



UPDATE ON THE FUND'S FINANCIAL PERFORMANCE 2019

The 2019 Annual General Meeting of Engen Medical Fund is postponed.

CONTENT



1. Introduction
2. Chairperson's overview for the year ended 31 December 2019
3. Report of the Board of Trustees for the year ended 31 December 2019
4. Highlights of the Annual Financial Statements for the year ended 31 December 2019

Annual Financial Statements

The 2019 audited Annual Financial Statements will be available on the Fund's website (www.engenmed.co.za), as well as from the Principal Officer, Engen Court, Thibault Square, Cape Town, from 1 July 2020. You can also request the documents from the Fund's contact centre at 0860 001 615.

INTRODUCTION

On 15 March 2020, the President of South Africa declared a National State of Disaster as a result of the global COVID-19 pandemic and placed the Country in Lockdown. Due to the restrictions that arose as a result of the lockdown situation, the Fund was granted exemption by the Council for Medical Schemes to postpone the Annual General Meeting, which would have been held on 18 June 2020. In terms of the exemption, the Annual General Meeting must be held within 90 days after the end of the Lockdown period.

The Trustee election process that got underway just prior to the Lockdown, has been temporarily suspended. We will resume this process once the Lockdown has ended, to be sure to introduce the newly elected Trustees at the Annual General Meeting.

In terms of the Fund Rules, the external auditor must be appointed by a Resolution taken at the Annual General Meeting. Due to the uncertainty around a date by when the Lockdown would be ended, and certain audit processes that must commence during 2020 to ensure a timeous finalisation of the 2020 audit in 2021, the Board has made an extraordinary decision to re-appoint PwC, the current Fund auditor for the 2020 audit. The Annual General Meeting will be requested to condone this extraordinary action taken and to ratify the decision of the Board of Trustees.

We are sending you the information in this booklet to keep you informed of the Fund's financial position at year end 2019, and current happenings. You will receive a notice, inviting you to attend the Annual General Meeting, once a new date for the Meeting can be determined.





CHAIRPERSON'S REPORT

For the year ended 31 December 2019

INTRODUCTION

Engen Medical Benefit Fund experienced a good 2019.

The financial performance was better than the budget. The healthcare environment remains a challenge with the higher than inflationary cost increases that are mainly driven by the increase in demand. This may be further exacerbated by the outbreak of the COVID-19 pandemic in 2020.

The healthcare industry is entering a dynamic period of change with the publication of the National Health Insurance (NHI) Bill in 2018 and the government's ongoing commitment to get NHI implemented by 2026. The Competition Commission published its final Health Market Inquiry (HMI) report in 2019 and some of the recommendations may find its way into legislation. Stakeholder engagements between government, medical scheme industry bodies, the industry and providers are ongoing. There are uncertainties and an unprecedented situation as a result of the COVID-19 outbreak, which makes it difficult to develop robust medium and long term strategies. However, the Fund is well positioned, with strong reserves.

SCHEME PERFORMANCE OVERVIEW

Overall, Engen Medical Benefit Fund remains stable and is financially sound. In 2019 the Fund delivered well on most of its key metrics:

METRIC	2019 VS 2018 ACTUALS		CURRENT STATUS
MEMBERSHIP	3.26%	< >	Membership remains stable at 3 455 principal members at the end of 2019 vs 3 346 in 2018
AVERAGE AGE OF BENEFICIARIES	0.65%	^	40.08 years, which is slightly higher than 39.82 in 2018, and higher than the industry average of 32.8 (CMS:2018)
PROPORTION OF LIVES OVER THE AGE OF 65	0.29%	^	Pensioner ratio of 17.59% is slightly higher than the 17.30% in 2018, and significantly higher than the industry average of 9.0% (CMS:2018)
RESERVE RATIO	23.92%	^	Increased to 90.11% (R215.3m) in 2019 from R167.8m in 2018; well above the legal requirement
ACCUMULATED FUNDS PER MEMBER	+R12 722	^	R61 953 in 2019 vs R49 231 in 2018
OPERATING SURPLUS	R25.10m	^	Operating surplus of R47.51m for 2019 vs R22.41m in 2018
CLAIMS RATIO	7.17%	v	Improvement against 2018. At 79.49%, vs 86.67% in 2018, and better than the industry average of 90.2% (CMS:2018)
NON-HEALTHCARE COSTS	0.01%	< >	Very low at 5.47% vs the industry average of 8.2% (CMS:2018)

The Fund's overall performance enabled the Trustees to move the contribution increase date to 1 January annually, bringing the process in line with that of the industry.

Contributions were not increased on 1 July 2019, in line with past practice, but increases were deferred to 1 January 2020. This, together with the low increase for 2020, provided a measure of financial relief for members.

Despite the low contribution increase, the Trustees introduced several excellent benefit enhancements for 2020.

The Trustees will continue to manage contributions and benefits in a responsible way to ensure the long term sustainability of the Fund.

REGULATORY ENVIRONMENT

The trustees continuously have to ensure the Fund remains compliant while at the same time preparing for potential future regulatory changes. Below is a summary of some of the key topical regulatory challenges.

The government is still committed towards the implementation of National Health Insurance (NHI). The Bill was introduced to Parliament in August 2019 and is currently under consideration by the National Assembly's Portfolio Committee on Health. Stakeholders were invited to submit written submissions on the Bill. If the National Assembly passes it, it will be referred to the National Council of Provinces (NCOP), for a similar process and concurrence. If the NCOP passes it, it will then be referred to the President, who must give assent, and sign it into law.

The Competition Commission published its Final Health Market Inquiry (HMI) report in September 2019. This report was overall well accepted by the medical scheme industry. Some of the most pertinent recommendations for funders were:

- The introduction of a Standardised Benefit Package to increase transparency, allow consumers to readily compare options, and, along with a risk adjustment mechanism, foster a greater degree of competition on metrics such as innovation and quality care.
- Review of Prescribed Minimum Benefits by replacing it with the introduction of one stand-alone, standardised, obligatory 'base' benefit package.
- To improve medical scheme governance by encouraging greater member participation in Annual General Meetings (AGM); regulating and mandating a set of core competencies for trustees and principal officers before they can be eligible to manage a scheme, and clearly spelling out administrators' fiduciary responsibility to consumers.
- The implementation of a risk adjustment mechanism (RAM) to make financial adjustments across schemes to mitigate the risk-profile related effects on scheme costs. Low-risk schemes would pay money into the risk adjustment fund while high risk schemes would receive risk adjustment subsidies from the fund.
- To address anti-selection. It is recommended that the CMS reviews the existing tools available to funders, namely waiting periods and late joiner penalties, with a view of strengthening them.

Further updates are expected to the Medical Schemes Amendment Bill that was published in 2018, as a result of the final HMI report, and once the NHI Bill is approved.

RISK MANAGEMENT

Risk is defined as the possibility of an event materialising which could have a negative impact on achievement of the Fund's strategic objectives. A practical risk management approach was selected, and the Board of Trustees agreed on a defined process to enable them to identify, assess and agree on risks and risk mitigation steps. Through this practical and comprehensive process, the Board has identified a number of key risks and is in the process of developing and implementing mitigation measures. Ultimately the Board of Trustees have to manage these risks with oversight being provided by the Audit and Risk Sub-Committee.

SUBSEQUENT EVENTS

The outbreak of the COVID-19 pandemic led to the President of South Africa declaring a national state of disaster on 15 March 2020. Although there are many uncertainties about the potential impact of the pandemic on the Fund and its members, scenarios considered by the actuaries indicate due to its strong financial position and reserve levels, the Fund would be able to absorb the potential negative impact of COVID-19, with no expected impact on the Fund's ability to pay claims as they arise.

The Board of Trustees agreed to implement the required COVID-19 Prescribed Minimum Benefits, and approved access to additional benefits, ensuring members would get the treatment and care necessary to survive the effects of the pandemic. The benefits include access to screening and testing, isolation facilities and protection for high risk individuals.

Members are encouraged to protect themselves by staying at home, wearing a mask in public, practice social distancing and to follow best practice hygiene protocols.

TRUSTEE ELECTIONS AND ANNUAL GENERAL MEETING

There are two positions on the Board of Trustees that should be filled by elected representatives. The term of office of Mr Tekane Nthabane is coming to an end at the Annual General Meeting (“AGM”). Being eligible, Mr Nthabane is available for re-election. The Board also needs to fill one Alternate Trustee position, which arose from the resignation of Mr Malcolm Pearson, who is no longer a member of the Fund. This position will be filled by the candidate with the second most votes in the election.

Following the receipt of nominations for candidates to stand in the election, the Board must conduct an election process, filling the vacancies by majority vote of all the members voting by ballot. We kicked off the election process at the end of February 2020, by calling for nominations.

According to the Fund Rules, the elected representatives must be introduced at the Annual General Meeting.

Unfortunately, the declaration of a National State of Disaster, and the subsequent Lockdown, put a temporary halt to the election process. The Trustees also had no choice to postpone the date of the Annual General Meeting, which was supposed to be held on 18 June 2020. The Trustees applied and exemption was granted by the Council for Medical Schemes, to hold the Annual General Meeting within 90 days of the end of the lockdown period.

Due to the postponement of the Annual General Meeting, the term of office of Mr Tekane Nthabane was extended to the next Annual General Meeting.

The Fund will re-issue a call for nominations and conduct an election process in the 90 days period leading up the Annual General Meeting, after the end of the Lockdown period. We would appreciate members’ assistance in responding timeously to our requests in this regard.

APPOINTMENT OF THE AUDITOR

In terms of the Fund Rules, the external auditor must be appointed by a Resolution taken at the Annual General Meeting.

Due to the uncertainty around a date by when the Lockdown would be ended, and certain audit processes that must commence during 2020 to ensure a timeous finalisation of the 2020 audit in 2021, the Board has made an extraordinary decision to re-appoint PwC, the current Fund auditor for the 2020 audit.

The Annual General Meeting will be requested to condone this extraordinary action and to ratify the decision of the Board of Trustees.

SUMMARY

The threats to our members’ health and the financial burdens brought about by the COVID-19 pandemic has gripped the attention of the Board of Trustees and have kept us focused on ensuring our members’ healthcare funding needs can be met over a broad spectrum, including those related to the global pandemic.

We are however keeping a close eye on the Fund’s financial performance. The Trustees are comfortable that the Fund continues to be sustainable, offering excellent value. Our focus is on ensuring peace of mind to all our members for all appropriate major medical expenses at affordable contribution rates.

We thank you for your support to the Fund and the Trustees in 2019 and now.

Reagan Marchant
Chairman

REPORT OF THE BOARD OF TRUSTEES

For the year ended 31 December 2019

The Board of Trustees hereby presents its report for the year ended 31 December 2019.

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 (Resigned 30 June 2019)
Ms S Moroka-Mosia	Employer Representative (Appointed 21 November 2019)

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

Business address

Engen Court
Thibault Square
Cape Town
8001

Postal address

PO Box 35
Cape Town
8000

Country of registration and domicile

South Africa

1.4 Fund Administrator

Discovery Health (Pty) Ltd
1 Discovery Place
cnr Rivonia and Katherine streets
Sandton
2196

PO Box 2379
Rivonia
2128

1.5 Managed care provider

Discovery Health (Pty) Ltd
1 Discovery Place
cnr Rivonia and Katherine streets
Sandton
2196

PO Box 2379
Rivonia
2128

1.6 Investment managers

Prescient Investment Management (Pty) Ltd
Prescient House
The Terraces
Steenberg Boulevard
Steenberg Office Park
7966

PO Box 31142
Tokai
7966

Coronation Asset Management (Pty) Ltd
(Contract terminated in March 2019)
Seventh Floor
MontClare Place
cnr Campground and Main Roads
Claremont
7708

PO Box 44684
Claremont
7735

Prudential Portfolio Managers (South Africa) Life
Limited (Contract started in March 2019)
Seventh Floor
Protea Place
40 Dreyer Street
Claremont
7708

PO Box 44813
Claremont
7735

1.7 Investment consultants

Momentum Consultants and Actuaries
269 West Avenue
Centurion
0157

PO Box 7400
Centurion
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 7.97% (2018: 6.32%).

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 maximise 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
Mr A van Niekerk	Independent (Appointed November 2019)
Ms L Shaw	Principal Officer (in ex-officio capacity)

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

- 15 February 2019;
- 16 May 2019;
- 29 August 2019; and
- 8 November 2019.

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	2019
Average number of members during the accounting period	3 346	3 455
Number of members at 31 December	3 409	3 476
Average number of beneficiaries during the accounting period	6 888	6 895
Number of beneficiaries at 31 December	6 930	6 843
Dependant ratio	1.03	0.97
Number of new members	301	263
Number of members leaving	276	196
Average age of beneficiaries for the accounting period	39.82	40.08
Proportion of lives over the age of 65	17.30%	17.59%
Average net contribution per member per month	R5 045	R5 136
Average net contribution per beneficiary per month	R2 451	R2 574
Relevant healthcare expenditure as a percentage of net contributions	86.67%	79.49%
Non-healthcare expenses as a percentage of net contributions	5.48%	5.47%
Non-healthcare expenses per beneficiary per month	R134	R141
Average healthcare management expenses per member per month	R134	R100
Average healthcare management expenses per beneficiary per month	R65	R51
Managed care: management services as a percentage of gross contributions	2.39%	1.76%
Amount paid to administrators	R9 580 299	R9 710 561
Accumulated funds per member at 31 December	R49 231	R61 953
Return on investments	3.94%	7.08%
Reserves per beneficiary	R24 218	R31 470

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	2019
	R	R

The accumulated funds ratio is calculated on the following basis:

Total members' funds per statement of financial position	167 828 521	215 347 657
Less: Unrealised gains on investments	<u>(18 851 109)</u>	<u>(2 184 937)</u>
Accumulated funds per Regulation 29	<u>148 977 412</u>	<u>213 162 720</u>
Gross contributions	<u>225 069 726</u>	<u>236 559 291</u>
Accumulated funds ratio	<u>66.19%</u>	<u>90.11%</u>

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 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

Subsequent to the reporting date, on 15 March 2020, the President of South Africa declared a national state of disaster as a result of the COVID-19 pandemic. Even though South Africa was at the early stage of the outbreak, there were many uncertainties about the potential impact of COVID-19 on the Fund and its members. The actuaries has considered various possible scenarios to assess the potential impact of the pandemic, which indicate that the Fund's going concern status is not at risk. The Fund's strong financial position and reserve levels allow the Fund to absorb the potential negative impact of the COVID-19 pandemic, with no impact on the Fund's ability to pay claims as they arise.

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 two occasions during the year, as follows:

- 15 April 2019, and
- 6 November 2019.

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 2019, 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 2019, the total cover was R10 million (2018: 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 90.11.
- Available cash and investments at the end of the year amounted to R225 588 814.

11. BOARD OF TRUSTEES AND COMMITTEE MEETING ATTENDANCE

This schedule sets out the Board of Trustees', Audit and Investment Committees' 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	2	2	4	4
Ms N Ngema	4	4	2	2		
Mr S Chili	4	3				
Ms D Mokotjo	4	2				
Ms C Mareka	2	1				
Ms S Moroka-Mosia	1	1				
Mr S Abrahams	4	4			4	3
Ms G King	4	4				
Dr A Gray	4	4				
Ms A Bennetts	4	3				
Mr T Nthabane	4	4	2	2		
Ms S Koen			2	2		
Ms L Prins			2	2		
Mr N Sithebe			2	1	4	3
Mr N Magan					4	4
Ms F Ngcwabe			2	2		
Mr A van Niekerk					1	1
Ms L Shaw *	4	4	2	2	4	4

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, Momentum Metropolitan 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 Prescribed minimum benefits

Nature and impact

Section 29(1)(o) and Regulation 8 provide the scope and level of minimum benefits that the Fund must provide to members and dependants. During the year under review, there were isolated instances where the Fund did not pay claims in accordance with the scope and level of minimum benefits.

Causes for the failure

The complexity of Prescribed Minimum Benefits created differences in interpretation.

Corrective action

The Fund is aligning its interpretation of Prescribed Minimum Benefits with that of the Council for Medical Schemes and affected claims are being reprocessed to ensure correct payment.

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

Nature and impact

In terms of Section 59(2) and Regulation 6(2) of the Act a medical scheme shall pay a member or supplier of service any benefit owing to that member or supplier within 30 days of receipt of the medical claim. A limited number of exceptions were noted where settlement took longer than 30 days from receipt

Causes of the failure

A limited number of members and providers chose to receive payment once a month, which caused instances where payment took more than 30 days. A few complex cases also took more than 30 days to be resolved for payment.

Corrective action

Management is committed to resolve these matters in a responsible manner and in the best interest of the members and the Fund.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	2018	2019
ASSETS	R	R
Non-current assets		
Financial assets through profits or loss	125 408 188	151 329 627
Current assets	75 769 915	94 938 140
Financial assets at fair value through profit or loss	44 641 371	68 414 413
Trade and other receivables	936 241	734 218
Cash and cash equivalents	10 564 863	5 844 774
Investment of Medical Savings Account monies	19 627 440	19 944 735
Total assets	<u>201 178 103</u>	<u>246 267 767</u>
FUNDS AND LIABILITIES		
Members' funds	167 828 521	215 347 657
Accumulated funds	167 828 521	215 347 657
Current liabilities	33 349 582	30 920 110
Medical Savings Account liability	18 462 986	20 636 553
Trade and other payables	5 929 991	3 783 557
Outstanding claims provision	8 956 605	6 500 000
Total funds and liabilities	<u>201 178 103</u>	<u>246 267 767</u>

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	2018	2019
	R	R
Risk contribution income	202 573 372	212 955 014
Relevant healthcare expenditure	(175 562 930)	(169 274 432)
Net claims incurred	(175 614 194)	(169 034 667)
Risk claims incurred	(170 759 229)	(165 643 116)
Managed care: management services	(5 374 699)	(4 161 610)
Third party claims recoveries	519 734	770 059
Net income/(expense) on risk transfer arrangement	51 264	(239 765)
Risk transfer arrangements fee	(909 767)	(1 102 344)
Recoveries received on risk transfer arrangement	961 031	862 579
Gross healthcare result	27 010 442	43 680 582
Administration expenditure	(11 030 893)	(11 530 683)
Net impairment losses on healthcare receivables	(72 169)	(108 713)
Net healthcare result	15 907 380	32 041 186
Other income	8 020 508	17 380 925
Investment income	6 867 706	16 040 910
Interest on Medical Savings Account trust monies	1 016 343	1 343 301
Sundry income	136 459	(3 286)
Other expenditure	(1 513 333)	(1 902 975)
Asset management fees	(496 990)	(559 674)
Interest paid on Medical Savings Account trust monies	(1 106 343)	(1 343 301)
Net surplus for the year	22 414 556	47 519 136
Total comprehensive income for the year	22 414 556	47 519 136

STATEMENT OF CHANGES IN FUNDS AND RESERVES

for the year ended 31 December 2019

	Accumulated Funds	Revaluation Reserve	Total Members' Funds
	R	R	R
Balance as at 1 January 2018	122 720 666	22 693 299	145 413 965
IFRS 9 transition adjustment	22 693 299	(22 693 299)	-
Net surplus for the year	22 414 556	-	22 414 556
Balance as at 31 December 2018	<u>167 828 521</u>	<u>-</u>	<u>167 828 521</u>
Net surplus for the year	47 519 136	-	47 519 136
Balance as at 31 December 2019	<u>215 347 657</u>	<u>-</u>	<u>215 347 657</u>

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	2018	2019
	R	R
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus for the year	22 414 556	47 519 136
Adjustments for:		
Investment income	(8 467 190)	4 830 190
Interest on Medical Savings Account trust monies	(1 016 343)	1 343 301
Interest paid on Medical Savings Account trust monies	1 016 343	1 343 301
Impairment losses	72 169	108 713
Cost incurred on managing investments	496 990	559 674
Net realised and unrealised losses/(gains)	1 304 405	20 871 100
Cash flows from operations before working capital changes	15 820 930	32 146 613
Working capital changes:		
Decrease in accounts receivable	1 928 709	93 311
Decrease in accounts payable	(2 821 756)	(2 146 434)
(Decrease)/increase in Medical Savings Account liability	(479 711)	2 173 567
Increase/(decrease) in outstanding claims provision	3 869 509	(2 456 605)
	2 496 751	(2 336 161)
Cash flows from operating activities	18 317 681	29 810 452
Interest received	3 128 205	4 559 798
Net cash flows from operating activities	21 445 886	34 370 250

	2018	2019
	R	R
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawal from fair value through profit or loss investments	5 000 000	61 467 847
Purchase of fair value through profit or loss investments	(5 000 000)	(100 240 891)
Reclassification of money market investment	(44 641 371)	-
Net cash flows from investing activities	(44 641 371)	(38 773 044)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	(23 195 485)	(4 402 794)
Cash and cash equivalents at the beginning of the year	53 387 788	30 192 303
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
	30 192 303	25 789 509
Fund	10 564 863	5 844 774
Medical Savings Account trust monies	19 627 440	19 944 735

