



MEDIMED MEDICAL SCHEME
(Registration Number 1506)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018



Independent Auditor's Report on Summary Financial Statements

To the Members of Medimed Medical Scheme

Opinion

The summary financial statements, as set out on pages 5 to 8, which comprise the summary statement of financial position as at 31 December 2018, the summary statement of comprehensive income, the summary statement of changes in members' funds, the summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of Medimed Medical Scheme (the Scheme) for the year ended 31 December 2018.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 12 April 2019.

Trustees' Responsibility for the Summary Financial Statements

The trustees are responsible for the preparation of the summary financial statements in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

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Chief Executive Officer: T D Shengo
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonello, C Volschenk
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection
Reg. no. 1998/012055/21, VAT reg.no. 4950174682



Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Report on Other Legal and Regulatory Requirements

As required by the Council for Medical Schemes' Circular 38 of 2018, *Audit Tenure*, we report that PricewaterhouseCoopers Inc. has been the auditor of Medimed Medical Scheme for 20 years.

The engagement partner, A Puggia, has been responsible for Medimed Medical Scheme's audit for 1 year.

A handwritten signature in black ink, which appears to read 'A Puggia' followed by a large, stylized number '2'.

PricewaterhouseCoopers Inc.
Director: A Puggia
Registered Auditor
12 April 2019
Port Elizabeth

MEDIMED MEDICAL SCHEME SUMMARISED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2018

Registration number 1506

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1. Terms of registration

The Medimed Medical Scheme is a Medical Scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended. Although the scheme is registered as an open scheme, it is focused on providing health care benefits to members in the Eastern Cape.

1.2. Benefit options with Medimed Medical Scheme

In 2018 the Medical Scheme offered 4 benefit options to its members. These were:

- Medisave Max
- Medisave Standard
- Medisave Essential
- Alpha

1.3. Personal medical savings account monies managed by the scheme on behalf of its members

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

The Medisave Max and Standard options both provide comprehensive cover for hospital and in-hospital cost as well as chronic medication. Out of hospital costs are covered through a savings account and an elective benefit. Members are responsible to manage their savings and elective benefit.

The Medisave Essential Option provides comprehensive cover for hospital and in-hospital costs and benefits for the full year are provided through contracted providers who are paid a capitation fee for the beneficiaries covered. The contracted doctors manage the services to ensure cost effective care is provided to the members and their dependants.

Unexpended savings amounts are accumulated for the long-term benefit of the member and interest is paid on balances at a rate determined by the Trustees from time to time.

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

With effect from December 2012, the scheme has implemented circular 38 of 2011. The effect of this is that credits due to members are kept in a separate trust account, and do not form part of the assets of the scheme. All interest earned on these funds, is credited in full to members.

1.4. Risk transfer arrangements

On the Medisave Essential option risk for all out-of-hospital services and some of the in-hospital services is transferred to the contracted IPA's (Independent Practitioner Associations).

The scheme has entered into a capitation agreement with ER 24 for the provision of emergency transport for all options.

2. MANAGEMENT AND KEY THIRD PARTY CONTRACTORS

2.1	Board of Trustees in office during the year under review:	2.2	Principal officer
	L. Penrose		G.J. Roberts
	A. Higgs		
	L. Dobell		
	S. Wynne		
	K. Turro		
	V. Daweti		
	Z. Nonqulo		
	L. Hyman		
	Y. Camagu		
	G. Zamisa		
	S. Syphus		
	S. Jobela – appointed 15 July 2018		
2.3	Registered office address:	2.4	Registered postal address:
	Momentum Thebe Ya Bophelo (Pty) Ltd		Momentum Thebe Ya Bophelo (Pty) Ltd
	7 Lutman Street		P.O. Box 1672
	Richmond Hill		Port Elizabeth
	Port Elizabeth		6000
	6001		
2.5	Medical Scheme Administrators during the year:	2.6	Auditors
	Momentum Thebe Ya Bophelo (Pty) Ltd (previously known as PROVIDENCE Healthcare Risk Managers (Pty) Ltd)		PricewaterhouseCoopers Inc.
	(Accreditation number: Admin 22)		Ascot Office Park
	7 Lutman Street		Greenacres
	Richmond Hill		Port Elizabeth
	Port Elizabeth		6045
	6001		

3. INVESTMENT STRATEGY OF THE MEDICAL SCHEME

The Trustees continue to invest in line with the requirements of the Medical Schemes Act. There has been no change in the policy during the current accounting period. The investment strategy adopted for the current year, has aimed to increase returns on investments, whilst maintaining an acceptable level of risk across a more diverse portfolio. The scheme's investment objectives continue to be: to maximise the return on its investments on a long term basis at minimal to moderate risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees. To achieve this, the funds are invested on call, short-term deposits and money market instruments with major banking institutions, as well as bonds and equity instruments with recognised institutions.

4. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

4.1 Operational statistics – Current year

2018	Alpha	Medisave Essential	Medisave Max	Medisave Standard	Total
Average number of members during the accounting period	1 882	974	193	3 342	6 391
Number of members at the end of the accounting period	1 870	983	192	3 351	6 396
Average number of beneficiaries during the accounting period	4 684	2 352	432	8 109	15 577
Number of beneficiaries at 31 December	4 657	2 377	424	8 148	15 606
Number of dependants at 31 December	2 787	1 394	232	4 797	9 210
Average number of dependants	2 802	1 378	238	4 767	9 186
Dependant ratio at 31 December	1.49	1.42	1.21	1.43	1.44
Net contributions per average beneficiary per month (R)	829.06	961.79	1 883.58	1 079.99	1 008.97
Relevant healthcare expenditure per average beneficiary per month (R)	846.40	812.97	1 925.45	891.13	894.55
Non-healthcare expenditure per average beneficiary per month (R)	79.21	46.56	109.33	102.79	87.39
Relevant healthcare expenditure as a percentage of gross contributions (%)	102.09	76.07	76.67	61.88	72.73
Non-healthcare expenditure as a percentage of gross contributions (%)	9.55	4.36	4.35	7.14	7.11
Average age per beneficiary	29.97	28.19	42.37	28.39	29.22
Pensioner ratio at 31 December (beneficiaries > 65 years)	4.67	2.09	16.32	2.80	3.63
Average accumulated funds per member at 31 December (R)	-	-	-	-	31,588
Return on investments as a percentage of investments (%)	-	-	-	-	8.77

4.2 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.

4.3 Accumulated funds ratio

	2018 R	2017 R
The accumulated funds ratio is calculated on the following basis:		
Accumulated funds	202 035 529	180 894 002
Fair value adjustment reserve	812 032	1 333 944
Total member's funds per Statement of Financial Position	202 847 561	182 227 946
Accumulated funds per regulation 29	202 035 529	180 894 002
Gross contributions	229 900 187	210 969 541
Ratio of accumulated funds to gross annual contribution income	87.88%	85.74%
NOTE: There are no adjustments required to the reserves as per the Statement of Financial Position in order to arrive at the reserves as per Regulation 29.		

4.4 Reserve accounts

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves included in 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 Medical Scheme.

4.5 Outstanding risk claims

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

5. ADMINISTRATION SERVICES

Momentum Thebe Ya Bophelo (Pty) Ltd, the administrator provides key management information to the scheme. Momentum Thebe Ya Bophelo (Pty) Ltd participates in the financial and operational activities of the scheme, but does not control the scheme.

Payments made in terms of the administration agreement during the 2018 financial year, were as follows:

Administration fees for Medical Scheme	R 13 402 476 (2017: R 12 186 736)
Managed care management service fee	R 4 514 867 (2017: R 4 141 387)

6. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that require disclosure.

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

The Medical Scheme holds no investments in participating employers of medical scheme members, or other related parties.

8. NON-COMPLIANCE MATTERS

Section 59(2)

Certain claims were paid in excess of 30 days after receipt by the administrator as a result of queries to be investigated/ audited in relation thereto. Non-compliance could impact on the relationship with members and providers. Procedures and policies are in place to manage late payment of claims including a weekly report of claims held for investigation which is checked and signed by management to ensure that the 30 day limit is not exceeded. This practice ensures accurate claims processing and is in the interest of the risk management of the scheme.

Section 26(7)

Certain contributions were not received within three days of becoming due. Non-compliance could affect the cash flow of the scheme and lead to member benefits being suspended. Due to the short duration of the contributions being outstanding, this is not significant. A credit control process is in place to address this matter.

Section 33(2)

Each benefit option should be financially sound and self-supporting. In respect of this scheme the Alpha and Medisave Max options incurred net healthcare deficits. Non-compliance results in benefit options making a surplus subsidising benefit options making a deficit. The Alpha option had numerous high cost cases, of which one was an unusual and unexpected high cost case with costs in excess of R 2 million. This was as a result of a rare disease.

As the Medisave Max option is the highest benefit option and is selected by the higher risk/utilising members, the costs of the members on this option are higher than on the Medisave Standard option. The contributions of this option are higher than the Medisave Standard option and should the Medisave Max option be closed, the members would move to the Medisave Standard option, which will result in the scheme receiving less contribution income in respect of these members, but the costs would not reduce to the same extent. The result would therefore be that the loss for the scheme would be higher if the Medisave Max option were closed.

Section 35(8)(a)

In terms of this section of the Medical Schemes Act 131 of 1998, as amended, a medical scheme shall not invest any of its assets in the business of or grant loans to an employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme. The Scheme has an investment in a pooled fund which may invest in the shares and bonds of the ultimate holding companies of certain medical scheme administrators from time to time, at the discretion of the Fund Manager. The scheme has been granted exemption from section 35(8)(a) by the Council for Medical Schemes.

Regulation 3(2)

For terminating members, the scheme did not retain all the membership certificates sent to members. Non-compliance could hinder the verification of this regulation by external parties. Membership certificates are sent to terminated members within 24 hours of their request. A note is put on the administration system recording the date and time that the certificate was sent. The membership certificate is system generated and can be retrieved at any time. Membership certificates are not always retained if they relate to reconciliation changes, such as changes to termination dates.

The trustees do not consider that these non-compliance matters have had a significant impact on the operations of the scheme or on the Annual Financial Statements.

9. AUDIT COMMITTEE

During 2018 the Committee comprised: D. Middleton (chairperson) – appointed 30 June 2017, C. Baling (acting chairperson), W. Tapson, S. Wynne, B. Mntonini and L. Dobell.

The Committee met on 6 April 2018, 23 July 2018 and 23 November 2018.

The CEO of the administrator, the scheme Principal Officer and the external auditors attend all Audit Committee meetings and have unrestricted access to the chairperson of the Committee.

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 Audit Committee is pleased to report that:

- It has carried out its duties in terms of the Medical Schemes Act;
- The external auditors have confirmed their independence;
- The assurances provided by management, external auditors and the internal auditors have satisfied the Committee that the controls are adequate and effective;
- It has had oversight of the financial reporting process; and
- It has reviewed the Annual Financial Statements and the audit report thereon and recommended the acceptance thereof by the Board of Trustees.

10. INVESTMENT COMMITTEE

The Board of Trustees has delegated the implementation of the scheme's investment policy to the Investment Committee. The overall objective of the Investment Committee is to assist the Trustees to discharge their duties and responsibilities in so far as investments of the Scheme are concerned.

In performing its duties, the Investment Committee will maintain effective working-relationships with the Board of Trustees, as well as with the appointed Financial Consultant and any other external service providers.

The Committee and Chairperson shall be appointed by the Board of Trustees. The Committee shall consist of at least four members, one of whom must be the Principal Officer. The maximum number of members is six. The Board of Trustees may appoint two trustees as members of the Committee. To avoid impairment of judgement, members of the Committee must be free of any business relationship or any other relationship with any of the Financial Institutions or Service Providers which the Scheme utilises for placing its investments.

The committee during the year under review was:

G. Roberts (Chairperson) B.Com (Hons); B. Compt
D. Middleton CA (SA)
M. Neubert CA (SA)
M. Volker B.Com (Law); LLB
L. Dobell (Trustee) B.Com
G. Zamisa (Trustee) MBA (Human Resources)

The committee met on three occasions during the year:

29 May 2018;
7 September 2018; and
23 November 2018.

11. MEETING ATTENDANCE AND REMUNERATION

The following schedule sets out Board of Trustees meeting attendances, attendances by members of Board sub-committees. The Trustees were not remunerated.

Trustee/Sub-Committee Member	Board Meetings		Audit Committee Meetings		Investment Committee Meetings	
	A	B	A	B	A	B
Ms. S. Wynne *	5	4	3	3	-	-
Mr. A. Higgs *	5	4	-	-	-	-
Ms. L. Penrose *	5	5	-	-	-	-
Ms. K. Turro *	5	4	-	-	-	-
Mr. L. Dobell *	5	3	3	3	3	1
Mr. Z. Nonqulo *	5	4	-	-	-	-
Mr. V. Daweti *	5	5	-	-	-	-
Ms. L. Hyman *	5	4	-	-	-	-
Ms. Y. Camagu *	5	4	-	-	-	-
Mr. G. Zamisa *	5	3	-	-	3	-
Mr. S. Syphus *	5	4	-	-	-	-
Mr. S. Jobela *	3	3	-	-	-	-
Mr. G. Roberts	5	5	3	3	3	3
Ms. C. Baling	-	-	3	1	-	-
Mr. W. Tapson	-	-	3	2	-	-
Ms. B. Mntoninzi	-	-	3	1	-	-
Mr. D. Middleton	-	-	3	3	3	3
Mr. M. Neubert	-	-	-	-	3	3
Mr. M. Volker	-	-	-	-	3	2

* - Trustee

A – total possible number of meetings could have attended
B – actual number of meetings attended

12. INTERNAL AUDIT COMMITTEE

Momentum Thebe Ya Bophelo (Pty) Ltd (the administrator) has an internal audit committee which is chaired by an independent chairperson. The committee meets on a quarterly basis to discuss the findings from the internal audits performed during that quarter. The internal audit process covers a wide range of areas, which include systems related and operational tests. The CEO of the administrator does not form part of the committee, however, the internal auditor has direct access to him regarding any audit findings.

The internal auditor reports to the Chief Risk Officer of Metropolitan Health Group.


L. Penrose
Chairperson

Date: 2019/04/12

SUMMARISED FINANCIAL STATEMENTS

SUMMARISED STATEMENT OF FINANCIAL POSITION 31 DECEMBER 2018

	2018 R	2017 R	2016 R
ASSETS			
Non-current assets	76 032 661	59 236 025	99 044 979
Property, plant and equipment	-	-	-
Investments	76 032 661	59 236 025	99 044 979
Current assets	178 989 314	170 546 652	105 124 736
Investments	100 000 000	93 000 000	37 500 000
Trade and other receivables	15 782 765	15 248 526	14 197 646
Cash and cash equivalents	25 806 549	26 898 126	21 777 090
Savings trust assets	37 400 000	35 400 000	31 650 000
Total assets	255 021 975	229 782 677	204 169 715
FUNDS AND LIABILITIES			
Members' funds	202 847 561	182 227 946	16 081 578
Accumulated funds	202 035 529	180 894 002	160 896 771
Fair value adjustment reserve	812 032	1 333 944	119 807
Current liabilities	52 174 414	47 554 731	43 353 137
Trade and other payables	3 646 901	3 308 490	3 079 562
Outstanding risk claims provision	11 000 000	10 000 000	9 100 000
Personal medical savings account monies managed by the scheme on behalf of its members	37 527 513	34 246 241	31 173 575
Total funds and liabilities	255 021 975	229 782 677	204 169 715

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 R	Notes	2017 R
Risk contribution income	188 598 580	5	173 378 168
Relevant healthcare expenditure			
Net claims incurred	(161 712 956)		(146 981 377)
Net expense of risk transfer arrangements	(983 793)	9	(921 921)
Managed care services (accredited organisations)	(4 514 867)		(4 141 387)
Gross healthcare result	21 386 964		21 331 483
Administration expenditure	(16 056 304)		(14 294 675)
Net impairment losses on healthcare receivables	(53 452)		(37 068)
Movement on impairment on advance payments on savings accounts	(225 559)		(149 311)
Net healthcare result	5 051 649		6 850 429
Other income	18 892 122		15 089 374
Investment income	17 699 104		15 882 199
Realised gain on investment	936 458		-
Sundry income	256 560		207 175
Other expenditure	(2 802 244)		(2 742 572)
Interest paid on savings accounts	(2 674 303)		(2 644 733)
Investment consulting fees	(127 941)		(97 839)
Net surplus for the year	21 141 527		20 197 231
Other comprehensive income			
Items that may be reclassified to profit or loss	(521 912)		1 214 137
Fair value adjustments on available-for-sale investments	414 546		1 214 137
Realised gain on investment	(936 458)		-
Total comprehensive income for the year	20 619 615		21 411 368

SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2018

	Accumulated funds R	Fair value adjustment reserve R	Total Members' Funds R
Balance as at 1 January 2017	160 696 771	119 807	160 816 578
Net surplus for the year	20 197 231	-	20 197 231
Fair value adjustments of available-for-sale investments	-	1 214 137	1 214 137
Balance as at 31 December 2017	180 894 002	1 333 944	182 227 946
Net surplus for the year	21 141 527	-	21 141 527
Fair value adjustments of available-for-sale investments	-	414 546	414 547
Realised gain on investment	-	(936 458)	(936 458)
Balance as at 31 December 2018	202 035 529	812 032	202 847 561

SUMMARISED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 R	2017 R
Net cash inflow from operating activities	6 612 986	7 465 746
Net cash (outflow)/inflow from investing activities	(5 704 563)	1 405 290
NET INCREASE IN CASH AND CASH EQUIVALENTS	908 423	8 871 036
Cash equivalents at beginning of year	62 298 126	53 427 090
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	63 206 549	62 298 126
Comprising of:		
Cash and cash equivalents	25 806 549	26 898 126
Savings trust assets	37 400 000	35 400 000
	63 206 549	62 298 126

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Basis of preparation

The summarised financial statements have been extracted from the statutory financial statements prepared in accordance with IFRS for the year ended 31 December 2018. The same accounting policies and methods of computation have been used in preparing the summarised financial statements as in the previous annual financial statements.

2. Financial assets

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

3. Provisions

Provisions are recognised when the scheme has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The outstanding risk claims provision is a provision made for the estimated cost of healthcare benefits that have occurred before the year end, but have not been reported to the scheme by that date.

3.1 Outstanding risk claims provision

	2018 R	2017 R
Balance at beginning of year	10 000 000	9 100 000
Payments in respect of prior year	(10 453 187)	(9 104 450)
Overprovision in prior year	(453 187)	(4 450)
Adjustment for current year	11 453 187	10 004 450
Balance at end of year	11 000 000	10 000 000

4. Medical Insurance Contracts

Contracts under which the scheme accepts significant medical 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.

5. Risk contribution income

Contribution income is received monthly and recognised as income over the period of indemnity. Risk contribution income represents gross contributions after deduction of savings plan contributions.

Risk contribution income

	2018 R	2017 R
Gross contributions per registered rules	229 900 187	210 969 541
Less: Savings contributions received	(41 301 607)	(37 593 373)
Risk contribution income per statement of comprehensive income	188 598 580	173 376 168

6. Claims

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

7. Managed care: management services

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

8. Investment income

Interest is recognised as it accrues according to the effective interest method.

9. Risk transfer arrangements

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis. Risk transfer premiums and benefits reimbursed are presented in the Statement of Comprehensive Income on a net basis. 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 based on claims settled in terms of risk transfer arrangements.

Net expense of risk transfer arrangements

The scheme entered into the following risk transfer arrangements during the respective years.

	2018 R	2017 R
AMBULANCE SERVICE FESS		
Premiums/fees paid	(1 879 942)	(1 754 196)
Claims incurred in respect of related risk transfer arrangements	2 633 279	2 198 815
Net income	753 337	444 619
UDIPA RISK TRANSFER ARRANGEMENT		
Premiums/fees paid	(1 223 171)	(1 187 124)
Claims incurred in respect of related risk transfer arrangements	1 153 829	1 244 939
Net income/(expense)	(69 342)	57 815
ECIPA RISK TRANSFER ARRANGEMENT		
Premiums/fees paid	(4 276 066)	(4 247 408)
Claims incurred in respect of related risk transfer arrangements	2 646 717	2 786 673
Net expense	(1 629 349)	(1 460 735)
PEGP RISK TRANSFER ARRANGEMENT		
Premiums/fees paid	(343 645)	(350 507)
Claims incurred in respect of related risk transfer arrangements	279 607	292 653
Net expense	(64 038)	(57 854)
PREFERRED PROVIDER NEGOTIATORS RISK TRANSFER ARRANGEMENT		
Premiums/fees paid	(453 376)	(434 567)
Claims incurred in respect of related risk transfer arrangements	497 141	459 284
Net income/(expense)	43 765	24 717
BAY RADIOLOGY RISK TRANSFER ARRANGEMENT		
Premiums/fees paid	(877 191)	(839 224)
Claims incurred in respect of related risk transfer arrangements	859 025	908 741
Net income/(expense)	(18 166)	69 517
SUMMARY		
Premiums/fees paid	(9 053 391)	(8 813 026)
Claims incurred in respect of related risk transfer arrangements	8 069 598	7 891 105
Net expense	(983 793)	(921 921)

10. Impairment losses

The carrying amounts of the scheme's assets are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

11. Personal medical savings accounts

The personal medical savings account liability (2018: R 37 527 513 and 2017: R 34 246 241) is the net balance due to members in respect of the savings contributions received and claims paid.

12. Related party transactions

Momentum Thebe Ya Bophelo (Pty) Ltd, the administrator, provides key management information to the scheme. Momentum Thebe Ya Bophelo (Pty) Ltd participates in the financial and operational activities of the scheme, but does not control the scheme.

Administration fees for the year ended 31 December 2018 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 13 402 476 (2017: R 12 186 736).

Managed care fees for the year ended 31 December 2018 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 4 514 867 (2017: R 4 141 387).

Systems administration fees for the year ended 31 December 2018 paid to Momentum Thebe Ya Bophelo (Pty) Ltd amounted to R 420 408 (2017: R 383 414).

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, Principal Officer and members of the audit committee. The amounts include close family members of the Board of Trustees and the Principal Officer.

Transactions with key management personnel were:

	2018 R	2017 R
Contributions received	558 860	447 610
Claims paid	373 468	137 403

These transactions were all concluded in terms of the rules of the scheme.

13. Surplus from operations per benefit option

	2018 R Alpha	2018 R Medisave Essential	2018 R Medisave Max	2018 R Medisave Standard	2018 R Total
Gross contribution income	46 596 676	30 161 801	13 014 314	140 127 396	229 900 187
Savings plan contributions	-	(3 016 180)	(3 253 578)	(35 031 849)	(41 301 607)
Net contribution income	46 596 676	27 145 621	9 760 736	105 095 547	188 598 580
Relevant healthcare expenditure	(47 571 231)	(22 945 404)	(9 977 667)	(86 717 313)	(167 211 617)
Net claims incurred	(46 950 995)	(20 540 206)	(9 842 479)	(84 379 275)	(161 712 956)
Premiums/fees paid	(553 447)	(7 459 966)	(56 891)	(983 086)	(9 053 391)
Claims incurred in respect of related risk transfer arrangements	775 227	5 837 649	79 689	1 377 033	8 069 598
Managed care services (accredited organisations)	(842 017)	(782 880)	(157 986)	(2 731 984)	(4 514 867)
Gross healthcare result	(974 555)	4 200 217	(216 931)	18 378 234	21 386 964
Administration expenses	(4 469 724)	(1 292 371)	(562 800)	(9 731 409)	(16 056 304)
Net impairment on healthcare receivables	18 078	(9 581)	17 970	(79 919)	(53 452)
Net impairment on advance payments on savings accounts	-	(12 036)	(21 726)	(191 797)	(225 559)
Net healthcare result	(5 426 201)	2 886 230	(783 487)	8 375 109	5 051 649
Members as at 31 December 2018	1 870	983	192	3 351	6 396
	2017 R Alpha	2017 R Medisave Essential	2017 R Medisave Max	2017 R Medisave Standard	2017 R Total
Gross contribution income	42 743 533	29 754 192	12 128 684	126 343 132	210 969 541
Savings plan contributions	-	(2 975 419)	(3 032 171)	(31 585 783)	(37 593 373)
Net contribution income	42 743 533	26 778 773	9 096 513	94 757 349	173 376 168
Relevant healthcare expenditure	(37 283 295)	(26 043 817)	(12 389 715)	(76 327 856)	(152 044 685)
Net claims incurred	(36 647 585)	(23 983 914)	(12 256 146)	(74 093 730)	(146 981 377)
Premiums/fees paid	(510 418)	(7 347 988)	(53 785)	(900 836)	(8 813 026)
Claims incurred in respect of related risk transfer arrangements	640 389	6 053 856	67 491	1 129 369	7 891 105
Managed care services (accredited organisations)	(765 682)	(765 772)	(147 275)	(2 462 659)	(4 141 387)
Gross healthcare result	5 460 238	734 956	(3 293 202)	18 429 493	21 331 483
Administration expenses	(3 959 930)	(1 214 589)	(514 556)	(8 605 601)	(14 294 675)
Net impairment on healthcare receivables	(34 137)	25 031	(12 662)	(15 300)	(37 068)
Net impairment on advance payments on savings accounts	-	(10 078)	(3 667)	(135 566)	(149 311)
Net healthcare result	1 466 171	(464 680)	(3 824 086)	9 673 026	6 850 429
Members as at 31 December 2017	1 870	1 014	189	3 216	6 289

13. Surplus from operations per benefit option - continued

Allocation of Income and expenditure to benefit options

The following items are directly allocated to benefit options:

- contribution income
- claims incurred
- managed care management services
- administration fees paid to the administrator, forming part of administration costs
- risk transfer arrangement fees
- net impairment losses on healthcare receivables

The following items are apportioned based on the total members for the period:

- sundry income
- administration expenses, excluding administration fees paid to the administrator
- net investment income
- fees paid for services rendered

14. Reclassification of prior year figures

The following reclassifications of prior year figures were done in 2018:

Circular 38 of 2011, issued by the Council for Medical Schemes, prescribed the method by which savings balances had to be accounted for by medical schemes. On 15 August 2017, Circular 56 of 2017 was issued which resulted in the principles set out in Circular 38 of 2011 to be amended to allow schemes to consider personal medical savings account balances to be considered scheme assets, and not trust assets. The scheme proceeded to apply these principles and wrote off savings balances which had prescribed and members could not be traced. On 26 January 2018, i.e. after the closure of the 2017 financial year, Circular 2 of 2018 was issued which stipulated that the scheme rules had to be specifically amended to allow for this treatment. In this case, the scheme rules had not been amended and the Council for Medical Schemes issued an instruction to the scheme to restate the 2017 figures, or risk rejection of the audited financial statements, which would result in penalties being imposed. The scheme rules for 2019 have been revised to allow for unclaimed and prescribed savings balances to be written back to income. In the 2019 financial year, these balances will be written back to income again, therefore this will merely result in a timing issue.

Effect on 2017 figures:

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Decrease in other income	(1 274 546)
Increase in savings plan liability	1 274 546
Decrease in accumulated funds	(1 274 546)

Ratio of accumulated funds to gross annual contribution income

Before restatement	86.35%	
After restatement	85.74%	(0.61%)

In accordance with IAS 1 (Revised), the statement of financial position as at the beginning of the earliest comparative period, being 1 January 2017, has been presented.

15. There are no contingent assets or liabilities.

APPROVAL OF THE STATUTORY ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements were approved by the board on 12 April 2019 and signed on its behalf by Messrs L. Penrose (Chairperson), L. Dobell (Trustee) and G.J. Roberts (Principal Officer).

The full audited annual financial statements, including the report of the auditors, will be available at the Annual General Meeting. Further copies may be obtained from the Fund Manager at (041) 395-4400.