



**ENGEN MEDICAL BENEFIT FUND**  
ANNUAL GENERAL MEETING NOTICE 2019

## The 2019 Annual General Meeting of Engen Medical Benefit Fund will be held as follows:

---

**DATE:** 13 June 2019

**TIME:** 10H00

**PLACE:** Engen Court, Ground floor, Conference room, Thibault Square, Cape Town

**This document serves as the official notice to the event.**

Please notify the Principal Officer of any motions

The Rules of the Fund require attendees to notify the Principal Officer of any motions for discussion at least 7 days before the date of the Meeting by **12:00 on 6 June 2019**. Email to [Lesley.shaw@engenoil.com](mailto:Lesley.shaw@engenoil.com) or post to PO Box 35, Cape Town, 8000

# AGENDA FOR THE MEETING

---

1. Welcome and quorum
2. Read the notice convening the Annual General Meeting
3. Receive and adopt the Minutes of the Annual General Meeting held on 22 June 2018
4. Receive and adopt the Chairpersons report for the year ended 31 December 2018
5. Receive and adopt the report of the Board of Trustees for the year ended 31 December 2018
6. Receive and Adoption of the Annual Financial Statements for the year ended 31 December 2018
7. Governance
  - 7.1 Appointment of the Auditors for the ensuing year
  - 7.2 Ratification of appointment of Trustees or Alternate Trustees
8. General
9. Closing

## Annual Financial Statements

The 2018 audited Annual Financial Statements will be available on the Fund's website ([www.engenmed.co.za](http://www.engenmed.co.za)), as well as from the Principal Officer, Engen Court, Thibault Square, Cape Town, from 1 June 2019. You can also request the documents from the Fund's contact centre at 0860 001 615.

**MINUTES OF THE ANNUAL GENERAL MEETING OF MEMBERS OF ENGEN MEDICAL BENEFIT FUND, HELD ON FRIDAY, 22 JUNE 2018 AT 10H00, IN THE CONFERENCE ROOM, GROUND FLOOR, ENGEN COURT, THIBAUT SQUARE, CAPE TOWN**

---

<b>PRESENT:</b>	44 Members represented in person MMI Health Representative from Council for Medical schemes
<b>CHAIRPERSON:</b>	Mr R Marchant
<b>PRINCIPAL OFFICER:</b>	Ms L Shaw
<b>APOLOGIES:</b>	Mr E Hutchings Mr N Deudney

## **OPENING AND WELCOME**

---

The Chairperson opened the meeting and welcomed all present. A special word of welcome was extended to Mr Viaan Pullen from the Council for Medical Schemes.

There being a quorum, the Chairperson confirmed that the meeting was duly constituted.

### **1. Notice convening the meeting**

The notice convening the Annual General Meeting (AGM), which was confirmed as having being circulated timeously to all members, was **taken as read**.

### **2. Minutes of the previous annual general meeting**

The minutes of the previous Annual General Meeting, held on Tuesday, 14 June 2017, was **taken as read** and duly **confirmed** as a true recording of the Meeting.

### 3. Annual report of the chairperson of the board of trustees

The annual report of the Board of Trustees (BOT) for the year ended 31 December 2017 was **taken as read**, and duly **confirmed**.

The Chairperson thanked the members for their support and expressed his appreciation for the prudent management of their benefits.

The Chairperson assured the Meeting that the Board of Trustees', Audit Committee's and all other Sub-Committees' work towards maintaining and ensuring good governance in all aspects, ensuring the Fund remains sustainable.

The Chairperson referred to the need to consider a change in administrator, that arose as an action item at the Annual General Meeting held in 2017, as well as a directive from Council for Medical Schemes to invite tenders for a new administrator. He confirmed the Board of Trustees complied with the directive from Council and embarked on a tender process, resulting in various administrators submitting their value offering to the Fund.

The Chairperson confirmed having duly considered the various proposals, a decision was taken by the Board of Trustees to terminate the existing administration agreement with MMI Health as at 30 June 2018, and appoint Discovery Health (Pty) Ltd (Discovery) as the Fund's administrator from 1 July 2018. To this effect, a project plan was in place and carefully tracked by the Principal Officer, MMI Health and Discovery, to ensure a smooth and successful transfer of data from MMI Health to Discovery, and the successful implementation of the Fund's administration on the Discovery operating platform.

The Chairperson thanked MMI Health for the excellent service rendered from 1997 to 2018.

Financially the Fund performed better in 2017, achieving a net surplus of R23.8m compared to a net surplus of R0.3m the previous year. The main driver of the surplus was lower than budget benefits expenditure of R21m. The solvency ratio increased from 48.8% in 2016 to 56.7% in 2017, which was higher than the statutory requirement of 25%, and more in line with the actuarial requirement of 60% for the size and demographic profile of the Fund.

### 4. Annual financial statements

The Annual Financial Statements for the year ended 31 December 2017 was **considered** and **adopted**.

### 5. Appointment of the auditor

The Chairperson confirmed a recommendation by the Board of Trustees that the services of PricewaterhouseCoopers (PwC) should be retained for the ensuing year. The Meeting **approved** and **adopted** the appointment of PwC as the Fund's external auditor for the 2018 financial year.

## 6. Ratification of trustees/alternates

Following consultation with the Employer and the subsequent 2018 Trustee election process, the following Trustees should be confirmed to serve a three-year term from 22 June 2018 to 22 June 2021:

- Ms Mpumi Ngema as Employer-Appointed Trustee, which the Meeting **confirmed** and **approved**.
- Ms Glenda King who received the highest number of votes, as a Member-elected Trustee. The Meeting **confirmed** and **approved** her re-election.

The meeting ratified and adopted the changes to the composition of the Board of Trustees.

### Action Item

Concerns were raised regarding the voting process and the Trustees were asked to consider an on-line voting process for those members who have access to electronic communication; and for those who do not, to determine alternate means of voting to ensure all members have a fair chance at extending their vote.

## 7. Other business

### Action Item

- 7.1 Tax certificates were noted as a concern as the 2018/2019 tax year overlaps with MMI Health and Discovery Health. The Principal Officer advised it is envisaged that members would receive two tax certificates in 2019; one from MMI Health and one from Discovery Health. The Principal Officer would take steps to ensure the correct information is reported in these certificates.
- 7.2 Members were advised that the cut off for the last MMI claims run would be the 26th of June 2018. All paper and electronic claims received from 00.01am on 27 June 2018 would be forwarded to Discovery Health.
- 7.3 The Principal Officer advised members will be receiving formal communication to advise them of all the changes to processes, e-mail addresses and contact details. A welcome pack, containing all pertinent information as well as a new membership card, reflecting new membership numbers, would be sent to each member by Discovery.
- 7.4 Members were informed that Discovery would manage hospital and other authorisations, obtained for timeframes overlapping the administration handover. Discovery would also process and pay any claims related to these authorisations. MMI Health would take ownership and follow through of all queries of claims processed up until 26 June 2018, and Discovery would take ownership of the same from 1 July 2018.
- 7.5 Upon a concern raised about GAP cover, the Principal Officer indicated that she would follow up with Discovery as to the process going forward and share the same with the members.
- 7.6 The Principal Officer confirmed the option to register new members or dependants on-line would become available as part of Discovery's administration offering to the Fund.

- 7.7 The Principal Officer confirmed the Fund's status as a separate legal entity and assured members the Fund is not at risk of being incorporated into Discovery Health Medical Scheme. As such, the Engen Medical Fund benefit offering will be retained. Of note was however that the Fund would adopt some of the Discovery Health Networks, particularly a network for optometry benefits. The Fund may also consider and adopt other Discovery Networks in future.
- 7.8 In response to concerns raised about Multiply, members were advised that membership on Base Multiply would be cancelled and members could remain on the Premier or Provider Option, or purchase Discovery Vitality, should they wish to do so.
- 7.9 Members were informed of the authorisation process for a procedure; and payment in full for claims. The Principal Officer advised that to determine the shortfall between what the service provider charged versus what would be paid, a quotation must be submitted to the administrator.

## 8. Close

The Chairperson expressed thanks and appreciation to:

- members of the Board of Trustees for their support and input
- the Principal Officer and her team for their dedication and commitment to the Fund
- the Audit Committee, Clinical Sub-Committee, Ex-Gratia Committee, Benefits and Contributions Sub-Committee, Investment Sub-Committee and the Operations Sub-Committee for their untiring hard work and dedication to members, the Fund and Trustees
- the Management and staff of MMI Health
- the Employer, for its active support
- the healthcare consultants, Alexander Forbes Financial Services (Pty) Ltd
- the medical advisor, Dr Anthony Davidson
- the external auditors, PwC, and
- the members of the Fund for their ongoing support.

There being no further questions from the floor, and no further business to discuss, the Chairperson declared the meeting closed at 11h40.

---

**CHAIRPERSON**

ENGEN MEDICAL BENEFIT FUND  
Registration Number 1572

---

**DATE**

# CHAIRPERSON'S REPORT

For the year ended 31 December 2018

The Board of Engen Medical Benefit Fund would like to thank the members of the Fund for their support and patience during 2018. This year was an exciting one for the Fund because we changed administrators halfway through the year from MMI Health (Pty) Ltd to Discovery Health (Pty) Ltd.

Change is not always easy and, as with any transition, there are always some obstacles to overcome. The Board of Trustees is happy to report that most of the teething problems have been resolved and the Fund will continuously strive to deliver an effective service to all its members.

The Board of Trustees remains committed to ensuring that governance processes remain at the appropriate levels to deliver quality service to its member. This is achieved through various Board committees. The Board of Trustees and its respective committees, the administrator and healthcare consultants ensure that the Fund remains sustainable and that it provides the relevant benefits to its members.

Once again, the Fund's performance far exceeded the budget for the year ended 31 December 2018. This was mainly due to the decrease in claims expenditure. This has resulted in an improvement of the solvency ratio from 56.7% in 2017 to 66.2% in 2018.

The Fund produced a net surplus of R22.4 m during the year (2017: R23.8 m), assisted by the income received from investments of R6.9 m. The Fund generated an operating surplus of R15.9 m (2017: 14.7 m). Please consult the attached abridged Financial Statements for further details.

The Fund, together with the employer and independent experts, will continue to monitor the changing landscape as well as the challenging market and industry trends to ensure that the Fund delivers the best possible healthcare cover in the best interest of all its members.

On behalf of the Fund's Board of Trustees, I would like to express my thanks to the following people and organisations:

- My colleagues on the Board of Trustees and the respective subcommittees for their continued support and invaluable insights
- The Principal Officer and her team for their dedication and commitment to service excellence to the Fund
- The management and staff at MMI for their service and support over the years
- The management and staff at Discovery for the diligent manner in which they effectively manage the day-to-day affairs of the Fund
- The Company for its continued active support

- The healthcare consultants at Alexander Forbes Financial Services (Pty) Ltd for their diligent monitoring of the Fund's performance during the year
- The investment consultants, Momentum consultants and actuaries for their expertise and guidance
- The medical advisor Dr A Davidson for his valuable contribution
- The external auditor, PriceWaterhouseCoopers Inc, for the efficient manner in which they conducted their audits
- Our members for their continued support.

In conclusion, I would like to reiterate that the Board of Trustees remains committed to the future sustainability of the Fund. The Board is in the process of seeking opportunities to ensure that the Fund continues to offer members the best healthcare services aligned to market practice.

The Board would once again like to express its appreciation to all members for their ongoing contribution to and active participation in the Fund. Furthermore, the Board remains committed to providing quality service to all its members.

The Board is confident that 2019 will be a successful year for the Fund and would like to request your continued support in all its future engagements on the road to remaining relevant in this ever-changing industry.

**MR R MARCHANT**  
**CHAIRPERSON**



# REPORT OF THE BOARD OF TRUSTEES

For the year ended 31 December 2018

---

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

## 1. MANAGEMENT

### 1.1 Board of Trustees in office during the year under review

#### **Appointed members**

Mr R Marchant – Chairperson	Employer representative
Ms N Ngema	Employer representative
Mr S Chili	Employer representative
Ms D Mokotjo	Employer representative
Ms C Mareka	Employer representative

#### **Elected members**

Mr S Abrahams	Member representative
Ms G King	Member representative
Dr A Gray	Member representative
Ms A Bennetts	Member representative
Mr T Nthabane	Member representative

The Board of Trustees is assisted by:

Dr A Davidson	Medical Advisor
---------------	-----------------

## 1.2 Principal Officer

Ms L Shaw	
Engen Court	PO Box 35
Thibault Square	Cape Town
Cape Town	8000
8001	

## 1.3 Registered office address and postal address

<b>Business address</b>	<b>Postal address</b>
Engen Court	PO Box 35
Thibault Square	Cape Town
Cape Town	8000
8001	
Country of registration and domicile	South Africa

## 1.4 Fund Administrator

### For the period 1 January to 30 June 2018

MMI Health (Pty) Ltd	
268 West Avenue	PO Box 7400
Centurion	Centurion
Gauteng	0046
0157	

### From 1 July 2018

Discovery Health (Pty) Ltd	
1 Discovery Place	PO Box 2379
cnr Rivonia and Katherine streets	Rivonia
Sandton	2128
2196	

## 1.5 Managed care provider

### For the period 1 January to 30 June 2018

MMI Health (Pty) Ltd	
268 West Avenue	PO Box 7400
Centurion	Centurion
Gauteng	0046
0157	

### From 1 July 2018

Discovery Health (Pty) Ltd	
1 Discovery Place	PO Box 2379
cnr Rivonia and Katherine streets	Rivonia
Sandton	2128
2196	

## 1.6 Investment managers

Prescient Investment Management (Pty) Ltd	
Prescient House	PO Box 31142
The Terraces	Tokai
Steenberg Boulevard	7966
Steenberg Office Park	
7966	

Coronation Asset Management (Pty) Ltd	
Seventh Floor	PO Box 44684
MontClare Place	Claremont
cnr Campground and Main Roads	7735
Claremont	
7708	

## 1.7 Investment consultants

Momentum Consultants and Actuaries	
269 West Avenue	PO Box 7400
Centurion	Centurion
0157	0046

## 1.8 Actuaries

Alexander Forbes Health (Pty) Ltd  
40 Dorp Street  
Stellenbosch  
7599

PO Box 700  
Stellenbosch  
7600

## 1.9 Auditors

PricewaterhouseCoopers Inc.  
5 Silo Square  
V&A Waterfront  
8002

PO Box 2799  
Cape Town  
8000

## 2. DESCRIPTION OF THE FUND

### 2.1 Terms of Registration

The Engen Medical Benefit Fund is a not-for-profit medical scheme registered in terms of the Medical Schemes Act 131 of 1998 of South Africa (the Act), as amended. Membership of the Fund is open to all employees of Engen Petroleum (Pty) Ltd and any other institution whose employees' membership has been extended by the Board of Trustees.

### 2.2 Benefit options within Engen Medical Benefit Fund

In terms of the Engen Medical Benefit Fund Rules, it offers only one benefit option with a medical savings component.

### 2.3 Medical Savings Account

Ten percent (10%) of total contributions are allocated to members' Medical Savings Accounts to cover their day-to-day medical expenses. Unexpended Medical Savings funds are accumulated for the long-term benefit of the member and interest accrues at an average rate of 6.32% (2017: 6.39%).

The Fund's liability to the members in respect of the Medical Savings Account 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 Fund, the Fund carries the risk.

### 2.4 Risk transfer arrangement

The Fund has entered into a capitation agreement with ER24 (Pty) Ltd. In terms of this agreement, ER24 provides emergency evacuation services from accident scenes, or when urgent medical care is needed.

### 3. INVESTMENT STRATEGY OF THE FUND

The Fund's investment objectives are to maximize the return on investments on a long-term basis at an acceptable risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees. An Investment Committee was established to assist the Board of Trustees in any matters related to the investments. The Committee is mandated by the Board of Trustees and some of their duties are to ensure that:

- The Fund remains liquid;
- Investments are placed at acceptable risk and at the best possible rate of return;
- Investments are made in compliance with the Regulations of the Act; and
- A risk assessment is performed with feedback to the Board of Trustees with recommendations on the risks identified.

The Investment Committee presently comprises:

Mr N Sithebe	Chairperson (Independent)
Mr R Marchant	Chairperson (Board of Trustees)
Mr S Abrahams	Trustee
Mr N Magan	Independent
Ms L Shaw	Principal Officer (in ex-officio capacity)

The Investment Committee met on three occasions during the year, as follows:

- 1 February 2018,
- 20 August 2018, and
- 12 November 2018.

### 4. MANAGEMENT OF INSURANCE RISK

The primary insurance activity carried out by the Fund assumes the risk of loss from members and their dependants that are directly subject to the risk. The risk relates to the health of the Fund's members. As such, the Fund is exposed to the uncertainty surrounding the timing and severity of claims under contract.

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation, case management and service provider profiling.

The Fund uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. The theory of probability is applied to pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims are greater than expected.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated 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 Fund's cash flows.

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

### 5.1 Operational statistics

	2018	2017
Average number of members during the accounting period	3 346	3 494
Number of members at 31 December	3 409	3 345
Average number of beneficiaries during the accounting period	6 888	7 335
Number of beneficiaries at 31 December	6 930	6 940
Dependant ratio	1.03	1.07
Number of new members	301	171
Number of members leaving	276	403
Average age of beneficiaries for the accounting period	39.82	39.81
Proportion of lives over the age of 65	17.30%	17.67%
Average net contribution per member per month	R5 045	R4 643
Average net contribution per beneficiary per month	R2 451	R2 212
Relevant healthcare expenditure as a percentage of net contributions	86.67%	87.86%
Non-healthcare expenses as a percentage of net contributions	5.48%	4.56%
Non-healthcare expenses per beneficiary per month	R134	R101
Average healthcare management expenses per member per month	R134	R159
Average healthcare management expenses per beneficiary per month	R65	R80
Managed care: management services as a percentage of gross contributions	2.39%	3.08%
Amount paid to administrators	R9 580 299	R7 203 410
Accumulated funds per member at 31 December	R49 231	R36 688
Return on investments	3.94%	7.45%
Reserves per beneficiary	R24 218	R20 953

## 5.2 Results of operations

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

## 5.3 Accumulated funds ratio

	2018	2017
	R	R

The accumulated funds ratio is calculated on the following basis:

Total members' funds per statement of financial position	167 828 521	145 413 965
Less: Unrealised gains on investments	(18 851 109)	(22 693 299)
Accumulated funds per Regulation 29	148 977 412	122 720 666
Gross contributions	225 069 726	216 304 456
Accumulated funds ratio	66.19%	56.74%

## 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 Fund.

## 5.5 Revaluation reserve

The revaluation reserve previously reflected the unrealised portion of the Fund's available-for-sale investments. With the implementation of IFRS 9, the Fund's investments are classified as fair value through profit and loss. The revaluation reserve is therefore not reflected as the fair value movements are reflected in profit or loss.

## 5.6 Outstanding claims

Movements on the outstanding claims provision are set out in the annual financial statements

## 6. ACTUARIAL SERVICES

An actuarial valuation is not required for the purposes of the annual financial statements, however full use of the services of the Fund's actuarial consultants, Alexander Forbes Health (Pty) Ltd are made in contribution setting and benefit design.

## 7. EVENTS AFTER REPORTING DATE

There have been no events that have occurred between the end of the accounting period and the date of the approval of these annual financial statements that the Trustees consider should be brought to the attention of the members of the Fund.

## 8. AUDIT COMMITTEE

An Audit Committee was established in accordance with the 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 six members, of which two are members of the Board of Trustees. The majority of the members are not officers of the Fund or its third party administrator. The Committee met on three occasions during the year, as follows:

- 3 April 2018,
- 25 June 2018, and
- 8 November 2018.

The Chairperson of the Fund, the financial manager and the external auditors attend all Audit Committee meetings and have unrestricted access to the Chairman 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 Fund's accounting policies, internal control systems and financial reporting practices. The external auditor formally reports to the Committee on findings arising from its audit activities.

At 31 December 2018, the Audit Committee comprised:

Ms S Koen	Independent (Chairperson)
Ms L Prins	Independent
Mr N Sithebe	Independent
Ms N Ngema	Trustee
Mr T Nthabane	Trustee
Ms F Ngcwabe	Independent
Ms L Shaw	Principal Officer (ex Officio)

## 9. PROFESSIONAL INDEMNITY / FIDELITY / TRUSTEES' AND OFFICERS' INSURANCE

In accordance with the Rules, the Fund has insurance to cover these risks. On 31 December 2018, the total cover was R10 million (2017: R10 million).

## 10. GOING CONCERN

The Trustees believe the Fund will be a going concern in the foreseeable future due, but not limited to the following reasons:

- The reserve ratio at the end of the year was 66.19%.
- Available cash and investments at the end of the year amounted to R180 614 422.



## 11. BOARD OF TRUSTEES AND COMMITTEE MEETING ATTENDANCE

This schedule sets out the Board of Trustees' Audit and Invest Committee meeting attendance:

Trustee / Sub-Committee member	Board of Trustee Meetings		Audit Committee Meetings		Investment Committee Meetings	
	A	B	A	B	A	B
Mr R Marchant – Chairperson	4	4	3	3	3	3
Ms N Ngema	4	3	3	2		
Mr S Chili	4	3				
Ms D Mokotjo	4	3				
Ms C Mareka	4	4				
Mr S Abrahams	4	4			3	3
Ms G King	4	3				
Dr A Gray	4	3				
Ms A Bennetts	4	3				
Mr T Nthabane	4	4	3	2		
Ms S Koen			3	2		
Ms L Prins			3	2		
Mr N Sithebe			3	3	3	2
Mr N Magan					3	2
Ms F Ngcwabe			1	1		
Ms L Shaw *	4	4	3	3	3	3

**A** - Total possible number of meetings

**B** - Actual number of meetings attended

\* In her capacity as the Principal Officer

## 12. NON-COMPLIANCE WITH THE MEDICAL SCHEMES ACT

### 12.1 Contravention of Section 35(8)(c ) of the ACT

#### Nature and impact

The Fund holds investments in Discovery Holdings Ltd, MMI Holdings Ltd and Sanlam Ltd. This is in contravention of Section 35(8)(c ) of the Act as the Fund is not allowed to hold shares in the holding company of the Administrator or any other medical schemes Administrator.

### **Causes of the failure**

The Fund invested in a pooled fund and does not have control of the investment decisions relating to the underlying assets of that fund.

### **Corrective action**

The Fund has been granted exemption by the Council for Medical Schemes in terms of Section 35(8) and is therefore allowed to hold these shares.

## **12.2 Contravention of Section 26(7) of the Medical Schemes Act**

### **Nature and impact**

Section 36(7) of the Act requires "All subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due". A limited number of exceptions were noted during the year where contributions were received late.

### **Causes of the failure**

Membership changes may cause reconciliation items between the Employer and the Fund records. These are typically resolved within one month.

### **Corrective action**

The Fund continually strives to have all membership changes updated before the following contribution run. Due to the nature of membership movements, and the communication process between the Employer and pension administrators, and the Fund's administrator, this is not always possible.

## **12.3 Section 59(2) and Regulation 6(2) of the Medical Schemes Act – Claims not settled within 30 days**

### **Nature and impact**

Section 59(2) of the Act states that a medical scheme shall pay a member or supplier of service any benefit owing to that member or supplier within 30 days of receipt of the medical claim. In addition, Regulation 6(2) states that if the medical scheme is of the opinion that the account is erroneous or unacceptable for payment, it must inform both the member and the relevant health care provider within 30 days after date of receipt of such account.

### **Causes of the failure**

The Fund changed administrators during the year and a limited number of claims were settled after 30 days of receipt. These instances were limited to claims that are more complex and they were carefully managed to ensure the correct benefit Rule interpretations were followed.

### **Corrective action**

After full implementation on the administrator's systems, claims are settled within 30 days of receipt.

# STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	2018	2017
ASSETS	R	R
<b>Non-current assets</b>		
Financial assets through profits or loss	125 408 188	-
Available-for-sale investments	-	121 870 597
<b>Current assets</b>	75 769 915	56 324 908
Financial assets through profit or loss	44 641 371	-
Trade and other receivables	936 241	2 937 120
Cash and cash equivalents	10 564 863	35 023 086
Investment of Medical Savings Account monies	19 627 440	18 364 702
<b>Total assets</b>	<u>201 178 103</u>	<u>178 195 505</u>
<b>FUNDS AND LIABILITIES</b>		
<b>Members' funds</b>	167 828 521	145 413 965
Accumulated funds	167 828 521	122 720 666
Revaluation reserve	-	22 693 299
<b>Current liabilities</b>	33 349 582	32 781 540
Medical Savings Account liability	18 462 986	18 942 697
Trade and other payables	5 929 991	8 751 747
Outstanding claims provision	8 956 605	5 087 096
<b>Total funds and liabilities</b>	<u>201 178 103</u>	<u>178 195 505</u>

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	2018	2017
	R	R
<b>Risk contribution income</b>	202 573 372	194 674 534
<b>Relevant healthcare expenditure</b>	(175 562 930)	(171 040 562)
Net claims incurred	(175 614 194)	(171 273 966)
Risk claims incurred	(170 759 229)	(165 206 826)
Managed care: management services	(5 374 699)	(6 667 177)
Third party claims recoveries	519 734	600 037
Net income on risk transfer arrangement	51 264	233 404
Risk transfer arrangements fee	(909 767)	(890 270)
Recoveries received on risk transfer arrangement	961 031	1 123 674
<b>Gross healthcare result</b>	27 010 442	23 633 971
Administration expenditure	(11 030 893)	(8 572 554)
Net impairment losses on healthcare receivables	(72 169)	(298 983)
<b>Net healthcare result</b>	15 907 380	14 762 434
<b>Other income</b>	8 020 508	11 278 035
Investment income	6 867 706	9 461 625
Interest on Medical Savings Account trust monies	1 016 343	1 159 896
Sundry income	136 459	656 514
<b>Other expenditure</b>	(1 513 333)	(2 192 190)
Asset management fees	(496 990)	(538 630)
Interest paid on Medical Savings Account trust monies	(1 106 343)	(1 159 896)
<b>Net surplus for the year</b>	22 414 556	23 848 279

	2018	2017
	R	R
<b>Other comprehensive income</b>		
Fair value adjustment on available-for-sale investments	-	2 441 801
<b>Total comprehensive income for the year</b>	<b>22 414 556</b>	<b>26 290 080</b>

## STATEMENT OF CHANGES IN FUNDS AND RESERVES

for the year ended 31 December 2018

	Accumulated Funds	Revaluation Reserve	Total Members' Funds
	R	R	R
<b>Balance as at 1 January 2017</b>	98 872 387	20 251 498	119 123 885
Net surplus for the year	23 848 279	-	23 848 279
Movement on revaluation of investments	-	2 441 801	2 441 801
<b>Balance as at 31 December 2017</b>	<b>122 720 666</b>	<b>22 693 299</b>	<b>145 413 965</b>
IFRS 9 transition adjustment	22 693 299	(22 693 299)	-
Net surplus for the year	22 414 556	-	22 414 556
<b>Balance as at 31 December 2018</b>	<b>167 828 521</b>	<b>-</b>	<b>167 828 521</b>

# STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	2018	2017
	R	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net surplus for the year	22 414 556	23 848 279
Adjustments for:		
Investment income	(8 467 190)	(9 461 625)
Interest on Medical Savings Account trust monies	(1 016 343)	(1 159 896)
Interest paid on Medical Savings Account trust monies	1 106 343	1 159 896
Impairment losses	72 169	298 983
Cost incurred on managing investments	496 990	538 630
Net realized and unrealized losses	1 304 405	493 664
Cash flows from operations before working capital changes	15 820 930	15 717 931
Working capital changes:		
Decrease/(increase) in accounts receivable	1 928 709	(1 578 864)
(Decrease)/increase in accounts payable	(2 821 756)	4 695 025
(Decrease)/increase in Medical Savings Account liability	(479 711)	14 122
Increase/(decrease) in outstanding claims provision	3 869 509	(7 659 150)
	2 496 751	(4 528 869)
<b>Cash flows from operating activities</b>	<b>18 317 681</b>	<b>11 189 062</b>
Interest received	3 128 205	2 798 141
<b>Net cash flows from operating activities</b>	<b>21 445 886</b>	<b>13 987 203</b>

	2018	2017
	R	R
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Withdrawal from fair value through profit or loss investments	5 000 000	-
Purchase of fair value through profit or loss investments	(5 000 000)	-
Reclassification of money market investment	(44 641 371)	
<b>Net cash flows from investing activities</b>	<b>(44 641 371)</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	<b>(23 195 485)</b>	<b>13 987 203</b>
Cash and cash equivalents at the beginning of the year	53 387 788	39 400 584
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
	<b>30 192 303</b>	<b>53 387 788</b>
Fund	10 564 863	35 023 086
Medical Savings Account trust monies	19 627 440	18 364 702

