,913)	(6,540,604)	(23,441,143)	(34,087,434)	(5,952,031)	(536,783)	932,386	(86,750,754)
Other income	3,913,495	9,003,310	7,693,478	7,777,524	17,768,365	1,739,262	110,871	243,620	48,249,925
Investment income	1,412,521	3,371,138	2,877,732	2,910,874	6,656,848	649,189	41,914	-	17,920,216
Other realised gains	2,378,926	5,630,738	4,815,746	4,866,650	11,111,517	1,090,073	68,957	-	29,962,607
Sundry income	122,048	1,434	-	-	-	-	-	243,620	367,102
Other expenditure									
Asset management fees	(5,467)	(12,939)	(11,066)	(11,183)	(25,534)	(2,505)	(159)	-	(68,853)
Net surplus/ (deficit) for the year	(391,204)	(3,835,542)	1,141,808	(15,674,802)	(16,344,603)	(4,215,274)	(426,071)	1,176,006	(38,569,682)

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	<u>2010</u>	<u>2009</u>
	R	R
16. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES		
Surplus/ (deficit) for the year	18,635,009	(38,569,682)
Adjustments for:		
- Interest and dividend income	(12,020,563)	(17,423,127)
- Other realised and unrealised gains	(4,613,250)	(30,459,696)
	<u><u>2,001,196</u></u>	<u><u>(86,452,505)</u></u>

**COMPCARE WELLNESS MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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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.

	2010	2009
	R	R
Trustee remuneration (Note 12)	397,871	570,692
Principal officer's fees (Note 12)	656,845	615,600

Contributions and claims

Statement of comprehensive income

Gross contributions received	352,440	324,576
Claims incurred	160,576	226,280

Statement of financial position

Contributions outstanding	14,670	18,918
Claims reported not yet paid	931	1,236
Savings plan liability	8,819	-

Trustee related to broker

Statement of comprehensive income

Broker service fees	780,423	1,177,452
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Statement of financial position

Broker service fees not yet paid	79,580	87,550
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The terms and conditions of the related party transactions were as follows:

Transaction	Nature of transaction and terms and conditions thereof
Contribution raised	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. All claims are settled 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 (previously Status Medical Aid Administrators (Pty) Ltd), Universal Care (Pty) Ltd (previously QA Care Plus (Pty) Ltd) and Rostech Property Developments (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:

	2010	2009
	R	R
Universal Healthcare Administrators (Pty) Ltd		
Administration fees paid (Note 12)	39,084,138	39,846,240
Balance due to Universal Healthcare Administrators (Pty) Ltd at end of year (Note 8)	3,173,554	3,204,720
Contributions and claims		
<i>Statement of Comprehensive Income</i>		
Gross contributions received	3,766,988	3,354,258
Claims incurred	2,466,211	3,056,055
<i>Statement of Financial Position</i>		
Contribution debtors		-
Claims reported not yet paid	2,587	11,681
Universal Care (Pty) Ltd		
Disease management/ prescribed minimum benefit management (Note 11)	1,999,282	2,049,790
HIV management (Note 11)	820,142	840,358
Hospital utilisation and case management (Note 11)	4,130,037	4,233,962
Trauma cost recovery management (Note 11)	590,149	767,534
Dental management (Note 11)	864,693	875,668
Pathology management (Note 11)	401,270	410,715
Networkx- capitation management (Note 11)	47,583	-
Networkx - capitation fee (Note 10)	1,137,381	398,584
	9,990,537	9,576,611
Universal Healthcare (Pty) Ltd		
Proceeds on disposal of investment in Rostech Property Developments (Pty) Ltd (at cost R 831 877)	-	7,520,148

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	<u>2010</u> R	<u>2009</u> R
17. RELATED PARTY TRANSACTIONS (continued)		
Balance due to Universal Care (Pty) Ltd at end of year	938,565	732,691
Contributions and claims		
<i>Statement of Comprehensive Income</i>		
Gross contributions received	740,602	739,104
Claims incurred	454,712	521,117
<i>Statement of Financial Position</i>		
Claims reported not yet paid	5,116	1,995

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 90 days 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 180 days 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 43.

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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) 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)
Total per statement of comprehensive income					340,980,375

Age grouping (in years) 2009	In-hospital R	Chronic PMB R	Chronic non-PMB R	Day-to-day R	Total R
< 26	36,801,448	1,406,619	356,877	26,903,188	65,468,132
26 – 35	18,376,909	764,377	299,596	11,414,779	30,855,661
36 – 50	44,600,694	3,229,465	1,339,549	32,565,329	81,735,037
51 – 65	73,671,722	8,119,413	4,205,405	46,089,165	132,085,705
> 65	80,979,888	7,716,963	2,426,517	31,524,058	122,647,426
	254,430,661	21,236,837	8,627,944	148,496,519	432,791,961
Claims covered by risk transfer arrangements					10,715,587
Outstanding claims provision adjustment and reported claims not yet paid adjustment					(19,941,000)
Less: Third party claim recoveries					(933,570)
Total per statement of comprehensive income					422,632,978

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18. INSURANCE RISK MANAGEMENT (continued)

Description of benefit options

	Pinnacle	Dynamix	Symmetry	Mumed	Axis	NetworX
In Hospital	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
	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 or 100% of NHRPL. Specialist treatment covered at 200%. No top up.	Cover at agreed tariffs or 100% of NHRPL. No top up.	Cover at agreed tariffs or 100% of NHRPL. No top up.	Cover at agreed tariffs or 100% of NHRPL, subject to annual hospital limit. No top up.	Cover at agreed tariffs or 100% of NHRPL. No top up.	Cover at agreed tariffs or 100% of NHRPL, subject to annual hospital limit. Co- payments for use of non-DSP facility. No top up.
Chronic medication	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
Day to day cover (non- hospital expenses)	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

<i>PMB</i>	- <i>prescribed minimum benefits</i>
<i>NHRPL</i>	- <i>National Health Reference Price List</i>
<i>CDL</i>	- <i>Chronic Disease List</i>
<i>MRP</i>	- <i>Mediscor Reference Price</i>
<i>DSP</i>	- <i>Designated Service Provider</i>

**COMPCARE WELLNESS MEDICAL SCHEME
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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 International SOS (Pty) Ltd, to provide rescue services, Universal Care (Pty) Ltd for out of hospital risk on the NetworX option, as well as 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.

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
2010		
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
Total	(3,413,900)	3,413,900
2009		
In-hospital claims incurred	(2,544,307)	2,544,307
Chronic PMB claims incurred	(212,368)	212,368
Chronic non-PMB claims incurred	(86,280)	86,280
Day-to-day claims incurred	(1,484,965)	1,484,965
Total	(4,327,920)	4,327,920

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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
2010					
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
	99,924,243	-	81,173,201	28,769,483	209,866,927
2009					
Available-for-sale investments	-	-	-	6,775,686	6,775,686
Trade and other receivables	-	-	-	20,995,684	20,995,684
Investments held at fair value through profit or loss	-	-	-	2,246,375	2,246,375
Cash and cash equivalents	24,149,667	124,089,201	18,480,410	-	166,719,278
	24,149,667	124,089,201	18,480,410	30,017,745	196,737,023

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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
2010		
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)
2009		
Decrease/ (increase) in deficit	1,667,193	(1,667,193)
Increase/ (decrease) in asset	1,667,193	(1,667,193)
Increase/ (decrease) in members' funds	1,667,193	(1,667,193)

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
2010		
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)
2009		
Decrease/ (increase) in total comprehensive deficit	902,206	(902,206)
Increase/ (decrease) in assets	902,206	(902,206)
Increase/ (decrease) in members' funds	902,206	(902,206)

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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:

	2010 R	2009 R
Available-for-sale investments	886,469	6,775,686
Investments held at fair value through profit or loss	2,633,341	2,246,375
Cash and cash equivalents	181,097,444	166,719,278
Insurance receivables	24,700,503	20,729,496
Non-insurance receivables	549,170	266,188
	209,866,927	196,737,023

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 R	Neither past due nor impaired R	Past due but not impaired				Impaired R
			30 days R	60 days R	90 days R	>90 days R	
2010							
Insurance receivables	27,134,940	24,360,061	215,117	125,325	-	-	2,434,437
Non-insurance receivables	769,776	549,170	-	-	-	-	220,606
	27,904,716	24,909,231	215,117	125,325	-	-	2,655,043
2009							
Insurance receivables	24,667,950	20,164,375	384,387	161,036	-	19,698	3,938,454
Non-insurance receivables	353,774	266,187	-	-	-	-	87,587
	25,021,724	20,430,562	384,387	161,036	-	19,698	4,026,041

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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:

	2010 R	2009 R
Insurance receivables		
Group 1 – New members (less than 6 months)	1,303,006	453,542
Group 2 – Existing members (more than 6 months) with no past defaults	22,987,074	19,572,204
Group 3 – Existing members (more than 6 months) with some past defaults	69,981	138,629
	24,360,061	20,164,375
Non-insurance receivables		
On demand	549,170	266,187
	24,909,231	20,430,562

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
2010				
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
	25,046,099	6,686,456	35,456,492	67,189,047
2009				
Outstanding claims provision	3,598,625	11,554,523	821,852	15,975,000
Savings plan liability	-	-	26,980,597	26,980,597
Trade and other payables	24,722,348	213,728	1,455,925	26,392,001
	28,320,973	11,768,251	29,258,374	69,347,598

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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
2010					
Available-for-sale investments	886,469	-	-	-	886,469
Investments held at fair value through profit or loss	2,633,341	-	-	-	2,633,341
	3,519,810	-	-	-	3,519,810
2009					
Available-for-sale investments	6,775,686	-	-	-	6,775,686
Investments held at fair value through profit or loss	2,246,375	-	-	-	2,246,375
	9,022,061	-	-	-	9,022,061

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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 30.4% at 31 December 2010 (2009: 27.9%).

20. CONTINGENT ASSET

The Scheme has lodged claims against the Road Accident Fund to the value of R6 679 585 (2009: R8 399 933). 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 Foreign component of units in collective investment scheme ("CIS") portfolios

Regulation 30 under the Act, read with Annexure B, which governs the limitations on the assets, prohibits the investment of the Scheme's assets in territories outside the Republic of South Africa. During 2010 the Scheme held some investments with foreign components.

The Scheme has disposed of these investments during the year under review, thereby correcting the non-compliance.

21.3 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

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

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.