

**COMPCARE WELLNESS MEDICAL SCHEME  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**COMPCARE WELLNESS MEDICAL SCHEME  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

The Trustees are responsible for the preparation, integrity, and fair presentation of the annual financial statements of CompCare Wellness Medical Scheme ("the Scheme"). The financial statements presented on pages 9 to 57 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Medical Schemes Act of South Africa and include amounts based on judgements and estimates made by management.

The Trustees consider that in preparing the annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Trustees are satisfied that the information contained in the annual financial statements fairly presents the results of operations for the year and the financial position of the Scheme at year-end. The Trustees also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

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

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

The going concern basis has been adopted in preparing the financial statements. The Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the Scheme.

The Scheme's external auditors Deloitte & Touche are responsible for auditing the annual financial statements and their report is presented on pages 5 to 8.

The financial statements were approved by the Board of Trustees on 16 May 2020 and are signed on its behalf by:



.....  
H Odendaal  
**Chairperson**



.....  
B le Roux  
**Trustee**



.....  
J Joubert  
**Principal Officer**

**COMPCARE WELLNESS MEDICAL SCHEME  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

The Scheme is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The rules of the Scheme allow for the Trustees to be proposed and elected by the members of the Scheme and the employers. All of the Trustees in office during the year under review have been proposed and elected by the members of the Scheme.

**Board of Trustees**

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

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

**Internal Control**

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

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

**Transparency and Ethics**

The Scheme conducts its affairs according to high ethical values and in a manner that contributes to the welfare of the key stakeholders. We are committed to open communication with our stakeholders about the Scheme's financial and business targets and to treat them fairly in all our business dealings.

**Risk Assessment and Evaluation**

The Trustees have developed a risk register which lists the key risks that are facing the Scheme. The risks are continually evaluated and assessed to ensure that the necessary plans are implemented to control and manage these risks.

The performance of the Board of Trustees and Board sub-committees is evaluated against agreed terms of reference and performance targets.

The Scheme takes cognisance of the King Report on Corporate Governance for 2017 (King IV) and endeavours to apply the principles of the King IV report where appropriate to Medical Schemes and its Trustees.



.....  
H Odendaal  
**Chairperson**



.....  
B le Roux  
**Trustee**



.....  
J Joubert  
**Principal Officer**

16 May 2020

**COMPCARE WELLNESS MEDICAL SCHEME  
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**REPORT OF THE AUDIT COMMITTEE**

**Introduction**

The audit committee presents its report for the financial year ended 31 December 2019. The committee has discharged all its responsibilities and carried out all the functions assigned to it in terms of section 36(12) of the Medical Schemes Act 31 of 1998, as amended.

**Role of the Audit Committee**

The committee operates independent of the Board of Trustees within written terms of reference which are reviewed and updated regularly. The responsibility of the committee includes:

- (i) Assist the Board of Trustees in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied by the Scheme or its administrator in the day to day management of its business;
- (ii) Facilitate and promote communication and liaison regarding the matters referred to in the paragraph above or a related matter, between the Board of Trustees, principal officer, administrator and, where applicable, the internal audit staff of the Scheme;
- (iii) Recommend the introduction of measures which the committee believes may enhance the credibility and objectivity of financial statements and reports concerning the affairs of the Scheme; and
- (iv) Advise on any appropriate matter referred to the committee by the Board of Trustees.

**Discharge of Responsibilities**

During the year under review the committee:

- (i) Reviewed the annual financial statements and recommended them for approval by the Board of Trustees;
- (ii) Satisfied itself that the internal audit function performed as required and approved the internal audit plans;
- (iii) Received and reviewed reports from both the internal and external auditors, and the reviewers of the internal control systems, which included commentary on effectiveness of the internal control environment, systems and processes and, where appropriate, made recommendations to the Board of Trustees;
- (iv) Ensured that the appointment of the external auditors complied with the provisions of the Medical Schemes Act 31 of 1998, as amended, and other legislation relating to the appointment of auditors;
- (v) Was responsible for the oversight of financial reporting risks, internal financial controls, fraud risks as it relates to financial reporting and IT risks as it relates to financial reporting; and
- (vi) Reviewed with management legal and regulatory matters that could have a material impact on the Scheme.



.....  
C Fontaine

**Chairperson**

16 May 2020

*To the Members of CompCare Wellness Medical Scheme*

## Report on the audit of the Financial Statements

### Opinion

We have audited the financial statements of CompCare Wellness Medical Scheme (the Scheme), set out on pages 19 to 57, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of CompCare Wellness Medical Scheme as at 31 December 2019, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with Sections 290 and 291 of the Independent Regulatory Board for Auditor's Code of Professional Conduct for Registered Auditors (Revised January 2018) (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code (Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with Sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants. International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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*Since 1845*

National Executive: \*LL Bam Chief Executive Officer \*TMM Jordan Deputy Chief Executive Officer; Clients & Industries \*MJ Jarvis Chief Operating Officer \*AF Meekie Audit & Assurance \*N Sng Risk Advisory DP Nilow Tax & Legal TP PJay Consulting \*R Mazzocco People & Purpose \*G Deeks Risk Independence & Legal \*ML Hodson Financial Advisory \*B Nyembe Responsible Business & Public Policy \*TJ Brown Chairman of the Board

A full list of partners and directors is available on request.

\* Partner and Registered Auditor

**B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice**

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p><b>Outstanding claims provision:</b></p> <p>As disclosed in Note 8, the carrying amount of the Outstanding Claims Provision ("IBNR") at year end was R44 585 880 (2018: R10 097 573). The determination of the IBNR requires the Scheme's Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not reported at the Statement of Financial Position date.</p> <p>The IBNR calculation is based on a number of factors which include:</p> <ul style="list-style-type: none"> <li>• Previous experience in claims patterns;</li> <li>• Claims settlement patterns;</li> <li>• Changes in the nature and number of members according to gender and age;</li> <li>• Trends in claims frequency;</li> <li>• Changes in the claims processing cycle;</li> <li>• Variations in the nature and average cost per claim; and</li> <li>• Other factors such as expectations of future events that are believed to be reasonable to be taken into account in the valuation of the IBNR at year end.</li> </ul> <p>Certain of the above-mentioned factors require judgement and assumptions to be made by the Schemes Trustees and therefore accordingly, for the purposes of our audit, we identified the valuation of the IBNR as representing a key audit matter.</p>	<p>In evaluating the valuation of the IBNR, we audited the calculations approved by the Board of Trustees and performed various procedures including the following:</p> <ul style="list-style-type: none"> <li>• Testing the design effectiveness and implementation of the Scheme's controls relating to the preparation of the IBNR calculation;</li> <li>• Testing the integrity of the information used in the calculation of the IBNR by performing substantive procedures, on a sample basis, on the completeness and accuracy of the claims data used in calculating the IBNR;</li> <li>• Performance of an independent estimate of the IBNR using substantive analytical procedures that involved historical claims data and trends and comparing the estimate to the Scheme's Trustee's IBNR;</li> <li>• Performance of tests of detail on the current year IBNR including testing actual claims experienced subsequent to year end and to as close as possible to audit completion date;</li> <li>• Performance of a retrospective review of the IBNR raised in the 2018 financial year based on actual claims paid in 2019 that have service dates in the 2018 financial year to verify the assumptions applied to determine the IBNR are reasonable; and</li> <li>• Assessing the presentation and disclosure in respect of the IBNR and considered whether the disclosures reflected the risks inherent in the accounting for the IBNR.</li> </ul> <p>The assumptions applied in the IBNR are appropriate and we are satisfied that the movement of the IBNR in the Statement of Comprehensive Income and the related disclosure of the IBNR balance and assumptions are appropriate.</p>

#### *Other Information*

The Scheme's trustees are responsible for the other information. The other information comprises the Statement of responsibility by the Board of Trustees, the Statement of corporate governance by the Board of Trustees, Report of the Audit Committee and the Report of the Board of Trustees as required by Medical Schemes Act of South Africa which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Scheme's Trustees for the Financial Statements*

The Scheme's trustees are responsible for the preparation and fair presentation of the financial statements, in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa, and for such internal control as the Scheme's trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Scheme's trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Scheme's trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.

- Conclude on the appropriateness of the Scheme's trustees use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Scheme's trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Scheme's trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

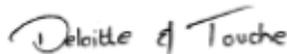
#### Report on Other Legal and Regulatory Requirements

##### *Non-compliance with the Medical Schemes Act of South Africa*

As required by the Council for Medical Schemes, we report material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa, as amended, that have come to our attention during the course of our audit. These have been detailed in note 25 of the annual financial statements.

##### *Audit tenure*

As required by the Council for Medical Schemes, Audit Tenure, we report that Deloitte has been the auditor of CompCare Wellness Medical Scheme for 14 years. The engagement partner, Ronel Van Graan, has been responsible for CompCare Wellness Medical Scheme for 2 years.



Deloitte & Touche  
Registered Auditors  
Per: Ronel van Graan (CA) SA  
Partner

16 May 2020

**COMPCARE WELLNESS MEDICAL SCHEME  
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. DESCRIPTION OF THE MEDICAL SCHEME**

**1.1 Terms of registration**

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

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

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

- Pinnacle
- Dynamix
- Symmetry
- Mumed
- Axis
- NetworX
- Unisave
- Selfmed 80%
- Selfsure
- MedElite
- MEDXXI
- SelfNet
- SelfNet Essential

On 1 September 2019, there was an amalgamation between CompCare Wellness Medical Scheme and Selfmed Medical Scheme. The amalgamated Scheme have run thirteen benefit options for the remainder of the year to 31 December 2019. The decision ensures that members from Selfmed Medical Scheme are not affected by a compulsory intra-year benefit option change, which would impact their contributions payable and available benefits. The annual benefit design and contribution pricing exercise for the 2020 benefit year has focused on combining the two Schemes' benefit options. The Selfmed 80%, MedElite, MEDXXI, Axis and SelfNet Essential options have been mapped and merged with the existing options with effect from 1 January 2020.

**1.3 Savings plan**

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

Members who belong to the Savings benefit options may pay an agreed sum, according to their earnings and limited to 25% on the Pinnacle and Unisave options, 20% on the Dynamix option and 10% on the Symmetry option of their gross contributions which is in a savings account so as to help pay the members' portion of healthcare costs, up to a prescribed threshold.

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

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**1.3 Savings plan (continued)**

The Council for Medical Schemes published Circular 2 of 2018 that relates to allocation of interest on Personal Medical Savings Accounts(PMSAs). Subsequent to this, the Scheme amended it's rules, effective 1 January 2018, the Scheme will not allocate interest on positive balances to the members directly. The Scheme may at its own discretion allocate interest to the member's savings accounts as approved by the Board of Trustees from time to time.

The Council for Medical Schemes published Circular 56 of 2017 that relates to disclosure and treatment of Personal Medical Savings Accounts(PMSAs). Subsequent to this, the Scheme amended it's rules, effective 1 January 2018, to the extent that savings will form part of the Scheme's assets. On termination of membership, the savings balance due to a member will be transferred to the respective member or their new Scheme, should the Scheme have a savings option.

**1.4 Risk transfer arrangements**

The results of risk transfer arrangements were as follows:

Provider	Service provided	Capitation fees paid R	Claims incurred by provider R	Net expense R
<b>2019</b>				
Netcare 911 (Pty) Ltd	Rescue care	(3 411 493)	2 812 083	(599 410)
<b>2018</b>				
Netcare 911 (Pty) Ltd	Rescue care	(3 095 434)	2 458 456	(636 978)

**Netcare 911 (Pty) Ltd**

Netcare 911 (Pty) Ltd conducts business as a pre-hospital management, emergency response and transportation company.

**2. MANAGEMENT**

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

Name	Details		
Mr H Odendaal	Chairperson	Member Trustee	Elected 27.06.2017
Mr S Ireton	Vice-Chairperson	Member Trustee	Elected 27.06.2017
Mr B le Roux		Member Trustee	Elected 27.06.2017
Dr S Nkosi		Member Trustee	Elected 27.06.2017
Mr K Mnisi		Member Trustee	Elected 27.06.2017
Dr A Carlston		Member Trustee	Elected 22.06.2016
Mr N Landman		Member Trustee	Elected 27.06.2017
Mr P Wassermann		Member Trustee	Elected 27.06.2017
Mr T Harris		Member Trustee	Elected 01.09.2019
Dr R Engelbrecht		Member Trustee	Elected 01.09.2019

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**2. MANAGEMENT (continued)**

**2.2 Principal Officer**

Mr J Joubert Universal House 15 Tambach Road Sunninghill Park Sandton	PO Box 1554 Rivonia 2128
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**2.3 Registered office address and postal address**

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

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

3ONE Consulting Actuaries	Fairway Office Park 52 Grosvenor Road Bryanston 2191
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**2.6 Auditors**

Deloitte & Touche 5 Magwa Crecent Waterfall City Waterfall Docex 10 Johannesburg	Private Bag X6 Gallo Manor 2052
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**2.7 Investment Managers**

The Scheme invested in a listed equity fund portfolio managed by PSG Wealth, market-linked insurance and collective investment Scheme portfolios managed by Old Mutual Wealth Trust Company and a money market fund managed by Investec Asset Management.

PSG Wealth Postnet Suite 178 Private Bag X1 Melrose Arch 2076	Old Mutual Wealth Trust Company (Pty) Ltd PO Box 65014 Benmore Gardens 2010	Investec Asset Management PO Box 1655 Cape Town 8000
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**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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

The Finance, Investment & Risk 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 three Board of Trustee members and four individuals from the administrator.

The responsibility of the committee is to assist the Board of Trustees in carrying out investment decisions to ensure that:

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

The Scheme invested in call and term deposits, money market collective investment Schemes, listed equities, bonds and unit trusts during 2019. This policy is reviewed regularly, taking into consideration compliance with the Medical Schemes Act, the risk and returns of the various investment instruments and the surplus of funds available.

Details on the Scheme's investments are set out in the annual financial statements. Refer to Notes 5, 6 and 23.

**4. MANAGEMENT OF INSURANCE RISK**

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

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements, and the monitoring of emerging issues.

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

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated with established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the annual financial statements and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Scheme's cash flows.

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**5.1 Operational statistics**

2019	Pinnacle	Dynamix	Symmetry	Mumed	Axis	Networx	Unisave	Selfmed 80%	Selfsure	MedElite	MEDXXI	SelfNet	SelfNet Essential	Total
Average number of members during the accounting period	850	1 020	1 598	1 667	1 063	6 352	1 723	351	2 003	387	2 458	1 772	279	21 524
Number of members at 31 December	846	996	1 539	1 555	1 088	6 539	2 127	348	1 987	385	2 440	1 707	270	21 827
Average number of beneficiaries during the accounting period	1 692	1 959	3 164	3 291	1 896	6 655	3 517	511	3 279	561	4 154	3 111	491	34 281
Number of beneficiaries at 31 December	1 694	1 893	3 039	3 065	1 956	6 838	4 285	514	3 299	569	4 185	3 044	477	34 858
Average number of dependants during the accounting period	842	939	1 566	1 625	833	303	1 793	161	1 276	174	1 696	1 339	212	12 757
Number of dependants at 31 December	848	897	1 500	1 510	868	299	2 158	166	1 312	184	1 745	1 337	207	13 031
Dependant ratio at 31 December	1.0	0.9	1.0	1.0	0.8	0.0	1.0	0.5	0.7	0.5	0.7	0.8	0.8	0.6
Net contributions per average beneficiary per month (R)	4 079	3 270	2 638	2 135	1 475	483	1 318	2 401	824	1 799	684	348	265	1 410
Relevant healthcare expenditure per average beneficiary per month (R)	3 680	3 464	2 439	1 727	1 592	361	882	1 627	623	1 369	660	360	75	1 239
Non-healthcare expenditure per average beneficiary per month (R)	350	333	309	296	289	144	266	183	127	162	91	66	63	200
Relevant healthcare expenditure as a percentage of gross contributions (%)	73%	91%	83%	81%	108%	75%	50%	68%	76%	76%	96%	103%	28%	79%
Non-healthcare expenditure as a percentage of gross contributions (%)	7%	9%	11%	14%	20%	30%	15%	8%	15%	9%	13%	19%	24%	13%
Average age per beneficiary	52	53	49	40	43	25	30	69	48	70	57	31	31	41
Pensioner ratio at 31 December	35.4%	37.2%	29.5%	15.2%	20.9%	0.3%	3.0%	72.8%	29.7%	71.5%	43.3%	4.6%	4.6%	20.0%
Average accumulated funds per member at year end (R)	-	-	-	-	-	-	-	-	-	-	-	-	-	17 370
Return on investments as a percentage of investments (%)	-	-	-	-	-	-	-	-	-	-	-	-	-	4%

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
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**5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (continued)**

**5.1 Operational statistics (continued)**

2018	Pinnacle	Dynamix	Symmetry	Mumed	Axis	Networx	Unisave	Total
Average number of members during the accounting period	896	1 106	1 785	2 114	1 006	6 165	834	13 906
Number of members at 31 December	869	1 081	1 723	1 967	1 034	5 618	944	13 236
Average number of beneficiaries during the accounting period	1 802	2 135	3 635	4 211	1 803	6 563	1 784	21 932
Number of beneficiaries at 31 December	1 738	2 090	3 486	3 939	1 838	5 981	2 027	21 099
Average number of dependants during the accounting period	906	1 029	1 850	2 097	797	398	950	8 027
Number of dependants at 31 December	869	1 009	1 763	1 972	804	363	1 083	7 863
Dependant ratio at 31 December	1.0	0.9	1.0	1.0	0.8	0.1	1.2	0.6
Net contributions per average beneficiary per month (R)	3 699	2 975	2 366	1 921	1 339	437	1 198	1 693
Relevant healthcare expenditure per average beneficiary per month (R)	3 503	3 319	2 389	1 435	1 119	353	1 193	1 577
Non-healthcare expenditure per average beneficiary per month (R)	271	283	245	243	236	103	211	205
Relevant healthcare expenditure as a percentage of gross contributions (%)	77%	96%	91%	75%	84%	81%	75%	84%
Non-healthcare expenditure as a percentage of gross contributions (%)	6%	8%	9%	13%	18%	24%	13%	11%
Average age per beneficiary	52	52	47	38	44	26	31	41
Pensioner ratio at 31 December	35.9%	34.7%	26.5%	12.3%	20.2%	0.4%	4.4%	15.4%
Average accumulated funds per member at year end (R)	-	-	-	-	-	-	-	9 001
Return on investments as a percentage of investments (%)	-	-	-	-	-	-	-	5.9%

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**9. 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. For the financial year 2019, the committee consisted of five members, of which two are members of the Board of Trustees. The majority of the members, including the chairperson, are not officers of the Scheme or its third party administrator. The committee met on three occasions during the course of the year.

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

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

The committee during the year under review comprised:

Name	Details	
Mr B Dowden	Independent	Appointed 23.03.2015
Mr C Fontaine	Independent Chairperson	Appointed 23.03.2015
Mr R Harris	Independent	Resigned 08.11.2019
Mr B le Roux	Member Trustee	Reappointed 27.06.2017
Mr G Hauptfleisch	Independent	Appointed 08.11.2019
Mr K Mnisi	Member Trustee	Appointed 27.06.2017

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

The following schedule sets out the Board of Trustees and Audit Committee meeting attendances. Trustee remuneration is disclosed in Note 14 to the annual financial statements.

Trustee/ Audit Committee Member	Board Meetings		Audit Committee Meetings		Other Sub Committee Meetings	
	A	B	A	B	A	B
* Mr H Odendaal	10	10			10	10
* Mr S Ireton	10	10			3	3
* Mr K Mnisi	10	10	3	3		
* Dr S Nkosi	10	9			5	5
* Mr B le Roux	10	10	3	3	10	10
* Dr A Carlston	10	10			5	5
* Mr N Landman	10	10			3	3
* Mr P Wassermann	10	9			3	3
* Mr T Harris	4	4			5	5
* Dr R Engelbrecht	4	3			1	1
Mr G Hauptfleisch			1	1		
Mr B Dowden			3	3		
Mr C Fontaine			3	3		
Mr R Harris			2	2		

A - Total possible number of meetings could have attended

B - Actual number of meetings attended

\* Trustee

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**5.2 Results of operations**

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

**5.3 Solvency ratio**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
Total members' funds per statement of financial position	389 489 141	124 580 319
Less: Cumulative unrealised gain on revaluation of investments held at fair value through profit or loss in accumulated funds*	(15 611 328)	-
Accumulated funds per Regulation 29	373 877 813	124 580 319
Gross contributions	641 175 556	496 262 547
<b>Solvency ratio:</b>		
(Accumulated funds/ Gross annual contribution income x 100)**	<b>58.3%</b>	<b>25.1%</b>
<b>Normalised solvency ratio **</b>	<b>43.3%</b>	

\* Regulation 29(1) of the Act states, that when calculating solvency of the Scheme, net gains are subtracted from total member funds to calculate the accumulated funds. Cumulative net losses are however excluded from the calculation.

\*\* The solvency ratio of the Scheme has increased when compared to the prior year due to the amalgamation between the Scheme and Selfmed Medical Scheme. The amalgamation has increased the accumulated funds significantly resulting in the higher solvency ratio. The solvency ratio is not a true reflection because gross contributions only includes gross contribution income for four months for the Selfmed Medical Scheme options. A normalised solvency ratio has been calculated by using the annual equivalent of the gross contribution income for the four months post amalgamation.

**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, except for the transfer of reserves from Selfmed Medical Scheme, that the Trustees believe should be brought to the attention of the members of the Scheme.

**5.5 Outstanding claims**

The basis of calculation of the outstanding claims provision is discussed in Note 8 to the annual financial statements and this is consistent with the prior year. Movements in the outstanding claims provision are set out in Note 8 to the annual financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

**6. ACTUARIAL SERVICES**

The Scheme's actuary was consulted in the determination of benefit options as well as contribution and benefit levels for the 2019 and 2020 financial years.

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

The Scheme holds no direct investments in and/or loans to participating employers of Scheme members.

**8. RELATED PARTY TRANSACTIONS**

Related party transactions are set out in Note 21 to the annual financial statements.

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**11. NON-COMPLIANCE WITH THE ACT IN 2019**

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

**11.1 Payment of contributions (Non-compliant in 2019 & 2018)**

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

The non-compliance increases the liquidity risk to the Scheme. Outstanding amounts, are actively pursued, if not received within three days of becoming due.

**11.2 Sustainability of benefit options (Non-compliant in 2019 & 2018)**

Section 33(2) of the Act stipulates that each option shall be self-supporting in terms of membership and financial performance and be financially sound. For the year ended 31 December 2019 the Dynamix, Symmetry, Axis, NetworX, MEDXXI and SelfNet options did not comply with Section 33(2). Dynamix incurred a net healthcare deficit of R12 357 002 (2018: R15 913 436), Pinnacle a net healthcare surplus of R1 054 900 (2018: deficit of R1 288 442), Symmetry a net healthcare deficit of R3 905 690 (2018: R11 735 459), Axis a net healthcare deficit of R9 118 087 (2018: R475 214), NetworX a net healthcare deficit of R1 681 760 (2018: R1 311 316), Unisave a net healthcare surplus R7 271 611 (2018: deficit of R4 737 463), MEDXXI a net healthcare deficit of R763 458 and SelfNet a net healthcare deficit of R3 142 039.

There are no prior year comparatives for the MEDXXI and the SelfNet options as these options have amalgamated with the Scheme effective 01 September 2019.

Although six benefit options (2018: six) incurred net healthcare deficits for 2019, the Scheme's overall solvency of 58.3% is well above the minimum regulatory requirement of 25%. The Scheme engages annually with its independent consulting actuary to determine the future viability of benefit options before submitting these for approval by the Regulator. As a result the projected healthcare deficits were factored into the budgeting process and business plan for 2020.

**11.3 Claims paid in excess of 30 days (Non-compliant in 2019)**

Section 59(2) of the Act requires claims to be paid to a member or supplier of service within 30 days after the day on which the claim is received by the Scheme. During the year certain claims were not paid within 30 days of receipt of the claim. This usually resulted from members or providers submitting claims without the necessary details required for these payments to be made within 30 days of receipt thereof.

These are isolated cases and the necessary assistance for these queries are provided to the identified members and healthcare providers to ensure that these cases are minimised.

**11.4 Investment in medical aid administrators or related parties (Non-compliant in 2019 & 2018)**

Section 35(8) of the Act states that a Scheme shall not invest any of its assets in the business of any administrator.

In 2019, investments were indirectly held in MMI Holdings Limited valued at R1 027 467 (2018: R Nil), Discovery Holdings valued at R11 833 (2018: R1 478 856) and Sanlam Limited valued at R2 323 012 (2018: R Nil) within the year. The investment values have increased from 2018 to 2019 and this is a result of the amalgamation of the two Schemes. The investments are placed with asset managers, and as such, the Scheme has no direct influence on such investment decisions.

There are no prior year comparatives for the investments held with MMI Holdings Limited and Sanlam Limited as they were held in Selfmed Medical Scheme and were brought on by the amalgamation between the two Schemes.

The Scheme applied for an exemption from Section 35(8)(c) of the Act, from the Council of Medical Schemes on 26 September 2019. The Scheme was granted an exemption until 30 November 2022(2018: 31 July 2019).

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**11. NON-COMPLIANCE WITH THE ACT IN 2019 (continued)**

**Regulation 6: Claims paid in excess of 4 months**

In the prior year a non-compliance relating to Regulation 6 was noted. Regulation 6 stipulates that a Scheme may not reject a claim received before the end of the fourth month from the last date of the service rendered as stated on the account or during which such account was returned for correction. The Scheme has implemented processes to address this and no such non-compliance was identified in the current year.

**12. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE AND GOING CONCERN**

The effects of the global outbreak of the COVID-19 virus, on the Scheme, are continually being assessed and the full impact of the nationwide lockdown remains uncertain. To date, there have being no cases impacting the members of the Scheme.

The Scheme's exposure to the outbreak of the COVID-19 virus has been assessed in terms of the following risk categories:

- Medical insurance risk;
- Credit risk relevant to contributions receivable; and
- Interest rate and market risk

Where relevant, the impact of the sovereign rating downgrade for South Africa, by Moody's rating agency, from Baa3 to Ba1 has been factored into each of the above risk categories.

*Medical insurance risk*

As a result of the outbreak of the COVID-19 virus, there will be an expected increase in claims that will be paid from risk benefits. The clinical profile of all beneficiaries were assessed in terms of vulnerability to the COVID-19 virus, quantified and used as a baseline to calculate the estimated total impact on future claims. The Scheme's actuaries were consulted in projecting the impact on both out-of-hospital and in-hospital claims costs. Due to the significant uncertainty regarding the direct and indirect impact of the COVID-19 virus, a number of scenarios were then considered to determine the potential financial impact on the Scheme. The projected increase in claims' costs associated with the COVID-19 virus could possibly range from R22 million to R66 million. It is also expected that there will be a reduction in claims due to the postponement of non-emergency procedures and limited access to healthcare providers, the effect of which has not been included in the analysis as these reductions are very uncertain at this stage.

The projected cost associated with COVID-19 is summarised in the below table;

% of infection rate	5% of beneficiaries	10% of beneficiaries	15% of beneficiaries
<b>Total Cost</b>	<b>R22 084 876</b>	<b>R44 169 752</b>	<b>R66 254 628</b>

*Credit risk relevant to contributions receivable and membership loss*

The impact of the COVID-19 virus and the sovereign credit rating downgrade for South Africa is expected to have a significant impact on the economy and medical aid population. As a result, the Scheme will be exposed to increased credit risk of members' defaulting on the payment of contributions due. To assess the impact, members were categorised into different baskets. Each basket was assigned a certain degree of credit risk and assessed for exposure to default. The baskets with higher credit risk exposures were then assessed in terms of recoverability of contributions that may become outstanding and the potential impact was estimated. A sensitivity analysis was then performed to determine the potential financial impact to the Scheme. The projected cost associated with the COVID-19 virus and the sovereign credit rating downgrade as a result of contributions being uncollectable could possibly range from R2.7 million to R8.1 million. Additionally, there could possibly be an impact on the membership with members not being able to fund medical aid contributions hence, the membership of the Scheme could possibly decrease. The projected cost associated with the COVID-19 virus and the sovereign credit rating downgrade as a result of a loss of membership could possible range from R846 000 to R2.6 million.

*Interest rate and market risk*

The COVID-19 virus and sovereign credit rating downgrade increases the Schemes' exposure to the unpredictability of financial markets that will have potential adverse effects on the financial performance of investments, in the short-term. In consultation with the Scheme's asset managers and investment consultants, the impact on financial performance was assessed in terms of reduced investment returns and expected lower share prices. The projected reduction in investment income associated with the sovereign credit rating downgrade could possibly range from R8.1 million to R24.2 million however, investments are held for the long-term benefit of the Scheme and based on historic market trends it is expected that the financial markets would recover over time.

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**12. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE AND GOING CONCERN (continued)**

*Going concern*

The high level of uncertainty associated with the unpredictable outcomes of the COVID-19 disease and sovereign credit rating downgrade complicates the estimation of the financial effect on the Scheme. The Board of Trustees' policy is to maintain a strong capital base with sufficient liquid reserves to meet obligations as they fall due. This is evident with the solvency ratio, as calculated in terms of the Act, of 58.3% and with R179 522 519 being held in cash as at year-end.

The Report of the Board of Trustees was approved by the Board of Trustees on 16 May 2020 and are signed on its behalf by:



.....  
H Odendaal  
**Chairperson**

.....  
B le Roux  
**Trustee**



.....  
J Joubert  
**Principal Officer**

**COMPCARE WELLNESS MEDICAL SCHEME**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Notes	<u>2019</u>	<u>2018</u>
		R	R
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>763 682</b>	<b>15 331</b>
Property, plant and equipment	2	214 664	15 331
Right-of-use asset	3	549 018	-
<b>Current assets</b>		<b>545 700 453</b>	<b>196 639 196</b>
Trade and other receivables	4	43 784 489	32 389 396
Investments held at fair value through profit or loss	5	322 393 445	25 400 058
Cash and cash equivalents	6	179 522 519	138 849 742
Scheme	6	179 522 519	100 311 809
Savings account monies	6	-	38 537 933
<b>Total assets</b>		<b><u>546 464 135</u></b>	<b><u>196 654 527</u></b>
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>		<b>389 489 141</b>	<b>124 580 319</b>
Accumulated funds		135 255 579	124 580 319
Amalgamation reserve		254 233 562	-
<b>Non-current liabilities</b>		<b>282 868</b>	<b>-</b>
Lease liabilities	7	282 868	-
<b>Current liabilities</b>		<b>156 692 126</b>	<b>72 074 208</b>
Lease liabilities	7	265 782	-
Outstanding claims provision	8	44 585 880	10 097 573
Savings plan liability	9	43 932 534	38 286 342
Trade and other payables	10	67 907 930	23 690 293
<b>Total funds and liabilities</b>		<b><u>546 464 135</u></b>	<b><u>196 654 527</u></b>

**COMPCARE WELLNESS MEDICAL SCHEME  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	<u>2019</u> R	<u>2018</u> R
<b>Risk contribution income</b>	11	579 849 472	445 504 221
<b>Relevant healthcare expenditure</b>		<b>(509 720 283)</b>	<b>(415 009 631)</b>
Net claims incurred	12	(492 883 004)	(402 443 744)
Claims incurred		(495 744 741)	(405 556 687)
Third party claims recoveries		2 861 737	3 112 943
Managed healthcare services (no risk transfer)	13	(16 237 869)	(11 928 909)
Net expense on risk transfer arrangements	12	(599 410)	(636 978)
Risk transfer arrangement fees		(3 411 493)	(3 095 434)
Recoveries from risk transfer arrangements		2 812 083	2 458 456
<b>Gross healthcare result</b>		<b>70 129 189</b>	<b>30 494 590</b>
Broker service fees		(8 592 282)	(7 651 719)
Administration expenditure	14	(73 625 696)	(46 215 883)
Net impairment gains on healthcare receivables	4	1 544 211	612 439
<b>Net healthcare result</b>		<b>(10 544 578)</b>	<b>(22 760 573)</b>
<b>Other income</b>		<b>21 942 953</b>	<b>10 270 102</b>
Investment income	15	21 481 947	9 411 453
Savings account monies	15	-	237 156
Sundry income	16	461 006	621 493
<b>Other expenditure</b>			
Asset management fees		(708 656)	(116 313)
Interest paid on savings account monies		-	(237 156)
Interest expense	17	(14 459)	-
<b>Net surplus/(deficit) for the year</b>		<b>10 675 260</b>	<b>(12 843 940)</b>
<b>Total comprehensive profit/(loss) for the year</b>		<b>10 675 260</b>	<b>(12 843 940)</b>

**COMPCARE WELLNESS MEDICAL SCHEME  
STATEMENT OF CHANGES IN FUNDS AND RESERVES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Accumulated funds	Amalgamation reserve	Available-for- sale reserve	Total members' funds
	R	R	R	R
<b>Balance at 1 January 2018</b>	<b>134 077 505</b>	-	<b>3 136 135</b>	<b>137 213 640</b>
<b>Total comprehensive loss for the year</b>	<b>(9 497 186)</b>	-	<b>(3 136 135)</b>	<b>(12 633 321)</b>
Deficit for the year	(12 843 940)	-	-	(12 843 940)
Prior year adjustment - IFRS 9 Equity Instruments	3 136 135	-	(3 136 135)	-
Prior year adjustment - IFRS 9 Trade & other Receivables	210 619	-	-	210 619
<b>Balance at 31 December 2018</b>	<b>124 580 319</b>	-	-	<b>124 580 319</b>
<b>Total comprehensive surplus for the year</b>	<b>10 675 260</b>	<b>254 233 562</b>	-	<b>264 908 822</b>
Surplus for the year	10 675 260	-	-	10 675 260
Amalgamation transfer of reserves (Note 20)	-	254 233 562	-	254 233 562
<b>Balance at 31 December 2019</b>	<b>135 255 579</b>	<b>254 233 562</b>	-	<b>389 489 141</b>

**COMPCARE WELLNESS MEDICAL SCHEME**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	<u>2019</u> R	<u>2018</u> R
<b>Cash flows from operating activities</b>			
Cash flows from operations before working capital changes	19	(10 405 198)	(22 037 108)
Working capital changes:			
- Increase in trade and other receivables		(9 542 071)	(5 636 305)
- Increase/(Decrease) in trade and other payables		17 098 611	(1 440 626)
- Increase in outstanding claims provision		13 260 301	1 090 743
- Increase/(Decrease) in savings plan liability		5 646 191	(2 021 726)
<i>Cash generated from/(utilised in) operating activities</i>		<u>16 057 834</u>	<u>(30 045 022)</u>
<b>Cash flows from investing activities</b>			
Interest and dividend income: Scheme		15 163 634	12 701 670
Interest expense		(14 459)	-
Interest income: savings account monies		-	237 156
Interest paid on savings account monies		-	(237 156)
Purchase of property, plant and equipment	2	-	(22 997)
Purchase of investments	5	(11 520 526)	(30 278 716)
Proceeds on disposal of investments	5	8 693 514	4 751 777
<i>Cash (utilised in)/generated from investing activities</i>		<u>12 322 163</u>	<u>(12 848 266)</u>
<b>Cash flows from financing activities</b>			
Repayment of the lease liabilities	7	(78 041)	-
<i>Cash generated from/(utilised in) financing activities</i>		<u>(78 041)</u>	<u>(12 848 266)</u>
<b>Net decrease in cash and cash equivalents</b>		<b>28 301 956</b>	<b>(42 893 288)</b>
Transfer of cash and cash equivalents due to Amalgamation		12 370 821	-
Cash and cash equivalents at beginning of year		138 849 742	181 743 029
<b>Cash and cash equivalents at end of year</b>	<b>6</b>	<b>179 522 519</b>	<b>138 849 742</b>
Scheme		179 522 519	100 311 809
Savings account monies		-	38 537 933

**COMPCARE WELLNESS MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**1 PRINCIPAL ACCOUNTING POLICIES**

The following are the principal accounting policies used by the Scheme, which are consistent with those of the previous year, except for the adoption of IFRS 16.

**1.1 Basis of preparation**

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

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

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

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

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

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

*The following standards are expected come into effect in the current and/or future periods:*

The Scheme scheme is complying and will comply with all the new standards and interpretations from the effective dates which are applicable to the Scheme.

Standard, amendment or interpretation	Summary of requirements	Impact	Effective date
Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.	The narrow-scope amendment covers two issues: <ul style="list-style-type: none"> <li>• The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities..</li> <li>• How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.</li> </ul>	Standard has been applied.	Annual periods beginning on or after 1 January 2019
Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement.	These amendments require an entity to: <ul style="list-style-type: none"> <li>• Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and</li> <li>• Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss.</li> </ul>	No impact on the Scheme.	Annual periods beginning on or after 1 January 2019

**COMPCARE WELLNESS MEDICAL SCHEME**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.1 Basis of preparation (continued)**

*The following standards are expected come into effect in the current and/or future periods:*

Standard, amendment or interpretation	Summary of requirements	Impact	Effective date
IFRS 16 – Leases	<p>This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.</p> <p>Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.</p> <p>For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.</p> <p>At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p> <p>IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.</p>	Standard has been applied.	Annual periods beginning on or after 1 January 2019
Amendments to IAS 28, 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures.	The amendments clarified that the Scheme accounts for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The amendments are effective from 1 January 2019, with early application permitted.	No impact on the Scheme.	Annual periods beginning on or after 1 January 2019
Annual improvements cycle 2015-2017	<p>These amendments include minor changes to:</p> <ul style="list-style-type: none"> <li>• IFRS 3, 'Business combination' - a Scheme remeasures its previously held interest in a joint operation when it obtains control of the business.</li> <li>• IFRS 11, 'Joint arrangements', - a Scheme does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.</li> <li>• IAS 12, 'Income taxes' - The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.</li> <li>• IAS 23, 'Borrowing costs' - a Scheme treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.</li> </ul>	No impact on the Scheme.	Annual periods beginning on or after 1 January 2019

**COMPCARE WELLNESS MEDICAL SCHEME**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.1 Basis of preparation (continued)**

*The following standards are expected come into effect in the current and/or future periods:*

Standard, amendment or interpretation	Summary of requirements	Impact	Effective date
IFRS 17 - Insurance Contracts	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis during each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the Scheme's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.	The Scheme has not taken this into consideration at the present time. The coverage period for the Scheme's contracts is one year or less following the premium allocation approach to be applied resulting in similar treatment to the current accounting treatment with the most notable exception being the treatment of onerous contracts.	Annual periods beginning on or after 1 January 2023
Amendment to IFRS 3, 'Business combinations' Definition of a business	This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage schemes that have not generated outputs). To be a business without outputs, there will now need to	No impact on the Scheme.	Annual periods beginning on or after 1 January 2020

The Scheme applied first time adoption of these standards, which are effective for annual periods beginning on or after 1 January 2019:

- IFRS 16 Leases

**COMPCARE WELLNESS MEDICAL SCHEME**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.1 Basis of preparation (continued)**

*(a) IFRS 16 Leases*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease payments for all the leases are fixed. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for leases in the Scheme, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Scheme:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Scheme, which does not have recent third party financing, and
- makes adjustments specific to the lease, example term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

*(b) Right-of-use asset*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Scheme has decided not to fair value the right-of-use asset.

The right-of-use asset on the statement of financial position relates to buildings. The lease term is 5 years over which the right-of-use asset will be depreciated.

**1.2 IFRS 3 Business combinations**

Scheme amalgamations are accounted for by applying the acquisition method. The cost of an amalgamation is measured as the fair value of the assets transferred and liabilities incurred or assumed at the date of exchange. When an entity is amalgamated into the Scheme, all identifiable assets, liabilities and members' funds are accounted for at their fair values at the acquisition date. No consideration is paid for these transactions and they are recognised as from the transaction date. The Scheme recognises the net assets from amalgamated schemes as an addition to the Amalgamation Reserve in its Statement of Financial Position.

Section 63(14) of the Act prescribes that relevant assets and liabilities of the party effecting the transfer shall vest in and become binding upon the party to which transfer is affected.

As a result of the amalgamation, a separate reserve is available to all members of the amalgamated Scheme. This reserve represents the interests that the members brought over to the Scheme.

**1.3 Financial instruments**

*Recognition*

Financial assets and liabilities are recognised on the Scheme's statement of financial position when it becomes a party to the contractual provisions of the instrument. Such recognition presumes that the risks and rewards of ownership and the control over these financial assets and liabilities are vested in the Scheme.

*Measurement*

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

The Scheme only holds financial instruments that are measured at fair value.

**COMPCARE WELLNESS MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.3 Financial instruments (continued)**

*Investments held at fair value through profit or loss*

A financial asset is classified as held at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Financial assets are designated as at fair value through profit or loss as it results in more relevant information because the group of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy. The realised gains and losses and unrealised gains and losses arising from changes in the fair value of investments held at fair value through profit or loss are included in profit and loss as investment income. All Scheme's investments are currently held at fair value through profit or loss.

*Trade and other receivables*

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

The Scheme holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore, the Scheme does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date. The Scheme's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The Scheme uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

*Cash and cash equivalents*

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

*Financial liabilities*

Financial liabilities are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method.

*Offset*

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

*Derecognition*

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

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

**1.4 Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation. Depreciation is recognised so as to write off the cost of valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

**COMPCARE WELLNESS MEDICAL SCHEME**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.4 Property, plant and equipment (continued)**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Furniture and fittings	6 years
Motor vehicles	5 years
Computer equipment and software	2-6 years

The cost of an item of property, plant and equipment includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other maintenance and repairs are recognised in surplus or deficit during the financial period in which they are incurred.

**1.5 Savings plan liability**

Personal Medical Savings accounts refers to trust monies managed by the Scheme on behalf of its members ("savings plan liability"). The savings plan liability represents savings contributions (deposit component of the insurance contract), net of savings claims paid on behalf of its members in terms of the Scheme rules, refunds on death or resignation and the movement on advances on savings plan accounts. The deposit component has been unbundled since the Scheme can measure the deposit component separately and its accounting policies do not otherwise require it to recognise all obligations and rights arising from the deposit component. The insurance component is accounted for under IFRS 4.

The Scheme rules state that the Scheme will not allocate interest on positive balances to the members directly. The Scheme may at its own discretion allocate interest to the member's savings accounts as approved by the Board of Trustees from time to time.

The deposit component is accounted for under IFRS 9 and is initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Savings plan contributions are credited on the accrual basis and withdrawals on a cash basis. No provision is made for outstanding claims at year-end.

**1.6 Provisions**

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

**1.7 Outstanding claims**

Claims outstanding comprise provisions for the Scheme's estimate of the ultimate cost of settling all claims incurred but not yet reported at the statement of financial position date. Claims outstanding are determined as accurately as possible on the basis of a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

**1.8 Insurance contracts**

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

**COMPCARE WELLNESS MEDICAL SCHEME**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**1.9 Contribution income**

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

**1.10 Relevant healthcare expenditure**

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

**1.11 Claims incurred**

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

**1.12 Risk transfer arrangements**

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

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

Claims recoveries relating to risk transfer arrangements are calculated on the basis of what it would have cost the Scheme had the arrangement been on a fee-for-service basis.

If applicable, assets relating to risk transfer arrangements include balances due under risk transfer arrangements for outstanding claims provisions and claims reported not yet paid. Amounts recoverable under risk transfer arrangements are estimated in a manner consistent with the outstanding claims provisions, claims reported not yet paid, and settled claims associated with the risk transfer arrangement.

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

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

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

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

**COMPCARE WELLNESS MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

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

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

**1.15 Investment income**

Investment income comprises interest received, dividends, realised and unrealised gains on fair value through profit or loss investments. Interest income is recognised on a yield to maturity basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Scheme.

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

Income from collective investment schemes and insurance policies are recognised when entitlement to revenue is established. Realised gains arising on the sale of fair value through profit or loss investments are recognised in the statement of comprehensive income as investment income.

**1.16 Brokers' fees**

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

**1.17 Impairment losses**

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

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

*Calculation of recoverable amount*

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

*Reversals of impairment*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

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

Items are allocated as follows:

*Directly allocated to benefit options:*

- Contribution income
- Claims incurred
- Broker service fees
- Impairment losses
- Certain marketing expenses
- Other directly attributable expenditure

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

- Managed care: management services
- Administration fees
- Association fees, Council for Medical Scheme Levies and Investigation fees

*Apportioned based on contribution income:*

- All other administration expenses
- Other income

**COMPCARE WELLNESS MEDICAL SCHEME  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**2. PROPERTY, PLANT AND EQUIPMENT**

	Motor Vehicles	Furniture & Fittings	Computer Equipment & Software	TOTAL
	R	R	R	R
<b>Year ended 31 December 2019</b>				
<b>Cost</b>				
At the beginning of the year	-	-	22 997	22 997
Additions due to amalgamation	111 200	100 314	301 247	512 761
At the end of the year	<u>111 200</u>	<u>100 314</u>	<u>324 244</u>	<u>535 758</u>
<b>Accumulated depreciation</b>				
At the beginning of the year	-	-	(7 666)	(7 666)
Depreciation charges	(103 383)	(51 977)	(158 067)	(313 427)
At the end of the year	<u>(103 383)</u>	<u>(51 977)</u>	<u>(165 733)</u>	<u>(321 093)</u>
Carrying amount at the end of the year	<u><b>7 817</b></u>	<u><b>48 337</b></u>	<u><b>158 511</b></u>	<u><b>214 664</b></u>

**3. RIGHT-OF-USE ASSET (ROA): PROPERTY**

	Right-of-use asset
	R
<b>Period ended 31 December 2019</b>	
<b>Cost</b>	
At the beginning of the year	-
Additions due to amalgamation	622 620
At the end of the year	<u>622 620</u>
<b>Accumulated depreciation</b>	
At the beginning of the year	-
Depreciation charges	(73 602)
At the end of the year	<u>(73 602)</u>
Carrying amount at the end of the year	<u><b>549 018</b></u>

**COMPCARE WELLNESS MEDICAL SCHEME**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
<b>Insurance receivables</b>		
Contributions outstanding	39 729 893	29 071 530
Less: provision for impairment of receivables - contributions	(1 573 467)	(1 820 441)
Recoveries from members for co-payments	1 597 274	215 452
Less: provision for impairment of receivables - member co-payments	(84 086)	(262 089)
Amounts due from suppliers	640 582	57 139
Less: provision for impairment of receivables - suppliers	(16 447)	(30 232)
	<b>40 293 749</b>	<b>27 231 359</b>
<b>Non-insurance receivables</b>		
Other receivables *	42 139	28 878
Road accident fund receivables *	2 531 330	5 129 159
Savings plan account advances	1 261 066	482 809
Less: provision for impairment of receivables - savings	(343 795)	(482 809)
	<b>3 490 740</b>	<b>5 158 037</b>
	<b>43 784 489</b>	<b>32 389 396</b>

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

The Scheme holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore, the Scheme does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date. The Scheme's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

\* In the 2018 financial year, the other receivables was disclosed as a one line item which has now been split out in the current year between Road Accident Fund receivables and Other Receivables. This does not change the balance of the note in total in 2018.

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

	<b>Insurance receivables</b>	<b>Non-insurance receivables</b>
	<b>R</b>	<b>R</b>
<b>Balance at 1 January 2018</b>	<b>(1 873 733)</b>	<b>(302 468)</b>
Adjustment for ECL (Retrospective application)	210 619	
Additional provisions made	(449 648)	(180 341)
<b>Balance at 31 December 2018</b>	<b>(2 112 762)</b>	<b>(482 809)</b>
Transfer from amalgamation	994 542	-
Unused provisions reversed	410 655	139 014
Additional provisions made	(966 435)	-
<b>Balance at 31 December 2019</b>	<b>(1 674 000)</b>	<b>(343 795)</b>

**COMPCARE WELLNESS MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

The impairment losses recognised in the Statement of Comprehensive Income is as follows:

	<u>2019</u>	<u>2018</u>
	R	R
Bad Debts recovered	-	1 241 351
Impairment losses recognised directly in the statement of comprehensive income	(28 106)	-
Movement in the allowance account for impairment losses	1 572 317	(628 912)
	<u><b>1 544 211</b></u>	<u><b>612 439</b></u>

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

<b>Fair value at the beginning of the year</b>	<b>25 400 058</b>	<b>3 163 336</b>
Additions	11 520 526	30 278 716
Additions due to amalgamation	287 848 062	-
Disposals	(8 693 514)	(4 751 777)
Realised gain on disposal (Note 15)	2 353 881	85 937
Unrealised gain/(loss) on revaluation (Note 15)	3 964 432	(3 376 154)
<b>Fair value at the end of the year</b>	<u><b>322 393 445</b></u>	<u><b>25 400 058</b></u>

The investments included above represent collective investment Schemes, listed equities, bonds and unit trusts. The fair values of these shares are based on the bid prices. A register of investments is available for inspection at the registered office of the Scheme.

**6. CASH AND CASH EQUIVALENTS**

<b>Scheme</b>		
Call and term deposits	170 578 844	92 212 572
Current accounts	<u>8 943 675</u>	<u>8 099 237</u>
	179 522 519	100 311 809
<b>Savings account monies</b>		
Call and term deposits	-	37 587 358
Current accounts	-	950 575
	<u><b>179 522 519</b></u>	<u><b>138 849 742</b></u>

The weighted average effective interest rates are:

Current accounts	2.27%	3.67%
Term deposits	9.32%	11.04%

The average maturities are:

Term deposits	155 days	178 days
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The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets. Term deposits with a maturity exceeding three months, that can be redeemed, subject to the interest income being forfeited have been classified as cash and cash equivalents as the deposits are held to meet short-term cash needs and there is no significant risk of a change in value as a result of an early withdrawal.

**COMPCARE WELLNESS MEDICAL SCHEME  
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**7. LEASE LIABILITIES**

	<u>2019</u>	<u>2018</u>
	R	R
<b>The Scheme as lessee</b>		
<b>Lease Liability adoption of IFRS 16</b>		
<i>Measurement of lease liabilities</i>		
<b>Lease Liability recognised as at 31 December 2019</b>	<b>548 650</b>	-
Of which are:		
Current lease liabilities	265 782	
Non-current lease liabilities	<u>282 868</u>	
<i>Movement in lease liability for 2019</i>		
<i>Interest raised (Note 17)</i>	(14 459)	-
<i>Lease Liability payments</i>	(78 041)	-

The lease liability represents rental payable by the Scheme for it's offices in Johannesburg. The discounted rate charged is 10.25%.

The lease is currently in the first year of the five year term and the lease will not be renewed. The escalation rates for the lease held in Johannesburg is 8.5%.

The Scheme does not face a significant liquidity risk with regard to it's lease liabilities, as all leases excluding the Johannesburg lease were cancelled at 31 August 2019.

**8. OUTSTANDING CLAIMS PROVISION**

	<b>Not covered by risk transfer</b>	
	<u>2019</u>	<u>2018</u>
	R	R
<b>Balance at beginning of year</b>	<b>10 097 573</b>	<b>9 006 830</b>
Payments in respect of prior year	(11 018 031)	(10 684 012)
Under provision in prior year (Note 12)	(920 458)	(1 677 182)
Transfer from amalgamation	21 228 006	-
Adjustment for current year	24 278 332	11 774 755
<b>Balance at end of year</b>	<u><b>44 585 880</b></u>	<u><b>10 097 573</b></u>
<i>Analysis of outstanding claims provision</i>		
Estimated gross claims	45 523 372	10 989 109
Less: estimated recoveries from	(937 492)	(891 536)
- member co-payments	(12 118)	(1 810)
- savings plan accounts (Note 9)	(925 374)	(889 726)
<b>Balance at end of year</b>	<u><b>44 585 880</b></u>	<u><b>10 097 573</b></u>

**COMPCARE WELLNESS MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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**8. OUTSTANDING CLAIMS PROVISION (continued)**

There is no provision for outstanding claims covered by risk transfer arrangements as this is not considered to be material to the Scheme.

*Process used to determine the assumptions*

(i) Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

The cost of outstanding claims is estimated as follows:

- actual claims notified and assessed during the three months succeeding the financial year end of the Scheme, relating to the year under review; and

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

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

- changes in processes that effect the development or recording of claims paid and incurred (such as changes in claims reversing procedures);

- economic, legal, political and social trends (resulting in different than expected levels of inflation and/ or minimum medical benefits to be provided);

- changes in composition of members and their dependants; and

- random fluctuations, including the impact of large losses.

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

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

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

**COMPCARE WELLNESS MEDICAL SCHEME  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
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	<u>2019</u>	<u>2018</u>
	R	R
<b>9. SAVINGS PLAN LIABILITY</b>		
<b>Balance on savings plan liability at the beginning of the year</b>	<b>38 286 342</b>	<b>40 308 067</b>
Savings plan account contributions received or receivable for the current year (Note 11)	61 326 084	50 758 326
Interest paid on personal member savings accounts	-	237 156
	<u>99 612 426</u>	<u>91 303 549</u>
Claims paid on behalf of members (Note 12)	(54 963 189)	(48 808 598)
Refunds on death or resignation	(1 394 226)	(2 888 231)
Movement on advances on savings plan accounts	677 522	(1 320 378)
<b>Balance on savings plan liability at the end of the year</b>	<b><u>43 932 534</u></b>	<b><u>38 286 342</u></b>

The carrying amounts of the savings plan liability approximate their fair values due to the short-term maturities of these liabilities.

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

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

It is estimated that claims to be paid out of member's savings accounts in respect of claims incurred but not reported will amount to R925 374 (2018: R889 726) (Note 8).

**10. TRADE AND OTHER PAYABLES**

**Insurance payables**

Reported claims not yet paid	22 884 121	6 552 428
Amounts due to suppliers	10 362 420	3 329 482
Amounts owing to brokers	1 078 878	733 894
Amounts due to members	9 272 144	6 935 539
	<u>43 597 562</u>	<u>17 551 343</u>

**Non-insurance payables**

Amounts owing to administrator	6 115 853	1 927 282
Amounts owing to auditors	760 234	760 233
Amounts owing to managed care organisations	1 783 507	954 367
Amounts relating to unallocated deposits	7 047 164	-
Amounts relating to Selfmed Medical Scheme payables*	8 327 249	-
Other payables	276 361	2 497 068
	<u>24 310 368</u>	<u>6 138 950</u>
	<b><u>67 907 930</u></b>	<b><u>23 690 293</u></b>

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

\* A Claim lodged against the Scheme at the Labour Court for several amounts related to employment in prior periods, believed by the applicant to be owing. A provision for litigation settlement was raised for estimated costs inclusive of remuneration expense and interest. The total provision amounts to R4 843 743 consisting of provision for litigation settlement of R3 140 404 as well as R1 703 339 included in the accrual for leave.

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	<u>2019</u>	<u>2018</u>
	R	R
<b>11. RISK CONTRIBUTION INCOME</b>		
Gross contributions	641 175 556	496 262 547
Less: savings contributions (Note 9)	<u>(61 326 084)</u>	<u>(50 758 326)</u>
	<b><u>579 849 472</u></b>	<b><u>445 504 221</u></b>
<b>12. RELEVANT HEALTHCARE EXPENDITURE</b>		
Current year claims	516 219 623	453 274 542
Claims not covered by risk transfer arrangements	<u>513 407 540</u>	<u>450 816 086</u>
Claims covered by risk transfer arrangements	<u>2 812 083</u>	<u>2 458 456</u>
Movement in outstanding claims provision	34 488 307	1 090 743
Under provision in prior year (Note 8)	<u>920 458</u>	<u>1 677 182</u>
Adjustment for current year	<u>33 567 849</u>	<u>(586 439)</u>
Less :		
Claims charged to savings accounts (Note 9)	(54 963 189)	(48 808 598)
Third party claim recoveries	<u>(2 861 737)</u>	<u>(3 112 943)</u>
<b>Net claims incurred</b>	<b><u>492 883 004</u></b>	<b><u>402 443 744</u></b>
Risk transfer arrangement fees paid	3 411 493	3 095 434
Recovery from risk transfer arrangements	<u>(2 812 083)</u>	<u>(2 458 456)</u>
<b>Net expense on risk transfer arrangements</b>	<b><u>599 410</u></b>	<b><u>636 978</u></b>

The results of risk transfer arrangements were as follows:

Provider	Service provided	Capitation fees paid	Claims incurred by provider	Net expense
		R	R	R
<b>2019</b>				
Netcare 911 (Pty) Ltd	Rescue care	(3 411 493)	2 812 083	(599 410)
<b>2018</b>				
Netcare 911 (Pty) Ltd	Rescue care	(3 095 434)	2 458 456	(636 978)

**Netcare 911 (Pty) Ltd**

Netcare 911 (Pty) Ltd is the rescue care provider to the members of the Scheme. Netcare 911 (Pty) Ltd conducts business as a pre-hospital management, emergency response and transportation company.

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	<u>2019</u>	<u>2018</u>
	R	R
<b>13. MANAGED HEALTHCARE SERVICES (NO RISK TRANSFER)</b>		
The managed healthcare services (no risk transfer) have been grouped into the following categories of services.		
<b>Universal Care (Pty) Ltd</b>		
Hospital utilisation and case management	5 064 104	3 270 004
HIV management	1 065 160	711 963
Oncology utilisation management	1 275 385	1 005 366
Pharmacy benefit management	2 935 948	1 884 399
Dental management	393 129	281 287
Other chronic conditions	1 499 412	972 928
Network management	4 004 731	3 802 962
	<u><b>16 237 869</b></u>	<u><b>11 928 909</b></u>
<b>14. ADMINISTRATION EXPENDITURE</b>		
Actuarial fees	618 741	395 900
Administrator's fees	50 499 318	36 605 409
Association fees	175 774	181 587
Audit committee fees	42 550	52 664
Auditors fees	908 740	758 607
Bad debt recovery fees	60 926	45 566
Bank charges	1 008 734	797 828
Depreciation	387 029	7 666
EMS fees - ER24	186 028	-
Emotional Wellness Programme service fees	1 320 130	798 802
Fidelity guarantee and professional indemnity insurance premium	164 551	82 000
Legal expenses	520 117	218 814
Marketing	6 590 014	436 436
Merger expenses	3 300 000	-
Other expenses	517 994	5 750
Principal officer's remuneration	2 073 547	1 700 000
Principal officer's travel and other expenses	113 498	58 685
Registrar's levies	273 003	536 987
System administration fees	826 143	-
Third party claims recoveries administration costs	462 951	856 939
Training fees	19 200	-
Total Trustees remuneration and consideration expenses (refer page 40)	3 556 708	2 374 500
	<u><b>73 625 696</b></u>	<u><b>46 215 883</b></u>

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	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<b>14. ADMINISTRATION EXPENDITURE (continued)</b>		
<b>14.1 Trustees Remuneration and consideration expenses</b>		
<i>Fees for meeting attendance</i>	3 155 360	2 312 765
Mr S Ireton	341 120	241 332
Mr B le Roux	554 320	422 331
Mr H Odendaal	469 040	382 109
Mr N Landman	298 480	281 554
Mr K Mnisi	298 480	221 221
Mr T Harris	191 880	-
Dr R Engelbrecht	85 280	-
Mr P Wassermann	277 160	241 332
Dr A Carlston	319 800	301 665
Dr S Nkosi	319 800	221 221
 <i>Retainer fees</i>	 269 700	 301 743
Mr H Odendaal	269 700	254 400
Mr B le Roux	-	47 343
 <i>Accommodation, travel and meals</i>	 131 648	 61 735
Mr K Mnisi	46 544	28 918
Dr R Engelbrecht	14 524	-
Mr T Harris	11 848	-
Dr S Nkosi	58 732	32 817
	<b>3 556 708</b>	<b>2 374 500</b>

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

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	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>
<b>15. INVESTMENT INCOME</b>		
<b>Scheme</b>		
<i>Income from investments held at fair value through profit or loss</i>		
Interest income	1 857 458	128 430
Dividend income	1 713 796	522 026
Realised gain on disposal (Note 5)	2 353 881	85 937
Unrealised gain/(loss) on revaluation (Note 5)	3 964 432	(3 376 154)
	9 889 567	(2 639 761)
 <i>Income from cash and cash equivalents</i>		
Interest on current accounts and term deposits	11 592 380	12 051 214
Total investment income: Scheme	21 481 947	9 411 453
 <b>Savings account monies</b>		
<i>Income from cash and cash equivalents</i>		
Interest on current accounts	-	237 156
	21 481 947	9 648 609
 <b>16. SUNDRY INCOME</b>		
Unallocated deposits written back	461 006	621 493
	461 006	621 493
 <b>17. INTEREST EXPENSE</b>		
Adoption of IFRS 16 Leases	(14 459)	-
	(14 459)	-

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**18. SURPLUS/ (DEFICIT) PER BENEFIT OPTION**

	Pinnacle	Dynamix	Symmetry	Mumed	Axis	Networx	Unisave	Selfmed 80%	Selfsure	MedElite	MEDXXI	SelfNet	SelfNet Essential	Total
2019	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Risk contribution income</b>	<b>82 818 837</b>	<b>76 874 149</b>	<b>100 150 082</b>	<b>84 331 731</b>	<b>33 565 095</b>	<b>38 556 525</b>	<b>55 618 812</b>	<b>14 732 464</b>	<b>32 424 185</b>	<b>12 117 590</b>	<b>34 112 974</b>	<b>12 988 941</b>	<b>1 558 087</b>	<b>579 849 472</b>
<b>Relevant healthcare expenditure</b>	<b>(74 721 109)</b>	<b>(81 437 174)</b>	<b>(92 607 526)</b>	<b>(68 214 225)</b>	<b>(36 232 318)</b>	<b>(28 818 686)</b>	<b>(37 236 941)</b>	<b>(9 982 440)</b>	<b>(26 846 398)</b>	<b>(9 219 023)</b>	<b>(30 539 284)</b>	<b>(13 421 466)</b>	<b>(443 691)</b>	<b>(509 720 283)</b>
Net claims incurred	(73 702 861)	(80 284 944)	(90 797 831)	(66 313 616)	(35 192 315)	(24 073 086)	(35 640 916)	(9 845 662)	(26 001 789)	(9 067 966)	(29 751 302)	(11 998 128)	(212 588)	(492 883 004)
Claims incurred	(74 029 819)	(80 253 559)	(91 044 875)	(67 427 828)	(35 847 224)	(24 021 454)	(36 216 382)	(9 871 827)	(26 001 789)	(9 067 966)	(29 751 302)	(11 998 128)	(212 588)	(495 744 741)
Third party claim recoveries	326 958	(31 385)	247 044	1 114 212	654 909	(51 632)	575 466	26 165	-	-	-	-	-	2 861 737
Managed healthcare services (no risk transfer)	(917 267)	(1 101 438)	(1 725 151)	(1 798 820)	(999 433)	(4 500 615)	(1 620 278)	(136 778)	(844 609)	(151 057)	(787 982)	(1 423 338)	(231 103)	(16 237 869)
Net income/(expense) on risk transfer arrangement	(100 981)	(50 792)	(84 544)	(101 789)	(40 570)	(244 986)	24 253	-	-	-	-	-	-	(599 410)
Risk transfer arrangement fees	(262 930)	(241 455)	(379 152)	(399 461)	(248 844)	(1 496 736)	(382 914)	-	-	-	-	-	-	(3 411 493)
Recoveries from risk transfer arrangements	161 949	190 663	294 608	297 672	208 274	1 251 750	407 167	-	-	-	-	-	-	2 812 083
<b>Gross healthcare result</b>	<b>8 097 728</b>	<b>(4 563 026)</b>	<b>7 542 556</b>	<b>16 117 506</b>	<b>(2 667 223)</b>	<b>9 737 839</b>	<b>18 381 871</b>	<b>4 750 024</b>	<b>5 577 787</b>	<b>2 898 567</b>	<b>3 573 690</b>	<b>(432 525)</b>	<b>1 114 397</b>	<b>70 129 189</b>
Broker services fees	(906 699)	(975 160)	(1 532 365)	(1 626 069)	(772 741)	(785 371)	(1 689 971)	(9 070)	(110 713)	(24 503)	(146 065)	(12 257)	(1 298)	(8 592 282)
Administration expenditure	(6 203 288)	(6 848 146)	(10 188 093)	(10 070 069)	(5 792 491)	(10 720 121)	(9 542 443)	(1 112 931)	(4 885 683)	(1 065 437)	(4 378 048)	(2 449 087)	(369 858)	(73 625 696)
Net impairment gains/(losses) on healthcare receivables	67 159	29 130	272 211	539 364	114 368	85 893	122 154	124 753	177 630	98 008	186 966	(248 169)	(25 255)	1 544 211
<b>Net healthcare result</b>	<b>1 054 900</b>	<b>(12 357 202)</b>	<b>(3 905 690)</b>	<b>4 960 731</b>	<b>(9 118 087)</b>	<b>(1 681 760)</b>	<b>7 271 611</b>	<b>3 752 776</b>	<b>759 021</b>	<b>1 906 635</b>	<b>(763 458)</b>	<b>(3 142 039)</b>	<b>717 985</b>	<b>(10 544 578)</b>
<b>Other income</b>	<b>2 775 036</b>	<b>2 566 225</b>	<b>3 346 135</b>	<b>2 813 747</b>	<b>1 128 595</b>	<b>1 271 116</b>	<b>1 883 592</b>	<b>850 586</b>	<b>1 834 120</b>	<b>703 276</b>	<b>1 942 502</b>	<b>739 296</b>	<b>88 727</b>	<b>21 942 953</b>
Investment income: Scheme	2 695 872	2 491 954	3 248 909	2 732 321	1 096 581	1 230 593	1 827 210	850 586	1 834 120	703 276	1 942 502	739 296	88 727	21 481 947
Sundry income	79 164	74 271	97 226	81 426	32 014	40 523	56 382	-	-	-	-	-	-	461 006
<b>Other expenditure</b>														
Asset management fees	(79 915)	(73 671)	(95 588)	(79 233)	(32 869)	(37 403)	(61 708)	(33 969)	(78 480)	(27 979)	(74 354)	(29 911)	(3 577)	(708 656)
Interest expense	(1 506)	(1 361)	(1 777)	(1 439)	(616)	(704)	(1 236)	(818)	(1 760)	(676)	(1 819)	(664)	(83)	(14 459)
<b>Net surplus/ (deficit) for the year</b>	<b>3 748 515</b>	<b>(9 866 009)</b>	<b>(656 920)</b>	<b>7 693 806</b>	<b>(8 022 977)</b>	<b>(448 751)</b>	<b>9 092 259</b>	<b>4 568 576</b>	<b>2 512 901</b>	<b>2 581 257</b>	<b>1 102 871</b>	<b>(2 433 317)</b>	<b>803 052</b>	<b>10 675 260</b>

Had Selfmed been consolidated from 1 January 2019, the Risk contribution income for the scheme would amount to R809 278 645 and the Net surplus/(deficit) for the year would amount to (R10 038 730).

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**18. SURPLUS/ (DEFICIT) PER BENEFIT OPTION**

2018	Pinnacle R	Dynamix R	Symmetry R	Mumed R	Axis R	Networx R	Unisave R	Total R
<b>Risk contribution income</b>	<b>79 994 210</b>	<b>76 202 551</b>	<b>103 169 444</b>	<b>97 084 851</b>	<b>28 972 307</b>	<b>34 426 541</b>	<b>25 654 317</b>	<b>445 504 221</b>
<b>Relevant healthcare expenditure</b>	<b>(75 755 903)</b>	<b>(85 031 147)</b>	<b>(104 191 433)</b>	<b>(72 524 246)</b>	<b>(24 202 170)</b>	<b>(27 764 384)</b>	<b>(25 540 348)</b>	<b>(415 009 630)</b>
Net claims incurred	(74 801 974)	(83 854 929)	(102 286 778)	(70 251 309)	(23 279 067)	(23 168 736)	(24 800 949)	(402 443 744)
Claims incurred	(75 090 601)	(83 889 561)	(103 059 035)	(71 433 588)	(23 757 052)	(23 384 114)	(24 942 734)	(405 556 686)
Third party claim recoveries	288 627	34 632	772 257	1 182 279	477 985	215 378	141 785	3 112 943
Managed healthcare services (no risk transfer)	(915 654)	(1 130 231)	(1 823 339)	(2 159 521)	(895 148)	(4 262 595)	(742 421)	(11 928 909)
Net income/(expense) on risk transfer arrangement	(38 275)	(45 987)	(81 316)	(113 415)	(27 955)	(333 052)	3 022	(636 978)
Risk transfer arrangement fees	(199 683)	(246 772)	(401 346)	(478 766)	(220 010)	(1 376 540)	(172 317)	(3 095 434)
Recoveries from risk transfer arrangements	161 408	200 785	320 030	365 351	192 055	1 043 488	175 339	2 458 456
<b>Gross healthcare result</b>	<b>4 238 307</b>	<b>(8 828 597)</b>	<b>(1 021 989)</b>	<b>24 560 605</b>	<b>4 770 137</b>	<b>6 662 157</b>	<b>113 969</b>	<b>30 494 590</b>
Broker services fees	(902 539)	(1 006 713)	(1 628 409)	(1 962 748)	(670 529)	(760 024)	(720 757)	(7 651 719)
Administration expenditure	(4 959 629)	(6 249 367)	(9 069 416)	(10 327 227)	(4 442 378)	(7 372 978)	(3 794 887)	(46 215 883)
Net impairment gains/(losses) on healthcare receivables	335 419	171 241	(15 645)	430 126	(132 444)	159 529	(335 787)	612 439
<b>Net healthcare result</b>	<b>(1 288 442)</b>	<b>(15 913 436)</b>	<b>(11 735 459)</b>	<b>12 700 757</b>	<b>(475 214)</b>	<b>(1 311 316)</b>	<b>(4 737 463)</b>	<b>(22 760 573)</b>
<b>Other income</b>	<b>1 949 514</b>	<b>1 793 908</b>	<b>2 345 636</b>	<b>2 204 741</b>	<b>641 624</b>	<b>773 094</b>	<b>561 585</b>	<b>10 270 102</b>
Investment income: Scheme	1 695 872	1 608 929	2 194 783	2 068 512	599 772	725 190	518 395	9 411 453
Investment income: Savings account trust monies	142 893	78 309	9 004	3 154	-	-	3 796	237 156
Sundry income	110 750	106 671	141 848	133 075	41 852	47 904	39 394	621 493
<b>Other expenditure</b>								
Asset management fees	(20 822)	(19 947)	(26 713)	(25 099)	(7 703)	(9 003)	(7 025)	(116 313)
Interest paid on savings account trust monies	(142 893)	(78 309)	(9 004)	(3 154)	-	-	(3 796)	(237 156)
<b>Net surplus/ (deficit) for the year</b>	<b>497 357</b>	<b>(14 217 784)</b>	<b>(9 425 540)</b>	<b>14 877 245</b>	<b>158 706</b>	<b>(547 225)</b>	<b>(4 186 700)</b>	<b>(12 843 940)</b>

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	<u>2019</u>	<u>2018</u>
	R	R
<b>19. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES</b>		
Surplus/(Deficit) for the year	10 675 260	(12 843 940)
Adjustments for:		
- Depreciation	313 427	7 666
- Depreciation on Right-of-use-of-asset	73 602	-
- Interest and dividend income: Schemes	(15 163 634)	(12 701 670)
- Interest expense	14 459	-
- IFRS 9 Adjustment	-	210 619
- Other realised and unrealised gains	(6 318 313)	3 290 217
	<u><b>(10 405 198)</b></u>	<u><b>(22 037 108)</b></u>

**20. SELFMED MEDICAL SCHEME AMALGAMATION**

Property, plant and equipment	1 135 385
Trade receivables	1 853 022
Investments	287 848 062
Cash and cash equivalents	12 370 821
Lease liabilities	(626 691)
Outstanding claims provision	(21 228 006)
Trade and other payables	(27 119 031)
Reserves transferred	<u><b>254 233 562</b></u>

On 1 September 2019, Selfmed Medical Scheme amalgamated with CompCare Medical Scheme. Selfmed Medical Scheme is a medical aid scheme and qualifies as a business as defined in IFRS 3. Due to the industry and changing circumstances, Selfmed Medical Scheme found it beneficial to combine their reserves and membership base with CompCare Medical Scheme to unlock efficiencies and economies of scale to the benefit of their members. These improved metrics are just as important for CompCare Medical Scheme as the Scheme can now achieve the key objectives of membership growth and strengthening reserves.

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**21. RELATED PARTY TRANSACTIONS**

**Transactions with key management personnel**

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

	<u>2019</u>	<u>2018</u>
	R	R
Trustees' remuneration and consideration expenses (Note 14)	3 556 708	2 676 243
Principal officer's remuneration, travel and other expenses (Note 14)	2 187 045	1 758 685

**Contributions and claims**

*Statement of comprehensive income*

Gross contributions	749 556	622 338
Claims incurred	403 266	419 669

*Statement of financial position*

Contributions outstanding	68 545	65 334
Savings plan liability	35 822	-

The terms and conditions of the related party transactions were as follows:

Transaction	Nature of transaction and terms and conditions thereof
Trustee remuneration and consideration expenses	This constitutes the meeting remuneration, retainer fees and the accomodation, travel and meals that have been paid to the Trustees.
Principal officer's remuneration, travel and other expenses	This constitutes the remuneration and the accomodation, travel and meals that have been paid to the Principal officer.
Gross contributions	This constitutes the contributions raised for the related party as a member of the Scheme, in their individual capacity. All contributions were at the same terms as applicable to third parties.
Claims incurred	This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to third parties.
Contributions outstanding	This constitutes outstanding contributions receivable. The amounts are due immediately. No provisions for doubtful debts have been raised on these amounts.
Savings plan liability	These are unexpended savings amounts due to the related party.

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**21. RELATED PARTY TRANSACTIONS (continued)**

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

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

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

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

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

	<u>2019</u>	<u>2018</u>
	R	R
<b>Universal Healthcare Administrators (Pty) Ltd</b>		
<i>Statement of Comprehensive Income</i>		
Administration fees paid (Note 14)	50 499 318	36 605 409
Third party claims recoveries administration costs (Note 14)	462 951	856 939
	<u>50 962 269</u>	<u>37 462 348</u>
 <i>Statement of Financial Position</i>		
Balance due to Universal Healthcare Administrators (Pty) Ltd at end of year (Note 10)	6 115 853	1 927 282
 <b>Contributions and claims</b>		
 <i>Statement of Comprehensive Income</i>		
Gross contributions received	7 440 269	6 562 437
Claims incurred	5 189 127	6 337 278
 <i>Statement of Financial Position</i>		
Contribution debtors	658 961	540 048
Claims reported not yet paid	529 890	17 500
 <b>Universal Care (Pty) Ltd</b>		
<i>Statement of Comprehensive Income</i>		
HIV management (Note 13)	1 065 160	711 963
Hospital utilisation and case management (Note 13)	5 064 104	3 270 004
Dental management (Note 13)	393 129	281 287
Pathology management (Note 13)	1 499 412	972 928
Pharmacy benefit (Note 13)	2 935 948	1 884 399
Network management (Note 13)	4 004 731	3 802 962
Oncology utilisation management (Note 13)	1 275 385	1 005 366
	<u>16 237 869</u>	<u>11 928 909</u>

**COMPCARE WELLNESS MEDICAL SCHEME  
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	2019 R	2018 R
<b>21. RELATED PARTY TRANSACTIONS (continued)</b>		
<b>Universal Care (Pty) Ltd (continued)</b>		
<i>Statement of Financial Position</i>		
Balance due to Universal Care (Pty) Ltd at end of year	1 783 507	954 367
<b>Contributions and claims</b>		
<i>Statement of Comprehensive Income</i>		
Gross contributions received	2 299 019	1 949 731
Claims incurred	1 856 936	2 129 526
<i>Statement of Financial Position</i>		
Contribution debtors	218 757	144 218
Claims reported not yet paid	106 709	1 934

**Terms and conditions of the administration agreement**

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

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

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

**22. INSURANCE RISK MANAGEMENT**

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

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

**Insurance risk – description of benefit options**

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

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

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

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

The above benefits are extended to the principal member and their contributing dependants based on their elected benefit option.

**COMPCARE WELLNESS MEDICAL SCHEME  
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**22. INSURANCE RISK MANAGEMENT (continued)**

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

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

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements as well as the monitoring of emerging issues.

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

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

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

Age grouping (in years) 2019	In-hospital R	Chronic PMB R	Chronic non-PMB R	Day-to-day R	Total R
< 26	43 243 557	1 624 504	70 766	21 581 629	66 520 455
26 – 35	23 551 584	1 102 790	14 571	12 494 491	37 163 435
36 – 50	46 167 868	3 967 961	159 346	21 834 479	72 129 654
51 – 65	54 411 737	10 257 097	501 750	33 117 530	98 288 114
> 65	117 650 508	16 984 775	2 519 721	47 187 696	184 342 693
	285 025 255	33 937 126	3 266 154	136 215 824	458 444 351
Claims covered by risk transfer arrangements					3 411 493
Managed healthcare services (no risk transfer)					16 237 869
Outstanding claims provision adjustment					34 488 307
Less: Third party claim recoveries					(2 861 737)
<b>Total per statement of comprehensive income</b>					<b>509 720 283</b>

Age grouping (in years) 2018	In-hospital R	Chronic PMB R	Chronic non-PMB R	Day-to-day R	Total R
< 26	38 126 964	1 205 824	30 551	11 021 682	50 385 021
26 – 35	17 772 783	775 658	10 302	6 857 187	25 415 931
36 – 50	37 838 580	2 775 741	62 360	10 575 683	51 252 365
51 – 65	81 032 561	7 124 607	188 099	13 481 389	101 826 656
> 65	147 515 305	10 747 423	232 116	14 632 680	173 127 516
	322 286 193	22 629 253	523 429	56 568 622	402 007 488
Claims covered by risk transfer arrangements					3 095 434
Managed healthcare services (no risk transfer)					11 928 909
Outstanding claims provision adjustment					1 090 743
Less: Third party claim recoveries					(3 112 943)
<b>Total per statement of comprehensive income</b>					<b>415 009 631</b>

**COMPCARE WELLNESS MEDICAL SCHEME  
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**22. INSURANCE RISK MANAGEMENT (continued)**

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

The Scheme's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome. The strategy is set out in the annual business plan, which specifies the benefits to be provided by each option, the preferred target market and demographic split thereof.

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

**Risk transfer arrangements**

The Scheme entered into a capitation agreement with Netcare 911 (Pty) Ltd to provide emergency assistance. This agreement is renewable annually. According to the terms of these agreement the supplier provide certain minimum benefits to the Schem'se members as and when required by the members. The Scheme does, however, remain liable to its members if the supplier fails to meet the obligations it assumes.

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

**Claims development**

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

**Sensitivity to insurance risk**

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

	Increase of 1%	Decrease of 1%
	R	R
<b>2019</b>		
In-hospital claims incurred	(2 850 253)	2 850 253
Chronic PMB claims incurred	(339 371)	339 371
Chronic non-PMB claims incurred	(32 662)	32 662
Day-to-day claims incurred	(1 362 158)	1 362 158
<b>Total</b>	<b>(4 584 444)</b>	<b>4 584 444</b>
<b>2018</b>		
In-hospital claims incurred	(3 222 862)	3 222 862
Chronic PMB claims incurred	(226 293)	226 293
Chronic non-PMB claims incurred	(5 234)	5 234
Day-to-day claims incurred	(565 686)	565 686
<b>Total</b>	<b>(4 020 075)</b>	<b>4 020 075</b>

**COMPCARE WELLNESS MEDICAL SCHEME  
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**23. FINANCIAL RISK MANAGEMENT**

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

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

**23.1 Market risk**

*Currency risk*

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

*Interest rate risk*

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

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

	Up to 1 month R	2 – 3 months R	4 – 12 months R	Non-interest bearing (no stated maturity) R	Carrying amount R
<b>2019</b>					
Trade and other receivables	-	-	-	43 784 489	43 784 489
Investments held at fair value through profit or loss	-	-	-	322 393 445	322 393 445
Cash and cash equivalents	95 550 164	-	83 972 355	-	179 522 519
<b>Total</b>	<b>95 550 164</b>	<b>-</b>	<b>83 972 355</b>	<b>366 177 934</b>	<b>545 700 452</b>
<b>2018</b>					
Trade and other receivables	-	-	-	32 389 396	32 389 396
Investments held at fair value through profit or loss	-	-	-	25 400 058	25 400 058
Cash and cash equivalents	76 681 304	-	62 168 438	-	138 849 742
<b>Total</b>	<b>76 681 304</b>	<b>-</b>	<b>62 168 438</b>	<b>57 789 454</b>	<b>196 639 196</b>

**COMPCARE WELLNESS MEDICAL SCHEME  
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**23. FINANCIAL RISK MANAGEMENT (continued)**

**23.1 Market risk (continued)**

*Interest rate risk (continued)*

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

	Increase of 1% R	Decrease of 1% R
<b>2019</b>		
Increase/ (decrease) in surplus	1 795 225	(1 795 225)
Increase/ (decrease) in asset	1 795 225	(1 795 225)
Increase/ (decrease) in members' funds	1 795 225	(1 795 225)
<b>2018</b>		
Increase/ (decrease) in surplus	1 388 497	(1 388 497)
Increase/ (decrease) in asset	1 388 497	(1 388 497)
Increase/ (decrease) in members' funds	1 388 497	(1 388 497)

*Equity risk*

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

The equity securities described in the notes are classified as investments held at fair value through profit or loss. The investments held at fair value through profit or loss include collective investment Schemes, listed equities, bonds and unit trusts. An increase/ (decrease) of 10% in market prices would impact as follows:

	Increase of 10% R	Decrease of 10% R
<b>2019</b>		
Increase/ (decrease) in total comprehensive income	32 239 344	(32 239 344)
Increase/ (decrease) in assets	32 239 344	(32 239 344)
Increase/ (decrease) in members' funds	32 239 344	(32 239 344)
<b>2018</b>		
Increase/ (decrease) in total comprehensive income	2 540 006	(2 540 006)
Increase/ (decrease) in assets	2 540 006	(2 540 006)
Increase/ (decrease) in members' funds	2 540 006	(2 540 006)

**COMPCARE WELLNESS MEDICAL SCHEME  
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**23. FINANCIAL RISK MANAGEMENT (continued)**

**23.2 Credit risk**

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

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

	2019 R	2018 R
Cash and cash equivalents	179 522 519	138 849 742
Insurance receivables	40 293 749	27 231 359
Non-insurance receivables	3 490 740	5 158 037
<b>Total</b>	<b>223 307 008</b>	<b>171 239 138</b>

With respect to cash and cash equivalents the Scheme limits its counterparty exposure by only dealing with financial institutions that have high external credit ratings. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution in accordance with the limitation on asset requirements specified in the Regulations to the Medical Schemes Act.

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

	Total R	Neither past due nor impaired R	Past due but not impaired				Impaired R
			30 days R	60 days R	90 days R	>90 days R	
<b>2019</b>							
Insurance receivables	41 967 749	32 847 882	1 759 664	234 410	2 611 226	2 840 567	1 674 000
Non-insurance receivables	3 834 535	3 448 601	42 139	-	-	-	343 795
<b>Total</b>	<b>45 802 284</b>	<b>36 296 483</b>	<b>1 801 803</b>	<b>234 410</b>	<b>2 611 226</b>	<b>2 840 567</b>	<b>2 017 795</b>
<b>2018</b>							
Insurance receivables	29 344 121	24 901 235	227 728	128 587	18 535	1 955 274	2 112 762
Non-insurance receivables	5 640 846	-	5 158 037	-	-	-	482 809
<b>Total</b>	<b>34 984 967</b>	<b>24 901 235</b>	<b>5 385 765</b>	<b>128 587</b>	<b>18 535</b>	<b>1 955 274</b>	<b>2 595 571</b>

**COMPCARE WELLNESS MEDICAL SCHEME  
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**23. FINANCIAL RISK MANAGEMENT (continued)**

**23.2 Credit risk (continued)**

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

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

	2019 R	2018 R
<b>Insurance receivables</b>		
Group 1 – New members (less than 6 months)	1 615 991	1 141 187
Group 2 – Existing members (more than 6 months) with no past defaults	30 178 165	22 970 912
Group 3 – Existing members (more than 6 months) with some past defaults	1 053 726	789 136
	<u>32 847 882</u>	<u>24 901 235</u>
<b>Non-insurance receivables</b>		
On demand	3 448 601	-
<b>Total</b>	<b>36 296 483</b>	<b>24 901 235</b>

**23.3 Liquidity risk**

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

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

	Up to 1 month R	2 – 3 months R	4 – 12 months R	Total R
<b>2019</b>				
Lease liability	21 254	42 894	201 634	265 782
Outstanding claims provision	16 185 778	22 816 515	5 583 587	44 585 880
Savings plan liability	38 097 246	1 844 204	3 991 083	43 932 533
Trade and other payables	67 147 696	760 234	-	67 907 930
	<u>121 451 975</u>	<u>25 463 847</u>	<u>9 776 304</u>	<u>156 692 126</u>
<b>2018</b>				
Lease liability	-	-	-	-
Outstanding claims provision	5 077 438	2 128 951	2 891 184	10 097 573
Savings plan liability	35 223 032	1 022 397	2 040 913	38 286 342
Trade and other payables	22 930 060	760 233	-	23 690 293
	<u>63 230 530</u>	<u>3 911 581</u>	<u>4 932 097</u>	<u>72 074 208</u>

**COMPCARE WELLNESS MEDICAL SCHEME  
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**23. FINANCIAL RISK MANAGEMENT (continued)**

**23.4 Fair value of financial instruments**

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

The fair value of the publicly traded financial instruments held at fair value through profit or loss is based on quoted bid prices at the statement of financial position date.

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

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

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

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

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

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

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

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>2019</b>				
Investments held at fair value through profit or loss	322 393 445	-	-	322 393 445
<b>Total</b>	<b>322 393 445</b>	<b>-</b>	<b>-</b>	<b>322 393 445</b>
<b>2018</b>				
Investments held at fair value through profit or loss	25 400 058	-	-	25 400 058
<b>Total</b>	<b>25 400 058</b>	<b>-</b>	<b>-</b>	<b>25 400 058</b>

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

**23.5 Capital adequacy risk**

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

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

The Medical Schemes Act, 131 of 1998 requires a minimum solvency ratio, calculated as accumulated funds expressed as a percentage of gross contributions, of 25%. The Scheme's solvency ratio was 58.3% at 31 December 2019 (2018: 25.1%).

**24. CONTINGENCIES**

The Scheme has lodged claims against the Road Accident Fund to the value of R10 790 324 (2018: R15 649 231). Due to the uncertain outcomes of these claims the Scheme has not accounted for the economic benefit thereof.

**25. NON-COMPLIANCE WITH THE ACT IN 2019**

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

**25.1 Payment of contributions (Non-compliant in 2019 & 2018)**

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

The non-compliance increases the liquidity risk to the Scheme. Outstanding amounts, are actively pursued, if not received within three days of becoming due.

**25.2 Sustainability of benefit options (Non-compliant in 2019 & 2018)**

Section 33(2) of the Act stipulates that each option shall be self-supporting in terms of membership and financial performance and be financially sound. For the year ended 31 December 2019 the Dynamix, Symmetry, Axis, NetworX, MEDXXI and SelfNet options did not comply with Section 33(2). Dynamix incurred a net healthcare deficit of R12 357 002 (2018: R15 913 436), Pinnacle a net healthcare surplus of R1 054 900 (2018: deficit of R1 288 442), Symmetry a net healthcare deficit of R3 905 690 (2018: R11 735 459), Axis a net healthcare deficit of R9 118 087 (2018: R475 214), NetworX a net healthcare deficit of R1 681 760 (2018: R1 311 316), Unisave a net healthcare surplus R7 271 611 (2018: deficit of R4 737 463), MEDXXI a net healthcare deficit of R763 458 and SelfNet a net healthcare deficit of R3 142 039.

There are no prior year comparatives for the MEDXXI and the SelfNet options as these options have amalgamated with the Scheme effective 01 September 2019.

Although six benefit options (2018: five) incurred net healthcare deficits for 2019, the Scheme's overall solvency of 58.3% is well above the minimum regulatory requirement of 25%. The Scheme engages annually with its independent consulting actuary to determine the future viability of benefit options before submitting these for approval by the Regulator. As a result the projected healthcare deficits were factored into the budgeting process and business plan for 2020.

**25.3 Claims paid in excess of 30 days (Non-compliant in 2019)**

Section 59(2) of the Act requires claims to be paid to a member or supplier of service within 30 days after the day on which the claim is received by the Scheme. During the the year certain claims were not paid within 30 days of receipt of the claim. This usually resulted from members or providers submitting claims without the necessary details required for these payments to be made within 30 days of receipt thereof.

These are isolated cases and the necessary assistance for these queries are provided to the identified members and healthcare providers to ensure that these cases are minimised.

**COMPCARE WELLNESS MEDICAL SCHEME  
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**25. NON-COMPLIANCE WITH THE ACT (continued)**

**25.5 Investment in medical aid administrators or related parties (Non-compliant in 2019 & 2018)**

Section 35(8) of the Act states that a Scheme shall not invest any of its assets in the business of any administrator.

In 2019, investments were indirectly held in MMI Holdings Limited valued at R1 027 467 (2018: R Nil), Discovery Holdings valued at R11 833 (2018: R1 478 856) and Sanlam Limited valued at R2 323 012 (2018: R Nil) within the year. The investment values have increased from 2018 to 2019 and this is a result of the amalgamation of the two Schemes. The investments are placed with asset managers, and as such, the Scheme has no direct influence on such investment decisions.

There are no prior year comparatives for the investments held with MMI Holdings Limited and Sanlam Limited as they were held in Selfmed Medical Scheme and were brought on by the amalgamation between the two Schemes.

The Scheme applied for an exemption from Section 35(8)(c) of the Act, from the Council of Medical Schemes on 26 September 2019. The Scheme was granted an exemption until 30 November 2022(2018: 31 July 2019).

**Regulation 6: Claims paid in excess of 4 months**

In the prior year a non-compliance relating to Regulation 6 was noted. Regulation 6 stipulates that a Scheme may not reject a claim received before the end of the fourth month from the last date of the service rendered as stated on the account or during which such account was returned for correction. The Scheme has implemented processes to address this and no such non-compliance was identified in the current year.

**26. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE AND GOING CONCERN**

The effects of the global outbreak of the COVID-19 virus, on the Scheme, are continually being assessed and the full impact of the nationwide lockdown remains uncertain. To date, there have being no cases impacting the members of the Scheme.

The Scheme's exposure to the outbreak of the COVID-19 virus has been assessed in terms of the following risk categories:

- Medical insurance risk;
- Credit risk relevant to contributions receivable; and
- Interest rate and market risk

Where relevant, the impact of the sovereign rating downgrade for South Africa, by Moody's rating agency, from Baa3 to Ba1 has been factored into each of the above risk categories.

*Medical insurance risk*

As a result of the outbreak of the COVID-19 virus, there will be an expected increase in claims that will be paid from risk benefits. The clinical profile of all beneficiaries were assessed in terms of vulnerability to the COVID-19 virus, quantified and used as a baseline to calculate the estimated total impact on future claims. The Scheme's actuaries were consulted in projecting the impact on both out-of-hospital and in-hospital claims costs. Due to the significant uncertainty regarding the direct and indirect impact of the COVID-19 virus, a number of scenarios were then considered to determine the potential financial impact on the Scheme. The projected increase in claims' costs associated with the COVID-19 virus could possibly range from R22 million to R66 million. It is also expected that there will be a reduction in claims due to the postponement of non-emergency procedures and limited access to healthcare providers, the effect of which has not been included in the analysis as these reductions are very uncertain at this stage.

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**26. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE AND GOING CONCERN (continued)**

*Medical insurance risk (continued)*

The projected cost associated with COVID-19 is summarised in the below table;

<b>% of infection rate</b>	<b>5% of beneficiaries</b>	<b>10% of beneficiaries</b>	<b>15% of beneficiaries</b>
<b>Total Cost</b>	<b>R22 084 876</b>	<b>R44 169 752</b>	<b>R66 254 628</b>

*Credit risk relevant to contributions receivable and membership loss*

The impact of the COVID-19 virus and the sovereign credit rating downgrade for South Africa is expected to have a significant impact on the economy and medical aid population. As a result, the Scheme will be exposed to increased credit risk of members' defaulting on the payment of contributions due. To assess the impact, members were categorised into different baskets. Each basket was assigned a certain degree of credit risk and assessed for exposure to default. The baskets with higher credit risk exposures were then assessed in terms of recoverability of contributions that may become outstanding and the potential impact was estimated. A sensitivity analysis was then performed to determine the potential financial impact to the Scheme. The projected cost associated with the COVID-19 virus and the sovereign credit rating downgrade as a result of contributions being uncollectable could possibly range from R2.7 million to R8.1 million. Additionally, there could possibly be an impact on the membership with members not being able to fund medical aid contributions hence, the membership of the Scheme could possibly decrease. The projected cost associated with the COVID-19 virus and the sovereign credit rating downgrade as a result of a loss of membership could possible range from R846 000 to R2.6 million.

*Interest rate and market risk*

The COVID-19 virus and sovereign credit rating downgrade increases the Schemes' exposure to the unpredictability of financial markets that will have potential adverse effects on the financial performance of investments, in the short-term. In consultation with the Scheme's asset managers and investment consultants, the impact on financial performance was assessed in terms of reduced investment returns and expected lower share prices. The projected reduction in investment income associated with the sovereign credit rating downgrade could possibly range from R8.1 million to R24.2 million however, investments are held for the long-term benefit of the Scheme and based on historic market trends it is expected that the financial markets would recover over time.

*Going concern*

The high level of uncertainty associated with the unpredictable outcomes of the COVID-19 disease and sovereign credit rating downgrade complicates the estimation of the financial effect on the Scheme. The Board of Trustees' policy is to maintain a strong capital base with sufficient liquid reserves to meet obligations as they fall due. This is evident with the solvency ratio, as calculated in terms of the Act, of 58.3% and with R179 522 519 being held in cash as at year-end.



**Comp Care**  
Medical Scheme

**Annual Financial Statements**  
for the year ended 31 December 2019