medihelp
medical scheme

integrated annual report 2012

Contents

message by the chairman of the board of trustees

Introduction

In this, my first year as chairman of Medihelp's Board of Trustees, it is my privilege to present the annual report for 2012 to you. Despite having considerable exposure to and being involved in many different business sectors, I only truly realised the value of a medical scheme in terms of the cover it offers to members and the expertise required to sustain a medical scheme such as Medihelp through my active involvement in representing our members over the past three years. The enormous responsibility to value each life covered, honour commitments and partner with suppliers and healthcare professionals is uniquely challenging. I say this because balancing business principles, regulatory requirements and the needs of our members is far from simple, and directly affects the thousands of lives for which Medihelp is responsible.

Prospects for changing Medihelp's business model

Economic pressure combined with the continued convergence of the medical schemes industry makes it increasingly difficult to compete in our business and offer members more value each year. This objective has been the driving force behind Medihelp's plans to change its business model. We took the first steps towards separating the Scheme from its administration in 2003, and our plans are set to come into fruition during 2013, as considerable progress was made with the process during the past year. Applications for accreditation as a medical scheme administrator and managed healthcare organisation have been submitted to the Council for Medical Schemes by the purchaser and we are anticipating implementation of the transaction in the second half of 2013. This will not only optimise the Scheme's administrative capabilities and present the opportunity to administer other medical schemes, but will allow us to expand our product range and value offering, making us more competitive and financially viable.

The loss of the pre-July 1992 state pensioner group

April 2012 was a historical watershed for the Scheme, when National Treasury decided to move a group of our oldest and most loyal pensioner members to the Government Employees Medical Scheme (GEMS). As many of these members were intricately involved with Medihelp, it was not easy to see them go, and their loss meant a great deal in terms of our initial commitment to provide cover to them from the cradle to the grave. The involvement of the members with their Scheme also meant that strong bonds were formed over the duration of many years, and it saddened employees and members alike to let go of what had become a tradition – a long-standing commitment to the interests of the Scheme.

The loss of these members paradoxically meant that Medihelp has moved forward in terms of its membership composition, as the decrease in our membership numbers also saw a decrease in our average age, making the membership base younger and allowing us to re-allocate resources to promote growth and vitality.

National Health Insurance
It is clear that government faces significant challenges in offering medical services to the entire population, more so because of the current state of public healthcare facilities. The roll-out of the NHI programme began in 2012 in ten pilot districts, and it is positive that funding has been made available to improve state health infrastructure. The proposed manner of funding the NHI is not yet clear, but is expected to be announced in 2013. The impact of the NHI and its progress will only become clear with time, as projections indicate that it may take 14 years to fully implement the programme. It is vital that Medihelp is in a position to offer competitive benefits over and above the basic package to be offered by NHI.

Looking forward
Medihelp has faced a difficult year in terms of bottom-line profitability and growth in 2012, but has re-affirmed its remarkable commitment to service – its client-centricity has again earned it the top spot in the medical schemes industry. Medihelp also remains financially viable with sustainable and suitable products to promote future growth. Sustainability and governance reports are included in this annual report, as is a summary of the financial results. I have no doubt that Medihelp, and the prospective administration company, Strata Healthcare Management, will continue to serve its members, suppliers and partners in the future with the dedication that has become this administrator's hallmark.

I would like to express my gratitude to my fellow board of trustees members for their loyalty and commitment and for the many hours spent debating what the best direction for the future would be, to Anton and his team of managers and personnel for their skill and commitment made real in terms of their service to clients, to our partners for putting us at the forefront of the industry, to the suppliers of healthcare services for providing members with the very best private healthcare available, to our brokers and intermediaries for growing the Scheme with the desired profile members, and most of all, to our members for their continued support. I thank God for the privilege of leading this organisation.

Thank you

Chris Klopper
Chairman of the Board of Trustees

overview by the principal officer & ceo

The ongoing international economic crisis had again left its mark on the South African economy and business sector in 2012. A weaker rand and rising fuel prices meant that the medical industry had to import medical technology at higher prices, leading to higher medical costs. Consumers were forced to cut their expenses even further, in many cases also their membership of a medical scheme, and this posed yet more challenges to membership growth for Medihelp.

Anticipating these challenges, Medihelp budgeted for a deficit of R47,3 million in 2012. However, due to a variety of reasons, ranging from higher claim patterns and increases in the cost of healthcare delivery to a loss in members with a favourable risk profile, the Scheme concluded the financial year with a deficit of R80,9 million. Despite the loss, the Scheme remains financially viable and continues to maintain a reserve level of 32,36% of total contributions, thus members and partners alike can continue to rely on fast and effective claims payments. This fact is substantiated by the Global Credit Rating's AA- (minus) rating again being awarded to the Scheme in 2012.

Net member growth has always been one of Medihelp's main challenges – more so in the current economy. Various initiatives were introduced during the course of 2012 to stimulate the Scheme's performance in this regard. These included market-related subscription increases for 2012, mid-year product enhancements, and the introduction of a competitive product offering for 2013. Net growth in members is measured in terms of the membership status as at 31 December 2012 compared to the goal set for the year. On 31 December 2011, Medihelp's membership totalled almost 121 000 and despite the enrolment of just over 15 000 new members during 2012, Medihelp lost 36 021 members (including the 16 982 pre-July 1992 pensioners who were moved to GEMS by National Treasury). This brought the Scheme's membership figure to 100 033 at 31 December 2012.

Performance despite challenges

Medihelp continued its focus on excellent client service throughout 2012. This focus resulted in easier, more streamlined processes and advancements in customer care, and included the following:

- Benefit options to address customers' needs and ensure long term sustainability,
- Utilising e-platforms to reach customers easier, quicker and at a fraction of the cost, and
- Efficient, effective healthcare management.

The best proof of Medihelp's commitment to providing outstanding customer care is the first prize for service delivery in the medical schemes industry awarded to the Scheme in the 2012 Orange Index, a service delivery survey conducted across several industries by the independent research company Ask Afrika.

Competitive and sustainable benefit options

Medihelp bases its product development process on research and has been following a strategy of ensuring product stability and sustainability. This strategy has paid off, with Medihelp's products attracting members with a more favourable risk profile and effectively limiting risk, yet offering substantive enhancements at market-related membership fees. The following are some of the ways in which we have addressed members' needs:

- **Co-payments reduced**
  Especially noteworthy was the replacement of general hospital co-payments with certain procedure-specific co-payments to limit members' exposure to out-of-pocket expenses. This change was effected in August 2012 and had a positive effect on membership retention and growth.
- **Network alternatives developed for 2013**
  A hospital network was developed for the Dimension Prime product range, offering members lower premiums for using a cost-efficient hospital network.
- **Necesse – even more competitive in 2013**
  The overall limit on the Necesse network option was removed, and benefits enhanced.
- **Promoting preventative care**
  Enhanced preventative care benefits were introduced across all options.
- **A new emergency transport partner**
  In 2012, the Scheme re-evaluated its emergency transport services and entered into an agreement with ER24 for 2013. Inter-hospital transfers, which incur significant cost, are provided in consultation with Medihelp's Hospital Benefit Management division to ensure that these services are effectively managed.

Utilising modern technology

E-business platforms

Medihelp focused on coordinating its communications and marketing activities in 2012 to form an integrated marketing communications strategy that delivers a clear, consistent and competitive message about Medihelp and its products. Various e-business platforms were employed creatively to influence and engage Medihelp's stakeholders, target new customers, align all communication content, achieve synergy and build relationships.

A variety of e-tools were used during the year to fast track business, including electronic forms, newsletters, e-mail ready product brochures, online membership information and status confirmation, an online benefit option calculator, an electronic product comparison tool, Medihelp reference price lists and a host of functionalities to assist members and brokers in conducting their business in a secure electronic environment.

Apart from this, other platforms like Facebook, Twitter and a blog were used to convey unified messages to customers through the correct blending of the promotional mix. In 2013, the focus will be on expanding the current e-platform capabilities to maximise exposure and brand engagement.

Enhancements to the members' secured site
We also revisited the functionalities of our members' secured site in 2012, with the objective of creating a self-help environment where members can conduct their medical scheme business when and where it suits them. This project will continue in 2013, and will support our drive towards electronic communication with members, such as responses to the receipt of claims and reporting of claims processed, enabling them to remain updated with regard to the status of their claims.

To protect members' personal information, all confidential electronic documents are now password protected. Electronic communication with members will be enhanced further in 2013 to include approval for PMB services, chronic medicine and oncology treatment in a faster and more effective manner.

Efficient healthcare management to enhance outcomes

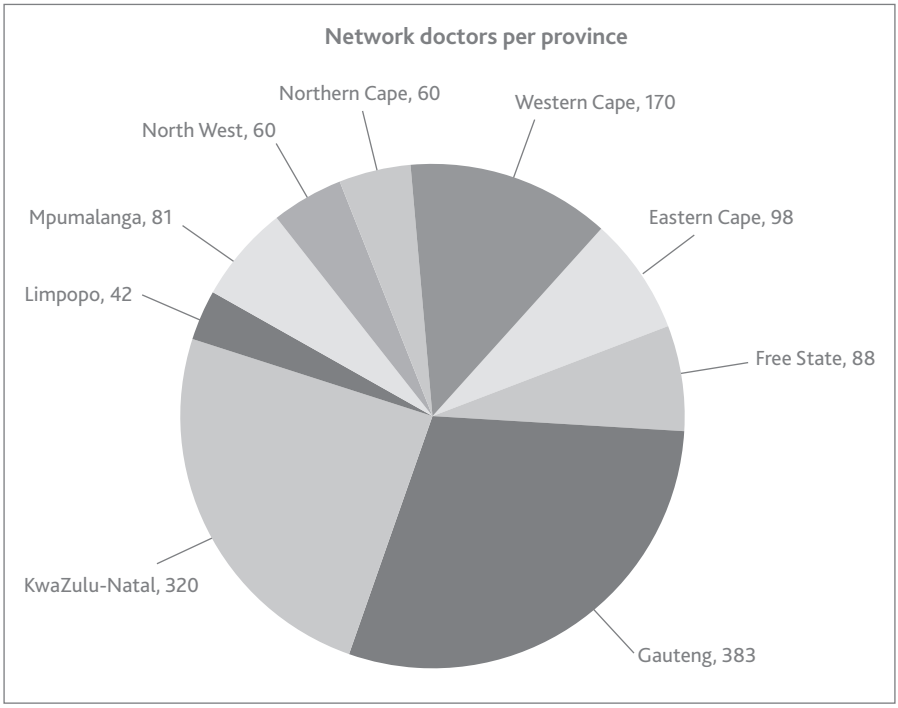
Streamlined access to PMB
In 2012 we adapted the hospital pre-authorisation process for PMB-related services from the previous method of having to obtain separate authorisation for each service, such as anaesthesiology, pathology and radiology, to a much more practical system of approving all PMB services rendered to the patient during hospitalisation as a single pre-authorised event.

Medihelp will continue with this approach in 2013 by approving so-called baskets of care which include all the services related to the registered PMB service – such as consultations with general practitioners or specialists, as well as applicable radiology and pathology services – for PMB in line with the treatment protocol of the PMB condition. These baskets of care only apply to the 26 conditions listed on the Chronic Diseases List, as well as HIV/Aids.

Promoting the use of generic medicines, also for oncology
The Scheme's medicine pricing system favours the use of available generic equivalents as opposed to original products, effectively curbing costs. This approach was expanded in 2012 to include oncology medicine, with the introduction of a Medihelp oncology reference price which offers 100% benefits in accordance with treatment protocols where generic equivalents of oncology medicines are prescribed. As with other prescribed medicine, members retain the option to choose original items, but are then responsible for the cost difference between the original and the reference price for the generic item.

Network management
The Network Management and Health Economics division's functions were expanded in 2012 with the purpose of establishing network agreements with various groups of medical service providers.

- The Necesse network of service providers remained stable in 2012. General practitioners in the Necesse network provide primary healthcare services to Necesse members, and will be reimbursed on a performance-based scale in 2013. The number of general practitioners enrolled on the network in 2012 is indicated in the table below:



- To promote the sustainability of the Necesse network option and enhance the financial performance of this benefit option, a member management programme was developed in 2012 to determine the appropriate use of this option's benefits for general practitioners' consultations.
- A hospital network based on efficiency was established for the 2013 Dimension Prime Network range of benefit options to render services to members at an agreed tariff.
- Medihelp's Preferred Pharmacy Network of more than 1 700 participating pharmacies is vigorously maintained, and these pharmacies' fees kept market-related, to curb members' co-payments. The pharmacies offer Medihelp members professional fees at negotiated tariffs to ensure that members have access to quality service at the most affordable dispensing fees.

DBC back treatment programme
During 2012 a total of 114 patients were registered on the Document Based Care (DBC) back treatment programme, which offers an alternative to surgery for patients meeting specific clinical criteria. Of these, only five had to undergo surgical intervention. The savings on possible operations through an interdisciplinary treatment programme translate to the following:

Operation cost	R8 462 386.29
DBC treatment cost	R945 566.80
Saving	**R7 516 819.49**

Making hospital authorisation personal
As part of Medihelp's objective to render personal service to members, a new hospital pre-admission registration service with interactive updates and clinical case management was implemented in November 2012. The clinically intelligent system provides hospitals, doctors and members with a mechanism to pre-register hospital admissions via a dedicated hospital pre-authorisation contact centre at Medihelp's Hospital Benefit Management division.

Reaching out

Medihelp's Corporate Social Investment (CSI) and sponsorship strategies once again focused on supporting programmes and projects promoting access to healthcare and education, and our sponsorships promote a healthy and active lifestyle.

The third season of "'n Lewe met" was broadcast on kykNET in 2012. Medihelp co-sponsored this programme in which a psychiatrist discussed various psychiatric conditions with studio guests living with these conditions. Our sponsorship aims to create awareness of the importance of mental health amongst our members and the public at large, and complements Medihelp's "Living with" series.

Medihelp yet again sponsored the Tekkie Challenge to raise funds for the Jan Kriel School for specialised education to buy sport equipment.

Golfers at the annual Medihelp Golf Day were invited to donate toys as part of their entry fees. This enabled Medihelp to donate these toys to more than 200 children at the Jacaranda and Louis Botha Children's Homes in Pretoria.

In 2012, Medihelp sponsored the 38th Sunrise Monster road race and fun walk. For the first time, we presented the Medihelp Dolphin Coast Ultra Challenge. This event supports the North Coast Courier Orphan Fund, a registered charity which raises funds to help with the care and education of destitute youngsters.

Thank you

I believe that Medihelp has achieved its position in the medical schemes industry by the grace of God who leads us and continues to bless this organisation. I thank the Board of Trustees, management and personnel for their hard work, dedication and commitment in making this Scheme even greater and for serving our members and partners. I thank Medihelp's members, the suppliers of healthcare services, our brokers and other partners for their loyalty and support which were critical to Medihelp's success. We look forward to meeting the challenges and developing the possibilities of 2013 by focusing on sustainable and responsible growth.

Anton Rijnen
Principal Officer & CEO

report of the board of trustees

The Board of Trustees hereby presents its report for the year ended 31 December 2012 as follows:

1. Description of the medical scheme

1.1 Terms of registration

Medihelp ("the Scheme") is a self-administered not-for-profit open medical scheme registered with reference number 1149 in terms of the Medical Schemes Act, 1998 as amended.

1.2 Insurance contract options within Medihelp

The Scheme offered seven insurance contract options to employees of participating employers and members of the public during the period under review. These were:

- Medihelp Plus
- Dimension Elite
- Dimension Prime 3
- Dimension Prime 2
- Dimension Prime 1
- Necesse
- Unify

The Scheme provides cover for types of services that are categorised under core benefits and day-to-day services, of which the levels of cover differ per insurance contract. Types of services that qualify for core benefits include hospitalisation, prosthesis components, private nursing, emergency evacuation, blood transfusion, renal dialysis, technologist services, oxygen and oncology. Types of services that qualify for day-to-day benefits include consultations at general practitioners and specialists, radiology, pathology, dental, physiotherapy and optical services, medical, surgical and orthopaedic appliances, non-chronic and chronic medicine and supplementary health services out of hospital.

1.3 Savings plan

In January 2007 the High Court of South Africa, in the case of the Registrar of Medical Schemes vs. the liquidators of OmniHealth and others (case 18545/06, the OmniHealth case) ruled that funds standing to the credit of the personal medical savings accounts of the members constitute trust money as defined in section 1 of the Financial Institutions (Protection of Funds) Act, 2001. It also ordered that interest accrued on these amounts must be paid to the members and if any members cannot be located, the balance pertaining to such members must be paid into the Guardians Fund to be administered thereunder.

A separate trust account (call account) was opened on 1 January 2012 for members' personal medical savings accounts with credit balances. Members earn interest on balances in their respective savings accounts at the end of each month which is based on the interest earned by the trust account. No administration fee is charged by the Scheme.

Members of the Dimension Prime 2 insurance contract pay an agreed sum of approximately 22% of their gross contributions into a savings plan to help pay the members' portion of healthcare costs, up to a prescribed threshold.

The liability to members in respect of the savings plan is reflected as a financial liability in the Consolidated Financial Statements, refundable in terms of regulation 10 of the Regulations under the Medical Schemes Act, 1998. Savings plan contributions are refundable when a member leaves the Scheme or transfers to an option within the Scheme which does not offer a savings plan.

2. Management

2.1 Board of Trustees in office during the year under review (in alphabetical order)

Mr EJ du Preez		Resigned on 30 November 2012
Mr JC Klopper	Chairman	Elected by the members of the Board of Trustees as Chairman on 21 June 2012
Mr HJ Koekemoer		Term of office expired on 21 June 2012
Ms EM Malan		Elected on 21 June 2012
Prof MJ van Staden		
Dr HE Vosloo		
Mr PJ Vosloo	Vice-chairman	Re-elected to the Board of Trustees and elected by the members of the Board of Trustees as Vice-chairman on 21 June 2012

A quorum was present for all meetings held during 2012.

All the Scheme's current trustees were elected by members. The terms of office of Mr JC Klopper and Prof MJ van Staden expire on 20 June 2013.

2.2 Principal Officer

Mr AO Rijnen	Principal Officer & CEO of the Scheme Managing Director of MediMarketing (Pty) Ltd

2.3 Registered office address and postal address

410 Steve Biko Road Arcadia Pretoria 0083	PO Box 26004 Arcadia 0007

2.4 Medical scheme administrator during the year

Medihelp is a self-administered scheme.

2.5 Investment managers during the year

Investments are managed by skilled personnel of the Scheme under the guidance of the Investment Committee while the Allan Gray Life Domestic Balanced Portfolio is managed by Allan Gray Life Limited.

Allan Gray Life Ltd
2nd Floor
Granger Bay Court
Beach Road
V&A Waterfront
Financial service provider number: 6663

PO Box 51318
V&A Waterfront
Cape Town
8002

2.6 Auditors

PricewaterhouseCoopers Inc
32 Ida Street
Menlo Park
0102

PO Box 35296
Menlo Park
0102

2.7 Attorneys

MacRobert Inc
Cnr Charles and Duncan Streets
Brooklyn
Pretoria
0181

Private Bag X18
Brooklyn Square
0075

Gildenhuys Lessing Malatji Inc
GLMI House
Harlequins Office Park
164 Totius Street
Groenkloof
0027

PO Box 619
Pretoria
0001

Dyason Attorneys
134 Muckleneuk Street West
Niew Muckleneuk
Pretoria
0181

Private Bag X15
Brooklyn Square
0075

3. Review of the accounting period's activities

3.1 Results of operations

The results of the year's activities are clearly set out in the Consolidated Financial Statements and the Board of Trustees believes no further clarification is needed.

3.2 Reserve accounts

Movements in the members' funds and reserve accounts are set out in the Consolidated Statement of Changes in Funds and Reserves of the Consolidated Financial Statements. There were no unusual movements for the trustees to explain.

3.3 Outstanding claims

The basis of the calculation and the movement of the outstanding claims provision are set out in note 11 to the Consolidated Financial Statements and is consistent with prior years. There were no unusual movements for the trustees to explain.

3.4 Reporting in terms of International Financial Reporting Standards (IFRS)

The Board of Trustees applied all the applicable requirements of IFRS and the Medical Schemes Act, 1998 to the Consolidated Financial Statements.

3.5 Operational statistics per insurance contract

Average number of members during the accounting period
Number of members at the end of the accounting period
Average number of beneficiaries during the accounting period
Number of beneficiaries at the end of the accounting period
Dependants per member at the end of the accounting period
Risk contributions per average beneficiary per month
Relevant healthcare expenditure as a percentage of risk contributions
Relevant healthcare expenditure per average beneficiary per month
Non-healthcare expenses as a percentage of risk contributions *
Non-healthcare expenses per average beneficiary per month
Average age of beneficiaries
Pensioner ratio (beneficiaries > 65)
Average accumulated funds per member at the end of the accounting period **
Return on investments as a percentage of investments

Average number of members during the accounting period
Number of members at the end of the accounting period
Average number of beneficiaries during the accounting period
Number of beneficiaries at the end of the accounting period
Dependants per member at the end of the accounting period
Risk contributions per average beneficiary per month
Relevant healthcare expenditure as a percentage of risk contributions
Relevant healthcare expenditure per average beneficiary per month
Non-healthcare expenses as a percentage of risk contributions *
Non-healthcare expenses per average beneficiary per month
Average age of beneficiaries
Pensioner ratio (beneficiaries > 65)
Average accumulated funds per member at the end of the accounting period **
Return on investments as a percentage of investments

* Non-healthcare expenses include administration expenditure, managed care: management services, broker service fees and net impairment losses.

** Accumulated funds are not apportioned per insurance contract.

For the year ended 31 December 2012							
Medihelp Plus	Dimension Elite	Dimension Prime 3	Dimension Prime 2	Dimension Prime 1	Necesse	Unify	Total
11 206	20 553	28 449	12 660	12 326	16 783	3 332	105 309
6 678	19 819	28 495	12 978	12 814	16 263	3 286	100 333
15 239	37 185	69 623	29 432	28 568	30 884	11 083	222 014
9 684	35 551	69 957	30 255	29 923	30 042	10 803	216 215
0.45	0.79	1.46	1.33	1.34	0.85	2.29	1.15
3 972.33	1 988.17	1 082.32	731.26	672.84	770.98	813.95	1 276.47
92.6%	87.4%	96.0%	102.3%	88.9%	95.9%	81.7%	92.6%
3 679.77	1 737.97	1 039.23	748.38	597.88	739.39	664.75	1 181.76
12.2%	12.2%	12.2%	12.2%	12.2%	12.2%	12.2%	12.2%
486.37	243.45	132.55	89.57	82.41	94.44	99.69	156.32
56	49	33	33	33	32	25	36.96
38.2%	27.7%	7.6%	9.3%	7.7%	6.0%	1.9%	12.0%
n/a	n/a	n/a	n/a	n/a	n/a	n/a	11 200
n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.8%

For the year ended 31 December 2011							
Medihelp Plus	Dimension Elite	Dimension Prime 3	Dimension Prime 2	Dimension Prime 1	Necesse	Unify	Total
25 848	23 813	26 663	11 446	10 610	20 784	3 479	122 643
24 840	22 734	26 758	11 642	11 175	20 435	3 408	120 992
33 425	44 437	65 341	26 543	24 409	39 023	11 573	244 751
31 957	42 156	65 762	26 961	25 666	38 296	11 405	242 203
0.29	0.85	1.46	1.32	1.30	0.87	2.35	1.00
3 758.63	1 759.48	1 015.75	696.96	646.52	648.47	723.70	1 381.60
85.8%	84.7%	88.0%	84.5%	88.1%	99.3%	89.2%	87.1%
3 224.97	1 490.17	893.88	588.73	569.30	643.62	645.33	1 203.38
10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
406.41	190.30	109.90	75.43	69.96	70.20	78.31	149.45
69	48	33	34	34	31	26	40
73.3%	24.6%	6.9%	9.6%	7.8%	4.4%	1.7%	18.5%
n/a	n/a	n/a	n/a	n/a	n/a	n/a	9 955
n/a	n/a	n/a	n/a	n/a	n/a	n/a	6.4%

3.6 Accumulated funds ratio

Total members' funds per Consolidated Statement of Financial Position	
Less: Reserve for unrealised investment gains	
Fair value adjustment at date of transition to IFRS for property, plant and equipment included in the accumulated funds	
Accumulated funds per regulation 29 of the Regulations under the Medical Schemes Act, 1998	
Gross contributions	
Accumulated funds ratio calculated as the ratio of accumulated funds/gross annual contributions x 100	
Minimum ratio required by regulation 29 of the Act	

	Group		Scheme	
	2012	2011	2012	2011
	R	R	R	R
	1 306 351 905	1 337 309 657	1 306 283 245	1 337 223 979
	(166 364 587)	(116 431 946)	(166 364 587)	(116 431 946)
	(16 290 109)	(16 290 109)	(16 290 109)	(16 290 109)
	1 123 697 209	1 204 587 602	1 123 628 549	1 204 501 924
	3 471 964 895	4 117 898 562	3 471 964 895	4 117 898 562
	32.36%	29.25%	32.36%	29.25%
	25.00%	25.00%	25.00%	25.00%

4. Management of insurance risks

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 health of the Scheme's 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 involving pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements, as well as the monitoring of emerging issues. A team of forensic auditors investigates trends, service providers and members for possible fraudulent transactions on a continuous basis.

The Scheme uses several methods to assess and monitor insurance risk exposure both for individual and overall types of risks insured. These methods include internal risk measurement models, scenario analyses, managed healthcare protocols, reference pricing principles and programmes. The results of the models and scenario analyses are used for benefit design and pricing purposes. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims will be greater than expected.

Insurance events are random by nature, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the 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.

The Board of Trustees also uses a risk register to manage risks to which the Scheme is exposed.

4.1 Risk transfer arrangements

The Scheme does not make use of commercial reinsurance cover and carries all risks from accumulated funds. This decision was taken after an actuarial model was used to determine the need for reinsurance cover and it was found to be unnecessary in view of the size of the Scheme. Commercial reinsurance cover would have resulted in an unjustifiable net expense for the Scheme.

The Scheme was party to capitation agreements with the following service providers during the year under review: Netcare 911, UDIPA, Denis and PPN.

Details regarding the nature, terms and conditions and results of risk transfer arrangements are disclosed in note 18 to the Consolidated Financial Statements.

4.2 Actuarial services

Medical schemes, like Medihelp, do not by definition have long-term liabilities to members, which is why the Board of Trustees is of the opinion that an actuarial valuation of the Scheme is not required. The role of actuaries at medical schemes is mainly to enhance risk management measures. The Scheme contracted The Health Monitor Company to perform the necessary functions during 2012. The Scheme made use of a statistical company named Arche Risk Management Specialists to provide the Scheme with reliable short-term estimates of outstanding claims during 2011.

The Scheme's actuaries (The Health Monitor Company) have been consulted regarding the determination of contribution and benefit levels. They also assisted in determining the assumptions used in the calculation of the outstanding claims provision, which are fully explained in the notes to the Consolidated Financial Statements. The Scheme uses actuarial valuations in determining its liability regarding post-retirement employee benefits in terms of the requirements of IAS 19, Post-Retirement Employee Benefits. The Health Monitor Company performed the valuation on the post-employment medical benefits. Simeka Consultants & Actuaries (Pty) Ltd performed the valuation of the pension benefits.

The Health Monitor Company
Ground Floor Block Central J
Central Park
400 16th Road
Midrand
1682

Private Bag X17
Halfway House
1685

Simeka Consultants & Actuaries (Pty) Ltd
Menlyn Woods Phase 2
Sprite Avenue
Faerie Glen
0043
Financial service provider number: 13900

Private Bag X137
Halfway House
1685

5. Fidelity cover

Adequate fidelity cover exists in terms of the Medical Schemes Act, 1998.

6. Events after the reporting period

The members of the Scheme approved a resolution at the 2003 Annual General Meeting to sell the administration function of the Scheme in order to pursue further business opportunities. The transaction involves the selling of the administration function to a black economic empowerment (BEE) company. The matter was again taken to the 2012 Annual General Meeting due to the time elapsed since 2003.

Members were informed that a second voting process would be conducted, based on an instruction of the Council for Medical Schemes. The voting process was concluded in August 2012, in favour of the disposal of Medihelp's administration component. The administration company is currently awaiting feedback from the Council for Medical Schemes regarding its application for accreditation as an administrator and managed healthcare organisation.

7. Investments in and loans to participating employers of members of the medical scheme and to other related parties

The Scheme holds no investments in participating employers of medical scheme members.

8. Related party transactions

Related party transactions are disclosed in note 27 to the Consolidated Financial Statements.

Trustee remuneration is disclosed in note 33 to the Consolidated Financial Statements.

9. Audit Committee

An Audit Committee was established in accordance with the provisions of the Medical Schemes Act, 1998 and is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties.

The committee consists of five members, two of whom are members of the Board of Trustees and the others are not officers of the Scheme. The committee met on three occasions during the course of the year. The meetings were also attended by the Principal Officer, external audit, internal audit and relevant senior management who have a standing invitation to attend these meetings:

7 February 2012
11 April 2012
28 August 2012

The meetings were attended by all members of the committee.

The Committee reported to the Board of Trustees that:

- It has carried out its duties in terms of the Medical Schemes Act and the Board of Trustees' written Audit Committee Charter.
- The external auditors have confirmed their independence.

- It has carried out oversight of the risk and governance processes adopted and implemented by the Board of Trustees and management.
- The assurances provided by management, the external auditors and the internal auditors have satisfied the committee that internal controls are adequate and effective.
- It has reviewed the Scheme's Consolidated Financial Statements, reviewed the accounting policies, obtained assurances from the external auditors and recommended the approval of the Consolidated Financial Statements by the Board of Trustees.

At year-end the committee comprised: JFJ Scheepers (chairman), MJ Brown, JC Klopper, JCE du Toit and PJ Vosloo.

10. Investment Committee and strategy

An Investment Committee was established and is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. This committee consists of three members who are members of the Board of Trustees and are not executive officers of the Scheme. The committee met on two occasions during the course of the year:

10 April 2012
13 November 2012

The meetings were attended by all members of the committee, except for PJ Vosloo who did not attend the meeting held on 10 April 2012.

The purpose of the Investment Committee is to assist the Board of Trustees in fulfilling its responsibilities by ensuring that the relevant laws and regulations relating to the investment of excess funds are adhered to; and, to draft and maintain an investment policy for the approval by the Board of Trustees. The committee also provides an enabling environment for the proper administration of Medihelp's investments.

The Investment Committee discharged its responsibilities during 2012 as follows:
- A representative from Allan Gray was invited to both meetings held during the year to present the performance of the Life Domestic Balanced Portfolio, and to answer questions relating to the portfolio. As a result, the committee ensured that the long-term investment was evaluated regularly to ensure maximum return.
- The performance of other short- and long-term investments were also evaluated via reports submitted and presented to the committee during meetings held.

The Scheme's investment objective is 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 mandate given by the Board of Trustees to the Investment Committee is to invest surplus funds in accordance with risk-minimising measures at institutions offering the highest possible returns. The Scheme invests in fixed deposits and has a long-term investment which is managed by Allan Gray (Domestic Balanced Portfolio). The majority of the portfolio managed by Allan Gray is invested in Listed Equities. The Scheme also owns an investment in Curamed Holdings Limited – refer to note 20.1 of the Board of Trustees report. The investment policy is reviewed annually, taking into consideration compliance to the Medihelp Rules, the Medical Schemes Act, 1998 and the Regulations to the Act. The risk and returns of the various investment instruments and the surplus of funds available are also taken into account.

At year-end the committee comprised: MJ van Staden (chairman), PJ Vosloo and one vacancy (EJ du Preez resigned on 30 November 2012).

Investments in wholly-owned subsidiaries:

MediMarketing (Proprietary) Limited

MediMarketing is a marketing company that was established to manage the recruitment of new members and the retention of the Scheme's existing members. MediMarketing's registered offices are situated on the Scheme's premises.

MEDICHRON (Proprietary) Limited

MEDICHRON is a chronic pharmaceutical benefit management company which is dormant. MEDICHRON's registered offices are situated on the Scheme's premises.

11. Rule Committee

A Rule Committee was established and is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. This committee consists of three members who are members of the Board of Trustees and are not executive officers of the Scheme, and who possess in-depth knowledge of the Scheme's philosophy with regard to the Rules, the history of the Rules and the Scheme's operational processes and activities. Due to the implications of the Rules on the functioning of the Scheme and the liabilities that the Scheme can incur in this regard, the Rule Committee may co-opt persons with legal, financial and other expertise. The committee met on three occasions during the course of the year:

10 April 2012
27 August 2012
13 November 2012

The meetings were attended by all members of the committee.

The committee's function is to make recommendations on rule amendments to the Board of Trustees, in order to support the Board in its responsibility to ensure that:

- The Rules of Medihelp comply with all legal and regulatory directives; and
- The Rules create an enabling environment for the proper administration of the affairs of Medihelp.

At year-end the committee comprised: EM Malan, MJ van Staden and one vacancy (the chairman, EJ du Preez, resigned on 30 November 2012).

12. Remuneration Committee

The role of the Remuneration Committee is to make recommendations to the Board of Trustees on the remuneration and benefits received by Medihelp's employees and on the honorarium that is payable to members of the Board.

The Remuneration Committee consists of two members of the Board of Trustees and two independent members. The Board members are JC Klopper and HE Vosloo and the independent members are L Grubb and A van Wyk. A van Wyk is also the independent chairman of the Remuneration Committee. The Board of Trustees confirmed the reappointment of the independent members of the Remuneration Committee as well as the chairmanship of A van Wyk at its meeting of 3 August 2012. Their reappointment extends from 1 August 2012 to the date on which the transaction to dispose of Medihelp's administration will be implemented. The committee met on three occasions during the course of the year:

12 April 2012
27 August 2012
13 November 2012

The meetings were attended by all members of the committee, except for L Grubb who did not attend the meeting held on 27 August 2012.

The Remuneration Committee discharged its responsibility for the year under review as follows:

- Reviewed the remuneration, leave and performance management policies; and
- Recommended increases to the honorarium of members of the Board of Trustees, other independent members of committees and Medihelp employees.

At year-end the committee comprised: A van Wyk (chairman), HE Vosloo, JC Klopper and L Grubb.

13. Product Committee

A Product Committee was established and is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. This committee consists of six members who are members of the Board of Trustees and not executive officers of the Scheme. The committee met on one occassion during the course of the year:

2 August 2012

The meeting was attended by all members of the committee.

The committee discharged its responsibilities for the year under review as follows:

- Discussed and debated the proposed Medihelp benefit range for 2013.
- Ensured that the proposed benefit option changes comply with relevant laws and regulations, support Medihelp's marketing strategy, are competitive in the medical schemes industry and are financially viable.
- Recommended the proposed submission of contract insurance changes for 2013 to the Board of Trustees.

At year-end the committee comprised: JC Klopper, HE Vosloo, MJ van Staden, EM Malan, PJ Vosloo (chairman) and one vacancy (EJ du Preez resigned on 30 November 2012).

14. Restructuring Committee

The Restructuring Committee was established and mandated by the Board of Trustees with written conditions regarding its membership, rights and responsibilities. At year-end the committee consisted of three members of the Board of Trustees. No executive manager of the Scheme is part of the committee. The committee met on five occasions during the course of the year:

25 January 2012
8 February 2012
5 July 2012
30 July 2012
6 November 2012

The meetings were attended by all members of the committee, except for JC Klopper who did not attend the meeting held on 8 February 2012.

The Restructuring Committee discharged its responsibilities for the year under review as follows:

- Assisted the Board of Trustees with the possible restructuring of the Scheme by selling the administration component thereof.

- Recommended the agreements to be signed by the Scheme and the buyer to the Board of Trustees for approval.
- Liased, on behalf of the Scheme, with the Council for Medical Schemes regarding the proposed transaction.

At year-end the committee comprised: PJ Vosloo (chairman), JC Klopper and MJ van Staden.

15. Nominations Committee

The Nominations Committee was established and mandated by the Board of Trustees in 2011 with written conditions regarding its membership, rights and responsibilities and started its activities in 2012. This committee consists of two members who are both members of the Board of Trustees and not executive officers of the Scheme. The committee met on two occasions during the course of the year:

14 February 2012
11 April 2012

These meetings were attended by all members of the committee.

The Nominations Committee discharged its responsibilities for the year under review as follows:

- Ensured the establishment of a formal process for the nomination of trustees in terms of the registered Rules of the Scheme.
- Recommended the nomination of accepted candidates to the Board of Trustees for approval.

At year-end the committee comprised: JC Klopper (Chairman) and HE Vosloo.

16. Trustees of Medihelp Pension Fund

The Board of Trustees of the Scheme appointed three senior employees to represent the employer on the Board of Trustees of the pension fund and a further three members were elected from the ranks of the Scheme's employees who are also members of the pension fund. The trustees met on two occasions during the course of the year:

15 March 2012
24 October 2012

The meetings were attended by all trustees.

At year-end the trustees of the pension fund were: AO Rijnen (chairman), DE Klue, B Hertzog, JJ van Eeden, C Agenbach and GJ Wagner.

17. Post employment benefits

An annual actuarial valuation of the Scheme's pension fund showed a net surplus of R341 000. The Scheme has not acknowledged this surplus in the Consolidated Financial Statements as this accrues to the pension fund.

18. Claim against National Treasury

National Treasury paid subsidies on behalf of state pensioners to Medihelp as their contribution or part thereof. During the past few years, National Treasury unilaterally deducted from the monthly subsidy payments of other members, amounts for past subsidies paid for pensioners who did not, in terms of the rules of National Treasury, qualify for subsidy any more. However, these pensioners enjoyed membership of Medihelp. Medihelp has issued summons against National Treasury for the repayment of the amount that was illegally deducted.

19. Board of trustees and committee meeting attendance and remuneration

The following schedule sets out the attendance at meetings of the Board of Trustees and attendance by members of committees of the Board of Trustees. Trustee remuneration is disclosed in note 33 to the Consolidated Financial Statements.

Trustee/committee member	Scheduled Board meetings	Special Board meetings	Audit Committee meetings	Investment Committee meetings	Rule Committee meetings	Remuneration Committee meetings	Product Committee meetings	Restructuring Committee meetings	Nominations Committee meetings
Number of meetings for the year	7	3	3	2	3	3	1	5	2
Trustees									
EJ du Preez	7	3		2	3		1		
JC Klopper	7	3	1			3	1	4	2
HJ Koekemoer	3	1	2		1			2	
EM Malan	4	2			2		1		
MJ van Staden	7	3		2	2		1	5	
HE Vosloo	7	3			2	3	1		2
PJ Vosloo	7	3	3	1			1	5	
Independent members									
MJ Brown			3						
C du Toit			3						
L Grubb						2			
JFJ Scheepers			3						
A van Wyk						3			

20. Non-compliance with the Medical Schemes Act

20.1 Aggregate fair value of investments not according to regulation 30(1) and Annexure B of the Medical Schemes Act, 1998

In terms of regulation 30(1) and Annexure B of the Medical Schemes Act, 1998 the maximum percentage of aggregate fair value of liabilities for investments in unlisted shares is 2.5%. Due to the substantial increase in the fair value of Curamed Holdings Limited the Scheme exceeds this limitation, but the cost of the investment still falls within the 2.5% requirement. However, the Scheme's Board of Trustees classified this as a long-term strategic asset that will not be sold in the short term. The Scheme applied to the Council of Medical Schemes for exemption in terms of Regulation 30(8). Feedback was received in August 2012 whereby exemption was granted until 31 December 2013.

20.2 Contribution income not received after three days of becoming due

In terms of section 26(7) of the Medical Schemes Act, 1998 all subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due. In this regard, rule 18(10) of the Rules of the Scheme stipulates that the Board of Trustees must take all reasonable steps to ensure that contributions are paid timeously to the scheme in accordance with the Act and the Rules. In order to give effect to this stipulation, rule 11(6) determines the manner in which arrear subscriptions are dealt with. However, with regard to the application of section 26(7) of the Medical Schemes Act, 1998 it is important to note that the Scheme has no control over the timely payment of subscription to the Scheme. This issue was raised with the Registrar of Medical Schemes and the Scheme has received written confirmation from the Council for Medical Schemes that the legal obligation lies with the member/ employer to pay subscription within the prescribed period.

20.3 Financial soundness of insurance contracts

In terms of section 33(2) of the Medical Schemes Act, 1998 each insurance contract shall be self-supporting in terms of membership and financial performance and shall be financially sound. The Dimension Prime 3, Dimension Prime 2 and Necesse insurance contracts operated at a deficit for the year ended 31 December 2012. Claims patterns for 2012 were not in line with prior years' trends. The insurance contracts will be subject to more stringent managed healthcare protocols in the 2013 financial year.

20.4 Investments in the business of or granting of loans to any administrator of a scheme

In terms of section 35(8)(c) of the Medical Schemes Act, 1998 as amended, a medical scheme shall not invest any of its assets in the business of, or grant loans to any administrator. The Scheme held investments in Liberty Holdings Limited, MMI Holdings Limited, Old Mutual PLC and Sanlam Limited through its investment portfolio at Allan Gray, as well as its direct shareholding in Sanlam Limited. It is the view of the trustees that these investments do not pose a risk to the Scheme. The Scheme applied to the Council of Medical Schemes for exemption in terms of Regulation 30(8). Feedback was received in August 2012 whereby exemption was granted up until 31 December 2013, for investments held with asset managers who invest on behalf of the Scheme. The confirmation of exemption letter did not address the direct shareholding in Sanlam Limited. At reporting date, the Council of Medical Schemes has still not responded on various requests by the Scheme to provide feedback on the latter.

JC Klopper
Chairman

PJ Vosloo
Vice-chairman

24 April 2013

statement of responsibility by the board of trustees

The trustees are responsible for the preparation, integrity and fair presentation of the Consolidated Financial Statements of the Group. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Schemes Act, 1998, and include amounts based on judgements and estimates made by management.

The trustees consider that in preparing the Consolidated Financial Statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates, and that all IFRS requirements that they consider to be applicable have been followed.

The trustees are also responsible for the other information included in the integrated annual report and are responsible for both its accuracy and its consistency with the Consolidated Financial Statements.

The trustees are responsible for ensuring that accounting records are kept. These records should disclose with reasonable accuracy the financial position of the Group to enable the trustees to ensure that the Consolidated Financial Statements comply with the relevant legislation.

The Group operated in a well-established controlled environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being managed.

The going-concern basis has been adopted in preparing the Consolidated Financial Statements. The trustees have no reason to believe that the Group will not be a going-concern in the foreseeable future, based on forecasts and available cash resources. These Consolidated Financial Statements support the viability of the Group.

The Group's external auditors, PricewaterhouseCoopers Incorporated, audited the Consolidated Financial Statements.

The Consolidated Financial Statements were approved by the Board of Trustees on 24 April 2013 and are signed on their behalf by:

JC Klopper
Chairman

PJ Vosloo
Vice-chairman

AO Rijnen
Principal Officer & CEO

statement of corporate governance by the board of trustees

The Board of Trustees is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Medihelp Board of Trustees Charter, which includes the requirement that each trustee sign an undertaking in terms of the Medihelp Code of Conduct, has been adhered to. The Board is also committed to the principles of the Code of Corporate Practices and Conduct as set out in the King Report on Governance (King III).

Board of Trustees
The trustees meet regularly and monitor the performance of the Scheme. They address a range of key issues and ensure that discussions on items of policy, strategy and performance are critical, informed and constructive.

The Board of Trustees consists of six members who are elected by members at the Annual General Meeting. Trustees are elected and appointed for a three-year period and may be re-elected or re-appointed.

All trustees have access to the advice and services of the Principal Officer & CEO and, where appropriate, may seek independent professional advice at the expense of the Scheme to support them in their duties. In terms of the Board of Trustees Charter, trustees should ensure that an annual performance evaluation is completed to identify training needs of trustees. The Board of Trustees Charter also determines that the performance of all sub-committees is assessed on an annual basis, to ensure the credibility of the committees. The trustees ensure that the performance of service providers are monitored in line with applicable service level agreements.

Internal control
The Board of Trustees maintains internal controls and systems designed to provide reasonable but not absolute assurance as to the integrity and reliability of the Consolidated Financial Statements and to safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

The Medihelp Information Technology (IT) Governance Framework was implemented in January 2012. The purpose of the framework is to support effective and efficient management of IT resources to facilitate the achievement of Medihelp's strategic objectives. This framework is applied in conjunction with the Medihelp IT Governance Charter as approved by the Board of Trustees in September 2010. Information Technology submits an IT Governance Report to the Board of Trustees at every board meeting, with feedback on IT performance, security, investments, service levels and governance issues.

No event or matter has come to the attention of the Board of Trustees that would indicate a material breakdown in the functioning of the key internal controls and systems which were in operation during the year under review.

JC Klopper
Chairman

PJ Vosloo
Vice-chairman

AO Rijnen
Principal Officer & CEO

24 April 2013

corporate governance report

1. Introduction and general overview

This report on Medihelp's corporate governance provides a general overview of Medihelp's approach to good corporate governance. Medihelp's corporate governance aims to inspire trust with its members and other stakeholders inter alia by establishing good leadership, a balance of power, the protection of members' interests, and encouraging strategic conversation. Medihelp's bottom-line performance is governed by a competitive strategy, performance/risk management effectiveness, tone at the top and statutory/regulatory compliance.

2. The Board of Trustees (BOT)

The BOT consists of six trustees nominated by members and elected at the Annual General Meeting. There is no maximum number of meetings but normally five meetings are scheduled during a financial year. Special Board meetings are also held in addition to the scheduled meetings if required by circumstances. The Scheme's Rules stipulate that the BOT must meet at least once every three months. For more information on the trustees and their attendance of meetings, refer to pages 11 and 26 of this integrated annual report.

The BOT have the following subcommittees as more fully described on pages 20 to 25 of this integrated annual report:

- Audit Committee
- Investment Committee
- Nominations Committee
- Rule Committee
- Product Committee
- Remuneration Committee
- Restructuring Committee

Only the BOT may appoint members to subcommittees. The Board delegates specific tasks and ongoing roles to the mentioned committees in order to spread the work load, speed up research and debates, obtain the required additional expertise or act as a control measure over certain functions of the Board. The delegation of these tasks to Medihelp's subcommittees does not diminish the Board's responsibilities in these areas. Committees report back to the Board on their findings and recommendations, but authority for reaching the final decision rests with the Board.

All Board subcommittees are chaired by a member of that committee who is appointed by the BOT. The charters of the Audit Committee and the Remuneration Committee make provision for independent members to serve on these committees.

2.1 Decision-making by the BOT

All issues on which the BOT has to decide are formally presented in the Board pack to the Board for their consideration. These presentations are in the form of written submissions by the Principal Officer & CEO, Executive Managers and Senior Managers. The submissions provide detailed background information on the issue which is then discussed, conclusions drawn within the context of the Scheme and a course of action recommended. The BOT then deliberates these submissions and a majority decision regarding the course of action is taken. The Principal Officer & CEO is then instructed to execute the decision of the BOT and where applicable, report back to the BOT.

Issues relating to the activities of the subcommittees of the BOT are first dealt with in the manner described above, after which the matter, together with a recommendation, is put to the BOT for deliberation and decision-making.

All meetings of subcommittees and the BOT are minuted and therefore all decisions taken by the BOT are accurately minuted and properly indexed.

The Scheme did not refuse any requests for information in terms of the Promotion of Access to Information Act, 2000 (Act No 2 of 2000).

2.2 Risk Management

As recommended in the King Report on Governance for South Africa 2009 (King III), Medihelp established a Risk Management Committee and a Risk Management Committee Charter was also approved in September 2010. This committee consists of the Executive Management. The Risk Management Framework for Medihelp has the following stated objective: "The purpose of the Risk Management Framework is to set out the guidelines within which the total process of risk management is to be dealt with by Medihelp, both from an internal and external perspective."

King III also recommended that appropriate processes should be put in place to address compliance as part of the broader risk management framework. The Scheme established a compliance function and approved the Compliance Charter in April 2012 with this objective: "The Compliance Charter defines the fundamental principles, roles and responsibilities of the Compliance function within Medihelp as well as its relationship with the Board of Trustees, executive management and the business and operational functions."

Medihelp's central source of guidance, advice and secretariat support to the BOT, Board Committees and within the Scheme on matters of ethics and good governance, is seated in the Legal & Commercial Advice Portfolio of Medihelp, and more specifically with the Senior Manager: Legal Advice & Secretariat Services.

At the Risk Management Committee meeting of 24 January 2012, it was decided by the Committee that Legal Advice and Secretariat Services may proceed to implement a Governance, Risk and Compliance (GRC) Model in Medihelp to help with the effective management of risk and the reaching of objectives.

3. Remuneration Policy

Medihelp has a performance-based remuneration philosophy. The organisation's strategy and key performance indicators are approved by the BOT annually. The organisation's key performance indicators provide for three levels of performance, which are verifiable. Individual performance is agreed on, managed and evaluated through a talent investment cycle.

The remuneration policy is designed to remunerate employees at market-competitive levels while taking into account the Scheme's financial ability. All employees receive both a fixed and a variable remuneration component. Fixed remuneration is reviewed on an annual basis to be aligned with adjustments in market trends. The median (50th percentile) of the market information for all job levels is set as the benchmark. Deviations from the 50th percentile are considered on merit, in line with the framework set out in the remuneration policy. The remuneration policy provides for specific interventions aimed at attracting and retaining key and scarce skills. A short-term variable remuneration scheme for all staff and a long-term variable remuneration scheme for executive management are based on the organisation's key performance indicators. Both schemes are funded from better-than-budgeted financial performance. Therefore, none was provided and paid for in 2012.

Medihelp's BOT is paid an honorarium in terms of rule 17.19 of the Rules of Medihelp. The policy on the payment of an honorarium is approved by the Annual General Meeting and a fee is paid per Board meeting and subcommittee meeting attended by Board members. Medihelp uses the services of a human resource consultancy to advise the Scheme on market-related benchmarks and adjustments for Board and subcommittee members' honorarium.

The honoraria paid to the trustees are included in this integrated annual report under the heading "Trustees' remuneration" on pages 42 and 43. The benefits paid to employees who exercise general executive control and management of the Scheme, namely the Principal Officer & CEO and the Executive Managers, are disclosed in the Annual Financial Statements under "Related Party Transactions".

4. Statement by the audit committee

In addition to the information presented on pages 20 and 21 of this integrated annual report, the Audit Committee reports that:

- It has monitored the relationship between the external assurance providers and the Scheme;
- It has reviewed the expertise, resources and experience of the Scheme's finance function;
- It has approved the internal audit plan, reviewed and commented on internal audit reports;

- It has oversight of the Scheme's financial reporting risks, internal financial controls, fraud risks as it relates to financial reporting and Information Technology (IT) risks as it relates to financial reporting;
- It has recommended to the BOT the appointment of the external auditor;
- It has reviewed the scope, audit approach and fees of the external auditor as contained in their audit plan for the year under review; and
- A self-evaluation of the Audit Committee was performed.

4.1 Risk Management

The Audit Committee reviewed the BOT's risk evaluation and risk management plan and made recommendations thereon.

4.2 Corporate Governance

The Audit Committee reviewed the Principal Officer & CEO's governance report and made recommendations thereon.

4.3 Internal Audit

An in-house internal audit function is in place. Internal Audit with the exception of the forensic component is operating in accordance with a three year audit plan, including a detailed plan for the first year, using an appropriate risk-based methodology. The Forensic Audit component is guided by the Medihelp Fraud and Corruption Policy and conduct investigations into matters reported through existing fraud reporting channels, as well as pro-active investigations in high risk areas. Internal audit findings together with management comments and corrective actions instituted are periodically reported to the Audit Committee.

4.4 External Audit

The Audit Committee oversees the external audit process.

4.5 Compliance

External audit management and internal audit reports were reviewed to ensure that matters regarding compliance with laws and regulations, raised in the aforementioned management letters and reports, are timeously addressed and rectified. The Scheme also established a compliance function during the year and the committee will in future consider the reports from the compliance function. The Audit Committee strives to comply with King III where the principles are not yet fully applied.

4.6 Management Reports

From the various internal and external reports it is evident that executive management consists of suitably qualified and industry experienced people.

consolidated statement of financial position at 31 december 2012

ASSETS

NON-CURRENT ASSETS

Property, plant and equipment
Intangible assets
Investments in subsidiaries
Available-for-sale financial assets

CURRENT ASSETS

Trade and other receivables
Advance account in debit
Cash and cash equivalents

Total assets

MEMBERS' FUNDS AND LIABILITIES

ACCUMULATED FUNDS

NON-CURRENT LIABILITIES

Post-employment benefits

CURRENT LIABILITIES

Outstanding claims provision
Personal medical savings account trust liability
Advance accounts in credit
Leave pay obligation
Trade and other payables

Total funds and liabilities

	Notes	Group 2012 R	Group 2011 R	Scheme 2012 R	Scheme 2011 R
		363 845 075	303 892 183	363 845 176	303 892 284
	5.	39 802 370	40 908 085	39 802 370	40 908 085
	3.	26 517 716	21 342 298	26 517 716	21 342 298
	4.	-	-	101	101
	6.	297 524 989	241 641 800	297 524 989	241 641 800
		1 260 512 319	1 348 893 635	1 260 402 885	1 348 766 529
	7.	99 987 943	222 462 857	99 987 943	222 450 028
	8.	1 017 788	1 017 788	1 017 788	1 017 788
	9.	1 159 506 588	1 125 412 990	1 159 397 154	1 125 298 713
		1 624 357 394	1 652 785 818	1 624 248 061	1 652 658 813
		1 306 351 905	1 337 309 657	1 306 283 245	1 337 223 979
	10.1	11 220 559	9 845 000	11 220 559	9 845 000
		306 784 930	305 631 161	306 744 257	305 589 834
	11.	128 777 903	158 868 074	128 777 903	158 868 074
	12.	34 702 177	27 840 495	34 702 177	27 840 495
	8.	7 854 734	7 854 734	7 854 734	7 854 734
	13.	11 480 000	10 932 000	11 480 000	10 932 000
	14.	123 970 116	100 135 858	123 929 443	100 094 531
		1 624 357 394	1 652 785 818	1 624 248 062	1 652 658 813

consolidated statement of comprehensive income for the year ended 31 december 2012

Risk contribution income

Relevant healthcare expenditure
Net claims incurred
- Risk claims incurred
- Third-party claims recoveries

Net expense on risk transfer arrangements
- Risk transfer arrangement fees/premiums paid
- Recoveries under risk transfer arrangements
- Net profit share arising from risk transfer arrangements

Gross healthcare result

Managed care: management services
Broker service fees
Administration expenditure
Net impairment losses on healthcare receivables

Net healthcare result

Other income

Investment income
Sundry income

Other expenditure

Asset management fees
Interest paid

Net (deficit)/surplus for the year

Other comprehensive income

Fair value adjustment on available-for-sale financial assets
Actuarial loss on post-employment benefit obligation

Total comprehensive (expense)/income for the year

	Notes	Group 2012 R	Group 2011 R	Scheme 2012 R	Scheme 2011 R
	15.	3 400 735 579	4 057 786 834	3 400 735 579	4 057 786 834
		3 400 735 579	4 057 786 834	3 400 735 579	4 057 786 834
		(3 148 399 733)	(3 534 327 105)	(3 148 399 733)	(3 534 327 105)
	16.	(3 128 644 259)	(3 514 505 417)	(3 128 644 259)	(3 514 505 417)
		(3 132 941 488)	(3 520 283 626)	(3 132 941 488)	(3 520 283 626)
		4 297 229	5 778 209	4 297 229	5 778 209
		(19 755 474)	(19 821 688)	(19 755 474)	(19 821 688)
	18.	(265 174 592)	(294 132 296)	(265 174 592)	(294 132 296)
	18.	243 497 312	274 310 608	243 497 312	274 310 608
	18.	1 921 806	-	1 921 806	-
		252 335 846	523 459 729	252 335 846	523 459 729
	17.	(68 558 548)	(68 392 181)	(68 558 548)	(68 392 181)
	19.	(46 650 223)	(45 541 053)	(46 650 223)	(45 541 053)
	20.	(295 864 721)	(317 361 985)	(295 846 992)	(317 339 478)
	21.	(5 403 034)	(7 854 834)	(5 403 034)	(7 854 834)
		(164 140 680)	84 309 676	(164 122 951)	84 332 183
		86 925 520	81 927 411	86 924 809	81 915 562
	23.	78 147 891	78 992 002	78 147 180	78 991 406
	24.	8 777 629	2 935 409	8 777 629	2 924 156
		(3 075 754)	(1 274 511)	(3 075 754)	(1 274 511)
		(1 528 374)	(1 274 511)	(1 528 374)	(1 274 511)
	22.	(1 547 380)	-	(1 547 380)	-
		(80 290 914)	164 962 576	(80 273 896)	164 973 234
		49 333 162	9 900 779	49 333 162	9 900 779
	6.	49 932 641	10 947 779	49 932 641	10 947 779
	10.	(599 479)	(1 047 000)	(599 479)	(1 047 000)
		(30 957 752)	174 863 355	(30 940 734)	174 874 013

consolidated statement of changes in funds and reserves for the year ended 31 december 2012

	Accumulated funds R	Group Revaluation reserve for available-for-sale financial assets R
Balance as at 1 January 2011	1 056 962 135	105 484 167
Comprehensive income		
Surplus for the year	164 962 576	-
Other comprehensive income	(1 047 000)	10 947 779
Fair value adjustment on available-for-sale financial assets	-	10 947 779
Actuarial loss on post-employment benefit obligation	(1 047 000)	-
Total comprehensive income for the year	**163 915 576**	**10 947 779**
Balance as at 31 December 2011	1 220 877 711	116 431 946
Balance as at 1 January 2012	1 220 877 711	116 431 946
Comprehensive income		
Surplus for the year	(80 290 914)	-
Other comprehensive income	(599 479)	49 932 641
Fair value adjustment on available-for-sale financial assets	-	49 932 641
Actuarial loss on post-employment benefit obligation	(599 479)	-
Total comprehensive income for the year	**(80 890 393)**	**49 932 641**
Balance as at 31 December 2012	1 139 987 318	166 364 587

Total members' funds R	Accumulated funds R	Scheme Revaluation reserve for available-for-sale financial assets R	Total members' funds R
1 162 446 302	1 056 865 799	105 484 167	1 162 349 966
164 962 576	164 973 234	-	164 973 234
9 900 779	(1 047 000)	10 947 779	9 900 779
10 947 779	-	10 947 779	10 947 779
(1 047 000)	(1 047 000)	-	(1 047 000)
174 863 355	**163 926 234**	**10 947 779**	**174 874 013**
1 337 309 657	1 220 792 033	116 431 946	1 337 223 979
1 337 309 657	1 220 792 033	116 431 946	1 337 223 979
(80 290 914)	(80 273 896)	-	(80 273 896)
49 333 162	(599 479)	49 932 641	49 333 162
49 932 641	-	49 932 641	49 932 641
(599 479)	(599 479)	-	(599 479)
(30 957 752)	**(80 873 375)**	**49 932 641**	**(30 940 734)**
1 306 351 905	1 139 918 658	166 364 587	1 306 283 245

trustees' remuneration

2012	Fees for Board of Trustee meeting attendance R	Fees for subcommittee meeting attendance R
HJ Koekemoer	47 932	49 361
EJ du Preez	131 215	77 758
HE Vosloo	131 215	65 648
PJ Vosloo	202 152	151 292
EM Malan	83 283	29 076
MJ van Staden	142 895	108 651
JC Klopper	218 258	118 891
	956 950	600 677

2011	Fees for Board of Trustee meeting attendance R	Fees for subcommittee meeting attendance R
HJ Koekemoer	66 939	128 224
EJ du Preez	66 939	71 367
HE Vosloo	35 949	45 715
PJ Vosloo	110 496	148492
EM Malan	30 990	17 754
MJ van Staden	83 517	92 744
JC Klopper	66 939	90 898
	461 769	595 194

Telephone allowance R	Total remuneration R	Travel and accommodation R	Training R	Total considerations R
600	97 893	6 260	-	104 153
1 200	210 173	13 107	-	223 280
1 200	198 063	48 869	-	246 932
1 200	354 644	152 788	21 788	529 220
600	112 959	41 996	-	154 955
1 200	252 746	9 786	-	262 532
1 200	338 349	43 553	21 788	403 690
7 200	1 564 827	316 359	43 576	1 924 762

Telephone allowance R	Total remuneration R	Travel and accommodation R	Training R	Total considerations R
1 200	196 363	-	-	196 363
1 200	139 506	9 616	-	149 122
600	82 264	19 214	-	101 478
1 200	260 188	101 219	-	361 407
600	49 344	31 444	-	80 788
1 200	177 461	2 202	-	179 663
1 200	159 037	0	-	159 037
7 200	1 064 163	163 695	-	1 227 858

agenda for the annual general meeting

The agenda for Medihelp's AGM which will be held in the Ruby Auditorium of the CSIR International Conference Centre, Meiring Naudé Road, Brummeria, Pretoria on Thursday, 20 June 2013 at 15:00 is as follows:

1. Opening
2. Issuing of ballot papers to proxies
3. Appointment of Medihelp's external auditors for 2013
4. Election of two members to the Board of Trustees
5. Rule amendments proposed by the Board of Trustees
6. Approval of the minutes of the AGM held on 21 June 2012
7. Matters arising from the minutes of the previous AGM
   - 7.1 Item 9: Disposal of Medihelp's administration component as approved by the Annual General Meeting
8. Integrated annual report
9. Financial statements as at 31 December 2012
10. Input and proposals from the 2013 regional information sessions and members for the AGM
11. Announcement of voting results
12. Closing

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