



WCMAS

Our members Our passion

Witbank Coalfields Medical Aid Scheme



2020

ANNUAL REPORT



*It is health that is real wealth
and not pieces of silver or gold*

Mahatma Gandhi



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2020 Performance Snapshot



24 637

total beneficiaries

9 505

principal members

29

average beneficiary
age

4.9%

pensioner ratio

2.6

average family size

28.6%

chronic disease
prevalence



4 160

hospital cases authorised

47 875

items of medicine processed

4 461

COVID-19 tests funded

R428 399 910

claims paid

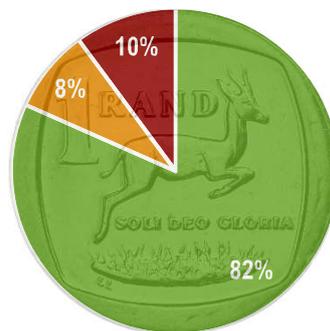


R571 102 651

in reserves

99.4%

solvency ratio



- healthcare expenditure
- broker fees
- administration and other non-healthcare costs
- reserve building

how each Rand you contributed was spent

A word of thanks to our members for your loyal support.

Report of the Board of Trustees

The Board of Trustees hereby presents its report for the year ended 31 December 2020.

1. ABOUT THE WITBANK COALFIELDS MEDICAL AID SCHEME ('WCMAS')

The Witbank Coalfields Medical Aid Scheme (WCMAS) is a non-profit, restricted membership, self-administered medical aid scheme governed by the Medical Schemes Act of South Africa, as amended, (the Act) and is regulated by the Council for Medical Schemes. It has been serving its members, associated employer groups and the coal mining industry, for over 80 years.

WCMAS originated from the amalgamation of a number of "medical clubs" operated by some of the Coal Mines in the Witbank area. These "medical clubs" date back to the early 1920's and mainly offered their members hospital benefits for a monthly membership fee. In 1935, these "medical clubs" amalgamated and formed the Witbank Coalfields Benefit Society (WCBS), a non-profit organisation offering its members medical cover mainly through a panel doctor system. With the development in the coal mining industry the Scheme flourished and in 1976 it changed from a benefit society to a medical aid scheme, offering members a wide range of benefits at service providers of their choice.

Serving a niche market and being managed by a Board of Trustees representing major stakeholders and members, the Scheme has designed cover to meet both the healthcare and affordability needs of a broad spectrum of coal mining employees to provide value that significantly surpasses that which can be offered by most open schemes. This superior product set is underpinned by personalized service from a regional operations team who understand the coal mining industry and the eMalahleni region. Finally, the Scheme has robust reserves, making WCMAS a solid and trusted medical scheme for the coal mining industry.

2. BENEFIT OPTIONS

The Scheme's benefit options remained largely unchanged during the 2020 year, except for the Ntsika option that was restructured to allow for better affordability amongst members.

The Scheme's Comprehensive option provides complete peace of mind benefits at competitive rates. Contributions are linked to the income levels of members which allows for better cross subsidization of continuation members who retire on the option. The day to day component of cover is funded largely by a Medical Savings Account (MSA) accumulating at 25% of contributions. Savings not used are carried forward to the next benefit year. Comprehensive is by far the option of choice for WCMAS members and contributes 69% (2019: 69%) of the Scheme's total membership.

The Scheme launched the Midmas option in 2017. This option allows for middle-range in hospital benefits and a discretionary MSA for day to expenditure at 18% of contributions. Membership on this option remains relatively low with only 238 members but has grown by 35.6% compared to prior year.

Yebomed provides medical cover through a preferred provider network on a capitation fee basis. This option is a risk transfer arrangement structured around the Anglo Coal Highveld Hospital (ACHH). In March 2021, all 152 members on the option moved to Ntsika.

The Ntsika option was launched in 2017 to provide lower earning employees an alternative to Yebomed. Members make use of private healthcare facilities of their choice within the Ntsika network, which is managed by Universal Health. Day to day expenditure focuses largely on primary care and is funded from insured benefits. Contributions are based on income, with the lowest premium being R950 per member per month. Members would be hard pressed to find a similar option at such low premiums. The option has seen tremendous growth during 2020 of 227.4% demonstrating the validity of the decision to provide a competitive alternative to this segment.

3. MEDICAL SAVINGS ACCOUNTS

Witbank Coalfields Medical Aid Scheme provides personal medical savings account options through the Comprehensive and Midmas options. The savings plan was established to meet future day-to-day healthcare costs not fully covered by the risk pool.

Personal medical savings are managed on the members' behalf in terms of the Scheme rules and the Medical Schemes Act, as amended. Unexpended savings amounts are accumulated for the long-term benefit of the member and interest is accumulated on the effective interest method. The liability to the members in respect of the savings plan is reflected as a current liability in the financial statements, in terms of Regulation 10. In terms of the rules of the Scheme, the Scheme carries some risk relating to forward allowance of savings account utilisation.

Savings contributions are refundable when a member enrolls in another benefit option or another medical scheme without a personal medical savings account, or does not enrol in another medical scheme, and the accumulated unutilised personal medical savings account balance will be transferred to the member in terms of the Scheme's rules.

4 SCHEME MANAGEMENT AND THIRD PARTY SERVICE PROVIDERS

4.1 Trustees in office during the year under review:

Member elected		
KL Leripa	Seriti SA	
JC de Carvalho	Continuation members	
MH Pearson	Glencore	
R Prinsloo	Anglo Coal SA	elected 29/09/2020
MBL Modise	Mafube Coal	elected 29/09/2020
RA Mofokeng	Anglo Coal SA	term of office expired 29/09/2020
CD Logan-Delagey	Mafube Coal	term of office expired 29/09/2020
Employer appointed		
OA Maritz (Chairman)	Anglo Coal SA	Chairman
M Dugmore	Anglo Coal SA	Vice-chairman
TM Masike	Seriti SA	
HG Schoeman	Glencore	
S Viljoen	Glencore	
Z Nkozi	Glencore	Alternate to HG Schoeman and S Viljoen

Non-voting stakeholder representatives invited to observe Board of Trustee meetings during the year under review:

E Buthelezi	NUM
S Matthews	SACMA
A Mazibuko	NUM

4.2 Principal Officer

MA Anthony	Acting
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4.3 Registered Office and Postal Address

WCMAS Building	PO Box 26
Corner OR Tambo Road and Susanna Street	eMalahleni
eMalahleni	1035

4.4 Actuaries

3One Consulting Actuaries
52 Grosvenor Road
Bryanston
Sandton

4.5 Administration

WCMAS was self-administered for this financial year ending 31 December 2020.

Select administration functions and network management for the Ntsika option:

Universal Healthcare Administrators (Pty) Ltd

Universal House
15 Tambach Road
Sunninghill Park
Sandton

IT support and infrastructure:

RiskCede Solutions (Pty) Ltd

18C Garsfontein Office Park
45 Jacqueline Road
Garsfontein

4.6 Managed Healthcare

Universal Care (Pty) Ltd

Universal House
15 Tambach Road
Sunninghill Park
Sandton

ER24

371 Rivonia Boulevard
Sandton

Performance Health (Pty) Ltd

10 Kikuyu Road
Sunninghill
Sandton

Non-accredited managed healthcare services were provided by Medikredit:

Medikredit Integrated Healthcare Solutions (Pty) Ltd

10 Kikuyu Road
Sunninghill
Sandton

4.7 Asset Managers

Aluwani Capital Partners

Aluwani House
24 Georgian Crescent East
Bryanston East
Johannesburg

Coronation Fund Managers

7th Floor
MontClare Place
Cnr Campground & Main Road
Claremont
Cape Town

NinetyOne Investment Managers

100 Grayston Drive
Sandown
Sandton

Prudential Investment Managers

5th Floor
Protea Place
40 Dreyer Street
Claremont

4.8 Auditors

eMalahleni PricewaterhouseCoopers Inc

2nd Floor WCMAS Building
cnr OR Tambo and Susanna Streets
eMalahleni

4.9 Principal Bankers

Nedbank Limited

5 CORPORATE GOVERNANCE

The WCMAS Board of Trustees is committed to the principles and practice of fairness, responsibility, transparency and accountability in all dealings with its stakeholders. The Board of Trustees is also fully committed to, and has applied, the Principles and the Code of Corporate Practices and Conduct as set out in the King Report on Governance where applicable to Medical Schemes.

5.1 Board of Trustees

The Board of Trustees comprises at least 10 members, fifty percent of whom are appointed by participating employer group and fifty percent who are nominated and elected by the members of the Scheme. All trustees serve a two-year period of office with a recommended maximum of three successive terms. This is in accordance with the provisions of the Medical Schemes Act of South Africa, as amended, and the Rules of the Scheme. All changes to the Board of Trustees are noted in 5.3 of this report.

The Board of Trustees met regularly and critically monitored the performance of the management of the Scheme. The Board of Trustees addressed a range of key issues and ensured that discussion on items of policy, strategy, risk management and service delivery were informed and constructive. To assist in the performance of their duties, the Board of Trustees received actuarial and legal advice from experienced and well-qualified consultants. All Trustees have access to the advice and services of the Principal Officer and when required may seek independent professional advice at the expense of the Scheme. The Principal Officer and Fund Manager attend all meetings of the Board of Trustees.

5.2 Committees of the Board of Trustees

The Board of Trustees has established sub-committees to assist it in its duties. All committees meet regularly and consist of both Trustees and non-trustee members who have been appointed for their skills relating to the responsibilities of each committee. Each committee is mandated by the Board of Trustees by means of a written charter as to its membership, authority and duties. The Principal Officer and Fund Manager attend all committee meetings.

5.3 Audit and Governance Committee

The Scheme has an established Audit Committee, which was set up in accordance with Section 36 of the Act. The Committee consisted of six members at year-end, two of whom are members of the Board of Trustees. The chairman of the Committee may not be a trustee. Representatives of Scheme management and the auditors attend meetings, by invitation. The Principal Officer, external auditors and the Scheme management have unrestricted access to the chairman of the Committee.

In accordance with the provisions of the Act, the primary functions and responsibilities of the Committee are 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 significant findings regarding accounting matters and any significant internal control deficiencies arising from the auditing activities.

The Committee Chairman provides a verbal report on the Committee's work to the Board of Trustees after each Audit and Governance Committee meeting.

The report of the Audit and Governance Committee is presented on page 21 of the Annual Report.

The audit and governance committee comprised of the following members during the year under review:

○ M Wenum	Chairman	Non-trustee member
○ AJ de Klerk	Vice-chairman	Non-trustee member
○ Z Hammond	Resigned 13/03/2020	Non-trustee member
○ RC Josephs	Appointed 25/08/2020	Non-trustee member
○ OA Maritz		Trustee member
○ A Nienaber	Appointed 28/08/2020	Non-trustee member
○ MH Pearson		Trustee member
○ C Ronaldson	Resigned 04/06/2020	Non-trustee member
○ H Tshandu	Resigned 20/05/2020	Non-trustee member

5.4 Investment Committee

The Investment Committee is mandated to manage the Scheme's investments in line with its stated investment objectives and strategy, as approved by the Board of Trustees. The Scheme's investment objectives are to maximize the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration the constraints imposed by legislation and the strategies of the Board of Trustees with the following mandate:

- achieve a return that exceeds consumer price inflation ("CPI") by 3.0% per annum (net of fees) over a three year period,
- capital preservation over a 12 month period;
- investments are only made in highly rated institutions with moderate risk; and
- investments are made in compliance with the regulations of the Act.

The Committee consisted of four members, two of whom were members of the Board of Trustees. Representatives of Scheme management and the asset managers attend meetings, by invitation. The investment committee comprised of the following members during the year under review:

○ OA Maritz	Chairman	Trustee member
○ RC Josephs	Appointed 25/08/2020	Non-trustee member
○ A Nienaber	Appointed 28/08/2020	Non-trustee member
○ MH Pearson		Trustee member

The Committee Chairman provides a verbal report on the Committee's work to the Board of Trustees after each Investment Committee meeting.

5.5 Remuneration Committee

The committee's primary objective is to develop, manage and monitor all remuneration and remuneration related matters by recommending appropriate remuneration values and strategies to the Board of Trustees for approval, and by so doing, to ensure the objectivity and credibility of the remuneration and bonus system (staff only), for the Board of Trustees, sub-committees, Principal Officer and other members of management and staff.

The committee consisted of three members who do not receive remuneration for attending meetings. These committee members were all members of the Board of Trustees. The remuneration committee comprised of the following members during the year under review:

○ M Dugmore	Chairman	Trustee member
○ OA Maritz		Trustee member
○ TM Masike		Trustee member

5.6 Disputes Committee

The committee consisted of three members. The members are not members of the Board of Trustees and only meet when a dispute arises that necessitates their meeting.

The disputes committee comprised of the following members during the year under review:

- | | |
|------------|--------------------|
| ○ M Botha | Non-trustee member |
| ○ F Kruger | Non-trustee member |
| ○ E Wiese | Non-trustee member |

15.7 Review Committee

The committee is comprised of the Chairpersons of each subcommittee as well as an Investment Committee representative. The Committee's primary objective is to review the skill and functioning of the Board, its sub-committees and the Principal Officer, including fit and proper assessments, office duration, succession planning, meeting attendance and overall performance evaluation.

The review committee comprised the following members during the year under review:

- | | | |
|--------------|----------|--------------------|
| ○ M Dugmore | Chairman | Trustee member |
| ○ OA Maritz | | Trustee member |
| ○ M Wenum | | Non-trustee member |
| ○ A Nienaber | | Non-trustee member |

5.7 Attendance of Board and Committee Meetings

	Board of Trustees	Audit and Governance Committee	Investment Committee	Remuneration Committee	Review Committee
Number of meetings	12	4	1	1	0
OA Maritz	11	4	1	1	
JC de Carvalho	11				
M Dugmore	8			1	
KL Leripa	5				
CD Logan-Delagey ¹	7				
TM Masike	10			1	
MBL Modise ²	2				
RA Mofokeng ¹	2				
Z Nkosi ³	3				
MH Pearson	7	3	1		
R Prinsloo ²	3				
HG Schoeman	7				
S Viljoen	10				
M Wenum		4			
AJ de Klerk		4			
Z Hammond ⁴		-			
RC Josephs ⁵		1	-		
A Nienaber ⁵		1	1		
C Ronaldson ⁶		1			
H Tshandu ⁷			-		

¹ Term of office expired on 29 September 2020

² Elected on 29 September 2020

³ Alternate to HG Schoeman and S Viljoen

⁴ Resigned on 13 March 2020

⁵ Appointed on 25 August 2020

⁶ Resigned on 4 June 2020

⁷ Resigned on 20 May 2020

5.8 Trustees' and Committee Members' Remuneration

The members of the Board of Trustees and Committee have been remunerated for services rendered to the Scheme on the basis of expertise, skills and time needed to serve as a Trustee or Committee member. The Scheme's Remuneration committee was tasked with implementing a remuneration philosophy and policy for the Trustees and officers of the Scheme, which is approved by the members at the Annual General Meeting. Trustee and Committee member remuneration is disclosed in note 17 to the Annual Financial Statements.

6 RISK MANAGEMENT

The Board of Trustees understand the importance of sound risk management and are committed to the principles of ethical leadership and good corporate governance to protect the Scheme and to ensure the sustainability of its operations. The Board of Trustees review the risks facing the Scheme on a regular basis to manage the risks insofar as it is within their control.

In developing the strategies of the Scheme, the major inherent risks identified are:

- Member retention;
- Regulatory change;
- Fees charged for Prescribed Minimum Benefits;
- Each benefit option not being financially sound to the extent that it would jeopardise the Scheme;
- Performance of service providers; and
- Significant changes to the membership's health profile.

The Board of Trustees believe that adequate controls are in place to manage the above risks.

6.1 Management of Insurance Risk

The primary insurance activity carried out by the Scheme is that of assuming the risk of certain claims costs from members and their dependants as these directly relate to their health. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Scheme managed its medical insurance risk through benefit limits and sub-limits, approval procedures for transactions that involved pricing guidelines, pre-authorisation and case management, negotiations with all major service providers, centralised management of risk transfer arrangements as well as the monitoring of emerging issues.

The Scheme uses several methods to assess and monitor medical insurance risk both for individual types of risks and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing.

The Scheme's affairs are governed by a set of rules, registered with the Council for Medical Schemes, which set out the benefits provided by each option and the definition of the restricted membership group.

Benefits provided include the following:

- In-hospital benefits cover costs incurred by members, whilst they are in hospital;
- Chronic disease benefits cover medication and consultations on all options. Disease management programmes have been designed to assist, educate and support members in managing their chronic illness;
- Day-to-day benefits cover the cost of out-of-hospital medical attention, such as visits to general practitioners and dentists as well as acute and over-the-counter medicines, subject to the benefit limits and Scheme tariffs contained in the Rules of the Scheme; and
- Other benefits such as the Scheme's disease management programmes, preventative wellness benefits and external appliances are available.

The Scheme has the right to change the terms and conditions of the contract in terms of the Scheme Rules. Management information, including contribution income, expenditure and claims ratios by option, is reviewed monthly.

6.2 Risk Transfer Arrangements

The Scheme cedes a portion of its insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined blocks of business, on a yearly renewable term. These risk transfer arrangements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Scheme's evaluation of the specific risk, subject in certain circumstances to maximum limits based on characteristics of coverage.

According to the terms of the capitation agreements, the suppliers provide certain minimum benefits to Scheme members, as and when required by the members. The Scheme does, however, remain liable to its members with regard to ceded insurance if any supplier fails to meet their obligations.

When selecting a supplier, the Scheme considers their relative financial stability from publicly available information and from internal investigations.

Details of the capitation agreements are set out in notes 14 and 26 to the Annual Financial Statements.

7 REVIEW OF THE YEAR'S ACTIVITIES

7.1 Operational and Financial Overview

7.1.1 Membership

Scheme membership averaged 9,572 principal members and 24,646 beneficiaries during the 2020 financial year. This represents a 1.9% increase in members and 2.4% increase in beneficiaries compared to the prior year.

The average age of the Scheme's beneficiaries has decreased slightly from 29.4 at the end of 2019 to 29.1 at the end of 2020. An increase in age is directly correlated to an increase in healthcare claims, therefore the Scheme's decreasing trend and lower than industry average age reflects a favourable risk profile for WCMAS. (Industry average beneficiary age is 33 years old per the *CMS Annual Report 2019/20*).

The growth in membership can be attributed to employee retention and growth within participating employer groups, the redesign of the Ntsika option to offer competitive benefits at an attractive price point for the lower salary earners within our target market as well as the decision to absorb the losses experienced in 2019 against the Scheme's high reserves rather than passing a larger than usual contribution increase onto members or cutting benefits.

The Scheme's primary focus remains retention and organic growth within its current stable of employer groups by being responsive to their changes and needs and through onsite engagement and marketing to its members.

7.1.2 Healthcare expenditure

The COVID-19 pandemic placed a marked focus on the value of medical schemes. Scheme funded 161 COVID-19 hospital cases totalling R 8.78 million. Unfortunately, 17 of these members passed away. The Scheme continues to fund the cost of COVID-19 testing for all members from risk benefits, where the relevant clinical entry criteria has been met, and has negotiated competitive pricing with pathology groups to contain the cost impact of this necessary risk measure.

Costs related to other-cause hospitalizations declined during 2020, with hospital facilities having ceased the provision of elective procedures for much of lockdown. Claims trends show that members, presumably being weary of exposure, have avoided healthcare settings where possible and hence day to day claims have reduced overall as well.

To ensure that members, especially those with chronic conditions, continue to receive the medical care they require, the Scheme began funding telemedicine services during the year.

After a difficult year in 2019 in terms of the escalation of high cost cases ahead of inflation, a number of initiatives were introduced to manage this area of risk. These include stringent controls associated with high cost treatment plans. The total value of high cost cases incurred in 2020 has reduced by 13.6% compared to 2019.

7.1.3 Non-healthcare expenditure

The Scheme is self-administered with some components of its administration and risk management functions outsourced to third party experts. The Scheme experienced a higher than inflation increase in non-healthcare expenditure in 2019. As a result, the Board have tightened measures to contain non-healthcare expenditure including a monthly review of actual itemized costs versus budget. 2020 non-healthcare expenditure has reduced by 8.7% compared to prior year and remains within the industry average of R340.07 per member per month (*CMS Annual Report 2019/20*).

7.2 Operational statistics per benefit option

2020		Comprehensive	Midmas	Ntsika	Yebomed	Scheme
Average number of members during the accounting period		6 644	241	1 646	1 041	9 572
Number of members at 31 December		6 629	238	2 486	152	9 505
Average number of beneficiaries during the accounting period		17 353	571	3 750	2 972	24 646
Number of beneficiaries at 31 December		17 452	574	6 201	446	24 673
Average family size at 31 December		2.6	2.4	2.5	2.9	2.6
Average beneficiary age as at 31 December		30.4	26.1	26.2	22.6	29.1
Average net contributions per member per month	R	4 676	3 181	2 104	1 982	3 903
Average net contributions per beneficiary per month	R	1 790	1 343	924	694	1 516
Average relevant healthcare expenditure per beneficiary per month	R	1 480	1 006	618	652	1 238
Relevant healthcare expenditure as a percentage of net contributions	%	0.8	0.7	0.7	0.9	0.8
Non-healthcare expenses as a percentage of net contributions	%	0.1	0.0	0.1	0.1	0.1
Pensioner ratio at 31 December	%	6.8	-	0.3	-	4.9
Average accumulated funds per member as at 31 December*	R			60 084		
Return on investments as a percentage of investments*	%			5.7		

*Average accumulated funds per member and return on investments are only calculated for the Total Scheme and not per option.

2019

		Comprehensive	Midmas	Ntsika	Yebomed	Scheme
Average number of members during the accounting period		6,489	178	503	2,228	9,398
Number of members at 31 December		6,573	185	518	2194	9,470
Average number of beneficiaries during the accounting period		16,951	397	659	6,030	24,037
Number of beneficiaries at 31 December		17,204	412	693	5975	24,284
Average Family Size at 31 December		2.6	2.2	2.3	2.7	2.6
Average beneficiary age as at 31 December		31.1	27.4	30.2	26.4	29.9
Average net contributions per member per month	R	4,358	2,958	1,430	1,798	3,567
Average net contributions per beneficiary per month	R	1,666	1,326	1,092	664	1,393
Average relevant healthcare expenditure per beneficiary per month	R	4,460	1,885	993	1,737	3,579
Relevant healthcare expenditure as a percentage of net contributions	%	102.3	63.7	69.4	96.6	100.3
Non-healthcare expenses as a percentage of net contributions	%	10.8	4.2	9.0	6.0	10.1
Pensioner ratio at 31 December	%	7.1	0.5	-	0.3	5.1
Average accumulated funds per member at 31 December*	R			54,389		
Return on investments as a percentage of investments*	%			5.9		

*Average accumulated funds per member and return on investments are only calculated for the Total Scheme and not per option.

7.3 Actuarial information

An actuarial review of the Scheme is not required in terms of the Act; however, the Scheme had the budgeted contributions and assumptions used in the benefit design process prepared by 3One Consulting Actuaries to confirm the appropriateness of the contribution increases for 2020 and 2021. The actuaries have also provided the Scheme with estimates on the potential impact of the COVID-19 pandemic on the Scheme throughout the year.

7.4 Outstanding claims

Movement on the outstanding claims provision and the basis of the calculation of the outstanding claims provision is set out in Note 10 to the Annual Financial Statements. The basis of calculation is consistent with the prior year. There were no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

7.5 Fidelity insurance

The Scheme maintains fidelity insurance at a level which the Board of Trustees considers to be appropriate.

7.6 Related party transactions

Refer to related party disclosure in note 21 to the Annual Financial Statements. Trustee remuneration is disclosed in note 17 to the Annual Financial Statements.

7.7 Significant events

In 2019 the Scheme reported a significant event relating to alleged fraudulent activities committed by a member of senior management. The alleged fraudulent activities included misuse of the Scheme's property, expenses incurred without the appropriate authorisation, non-compliance with the Scheme's internal procurement policies and theft of the Scheme's monetary assets. The Scheme commissioned an independent forensic investigation on the matter. The member of senior management has been suspended pending the outcome of their disciplinary hearing, which is currently underway.

The Regulator, the Council for Medical Schemes, commissioned an investigation into governance of the Scheme in October 2020 in terms of section 44(4)(a) of the Medical Schemes Act. The Scheme awaits the resultant recommendations report from the Regulator.

7.8 Non-compliance matters

The items below reflect all non-compliance matters identified irrespective of whether they have a material impact or not.

- Section 26(7) of the act requires that “all subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due.” Non-compliance could result in possible cash flow constraints and have an impact on interest income. During 2020, not all contributions billed were received within three days of the due date. The scheme continuously follows up on outstanding contributions and applies a credit control policy to overdue contributions.
- Section 59(2) of the act states that “a medical scheme shall pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.” The scheme endeavours to pay all claims within 30 days of receipt, however processing of a few claims is occasionally delayed due to procedures to ensure their validity. The claims paid outside of 30 days are investigated by management to ensure this matter is effectively managed.
- Section 35(8) (a, c & d) of the Act prohibits a medical scheme from holding any investments in the business of any administrator of a medical scheme or any holding company of an administrator or any employer group. The Scheme has underlying investments in administrators of medical schemes (Liberty, MMI and Sanlam) amounting to 0.24% and employer groups (Anglo America Plc) of 1.09% of total net asset value. The Scheme has applied for an exemption from the Council for Medical Schemes.
- Regulation 3(2) of the Act requires that a medical scheme must, within 30 days of the termination of membership or at the time of request of any former member, or dependant, provide that member or dependant with a membership certificate reflecting their past membership and conditions that applied. In a few instances these were sent after 30 days. Management is in the process of automating this function to avoid future instances of human error.

7.9 Solvency Ratio (in terms of the Act)

In accordance with Regulation 29(2) in the Medical Schemes Act 131 of 1998, as amended, the Scheme must maintain accumulated funds excluding unrealised investment reserves at a minimum of 25%. The solvency ratio calculations for 2020 and 2019 are set out in the table below:

	2020	2019
	R	R
Total members' funds per the Statement of Financial Position	571 102 651	499 902 959
Other reserves	-	-
Accumulated funds per regulation 29	571 102 651	499 902 959*
Gross contributions (including savings contributions)	574 549 505	516 173 108
Solvency ratio	99.40%	96.85%*

*As restated, refer to note 30 of the Annual Financial Statements.

Movements in the members funds' and reserve accounts are set out in the Statement of Changes in Funds and Reserves on page 29 of the Annual Financial Statements. There were no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

8 PROJECTED IMPACT OF COVID-19 ON 2021

The Scheme forms part of an industry panel negotiating COVID-19 vaccination roll-out and pricing to the private healthcare market. Together with its actuaries, the Scheme estimates the cost of vaccination for all adult beneficiaries on WCMAS to be in the range of R10 – R15 million. In setting the Scheme's budget for 2021, the Board agreed to offset the pandemic cost, including vaccination, against its considerable accumulated reserves. Should the ultimate vaccination cost fall within this estimated range, the impact on reserves will be a small reduction of 1.8 to 2.6 percent. The Scheme is projected to remain well above the minimum solvency level requirement of 25%.

The Scheme is an Essential Services provider and remained operational through-out all levels of the state imposed lockdowns. We therefore anticipate no disruption in service to member due to COVID-19.

9 EVENTS AFTER THE REPORTING PERIOD

No adjusting or non-adjusting events occurred after the reporting period.

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 Witbank Coalfields Medical Aid Scheme ("the Scheme"), comprising the statement of financial position at 31 December 2020 and the statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes required in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Medical Schemes Act of South Africa No. 131 of 1998, as amended ("the Act").

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 present 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 maintained. The accounting records disclose, with reasonable accuracy, the financial position of the Scheme which enables the Trustees to ensure that the annual financial statements comply with the relevant legislation.

Witbank Coalfields Medical Aid Scheme operates in a well-established control environment which is well documented. 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 business are adequately mitigated.

The Trustees, with the support of the independent actuarial advisors, have assessed the ability of the Scheme to continue as a going concern and have no reason to believe, given its solvency position, that the Scheme will not be a going concern in the year ahead.

The Audit and Governance committee functioned effectively throughout the year.

The Scheme's external auditors are responsible for auditing the fair presentation of the financial statements in terms of International Reporting Standards on Auditing in accordance with the applicable financial reporting framework of the Scheme.

Approval of financial statements

The financial statements set out on pages 27 to 67, which have been prepared on the going concern basis, were approved by the Board of Trustees on 20 April 2021 and were signed on their behalf by:



OA Maritz
Chairperson



M Dugmore
Vice-chairperson



MA Anthony
Acting Principal Officer

Statement of Corporate Governance by the Board of Trustees

Witbank Coalfields Medical Aid Scheme is committed to the principles and practice of fairness, responsibility, transparency and accountability in all dealings with its stakeholders. Where practical, the Scheme strives to comply with the King IV Code of Corporate Governance. Reporting in terms of King IV is guided by the Council for Medical Schemes.

In meeting Corporate Governance requirements, the Scheme's management, Board of Trustees and sub-committees have access to governance experts as and when the need arises. This is deemed to be adequate for appropriately governing the affairs of the Scheme.

1. ETHICS

The industry experiences high levels of waste and abuse of members' benefits by certain healthcare professionals. There is also a high incidence of fraudulent claims due to collusion between healthcare professionals and, in some instances, members. This behaviour undermines the financial sustainability of the Medical Schemes Industry, and, as such, has a negative impact on all members. The Scheme therefore has stringent fraud policies in place and processes to prevent, detect and discipline any fraudulent activities.

The Scheme minimises the impact of this risk by adopting a zero-tolerance approach to fraud, waste and abuse. The Scheme has applied deterrent measures to curb unethical behaviour and reinforce the principles of ethical billing and claims behaviour during the provision of services to medical aid members.

The deterrent measures include:

- raising awareness about fraud, waste and abuse;
- applying abuse prevention tactics; and
- using analytical software to identify outlier behaviour.

The Scheme has stringent fraud policies and processes in place to prevent, detect and discipline any fraudulent activities. All investigations or interviews/interrogations related to suspected fraudulent acts are confidential and the identity of whistle blowers remain anonymous.

2. CORPORATE CITIZENSHIP

In terms of the King IV code on corporate governance, corporate citizenship is defined as the recognition that the Scheme is an integral part of the broader society in which it operates, affording the organisation standing as a juristic person in that society with rights but also responsibilities and obligations. It is also the recognition that the broader society is the licensor of the Scheme.

The Scheme acknowledges its responsibility for being a responsible and ethical corporate citizen and management and the Trustees make decisions with this in mind.

Stakeholder engagement

Stakeholder relationships are governed by contracts with the relevant parties and also by policies put in place to ensure that the Scheme staff, management and Board of Trustees are on par with the highest priority set to good stakeholder relationships. The Scheme enforces:

- regular communication with all stakeholder groups;
- adequate representation by major groups on the Scheme's Board of Trustees;
- queries are routed to the correct person with fast turnaround times and prompt resolution; and
- complaints received, from any stakeholder, is followed up on and escalated to management where necessary.

Statement of Corporate Governance by the Board of Trustees (continued)

Responsible business practices

The Scheme is committed to responsible business practices to ensure the future success and sustainability of the Scheme by:

- employing competent, adequately trained staff to run and manage its day-to-day operations;
- maintaining the highest standards of ethics, honesty and integrity; and
- assessing the impact of its decisions on all relevant third parties.

During the period under review, the Scheme worked extensively on its marketing and sustainability strategies to ensure that it remains relevant and the scheme of choice for existing and potential members. Due to the Scheme placing great value on its stakeholders and its corporate citizenship, extensive quality control procedures are in place along with staff and Trustee performance reviews and monitoring of complaints and queries from key stakeholders.

3. PRINCIPAL OFFICER

The Principal Officer's duties and responsibilities are governed by her Service Level Agreement in addition to the Act and the Scheme's Rules. She is contractually required to give the Scheme 30 days' notice in the event of resigning, but sufficient succession planning is in place to ensure that the position will not be vacant for extended periods of time.

The Principal Officer is employed in an executive capacity and is employed on a full-time basis by the Scheme. She does not hold other positions or memberships of other governing bodies outside the Scheme.

4. BOARD OF TRUSTEES

The primary governing body of the Scheme is the Board of Trustees. Even though they delegate some of their functions to other committees in an appropriate delegation of authority framework, they remain the primary decision maker and the party where the ultimate responsibility rests for the proper functioning of the Scheme.

The Board of Trustees has the appropriate balance of knowledge, skills, experience, diversity and independence to adequately manage the affairs of the medical scheme and its members. The Trustees are proposed and elected by members of the Scheme and participating employers and are governed by an agreed Terms of Reference. The Trustees meet regularly and monitor the performance of the Scheme. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive. All the 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.

The Board of Trustees believes that the delegation of authority framework contributes to the role clarity and the effective exercise of authority and responsibilities of the Board's duties. To assist the Trustees in the execution of their fiduciary duties, the following Board committees were in place:

- Audit and Governance committee;
- Remuneration committee;
- Disputes committee; and
- Investment committee.

Performance evaluations

The Board of Trustees are evaluated through a biennial review process whereby they are required to complete a set of questions pertaining to their functioning and performance. These are reviewed by a review committee who consists of the chairman of each of the Scheme's committees (Board of Trustees, Audit and Governance, Remuneration, Disputes and Investment committees) whereafter feedback and remedial actions, if any, are provided to the Board of Trustees.

Statement of Corporate Governance by the Board of Trustees (continued)

Overall, the Board of Trustees and sub-committees were found to be fit and proper and functioning within their mandate. There were no remedial actions necessary as all members were found to be acting satisfactorily.

The governing body believes this process to be sufficient and efficient in evaluating its performance and motivating it to improve output.

Remuneration

As from 1 June 2012, Board of Trustees and sub-committee members are compensated for their time, input and the responsibilities that they bear. To qualify for these fees, committee members must complete all the required training and orientation courses defined by the Council for Medical Schemes and the Scheme's rules. The King IV report on Corporate Governance was taken into account in drafting the policy for remuneration of committee members.

Board of Trustees (voting members only), Audit and Governance, Remuneration and Investment committee members may be paid R 1 886 (2019: R 1 793) per meeting fully attended up to a maximum of 12 per annum. However, no fees will be paid for consulting services performed by trustees. Not all Trustee and committee members exercise their right to remuneration due to alternative arrangements with their employers. Chairpersons of committees may be paid R 2 829 (2019: R 2 689) per meeting fully attended. This is also applicable to the acting chairman at any particular meeting. Committee members are paid travel costs at the standard AA rate for members who do not qualify for travel allowances through other institutions.

All remuneration paid to Trustee and committee members are detailed in note 17 of the Annual Financial Statements.

5. RISK MANAGEMENT

The Scheme faces inherent and business risks that must be identified, mitigated and/or managed to ensure that the Scheme is sustainable. The Scheme's risk management processes include:

- management identifies risks on a continual basis;
- the Scheme has formal strategic planning processes;
- management is charged with putting appropriate controls in place to mitigate risks;
- the Audit and Governance committee performs quarterly reviews of risk assessments;
- an annual review is performed of internal policies and procedures; and
- a review of committee terms of reference is performed at least every three years.

The Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial information 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.

The Scheme monitors the effectiveness of controls and resultant deficiencies (if any) by:

- maintaining monthly, quarterly, bi-annual and annual quality control processes; and
- conducting monthly Board of Trustees meetings, where queries and complaints from members are addressed.

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

Statement of Corporate Governance by the Board of Trustees (continued)

6. INVESTMENT STRATEGY

The Scheme's investment objectives are to maximize the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration the constraints imposed by legislation and the strategies of the Board of Trustees with the following mandate:

- achieve a return that exceeds consumer price inflation ("CPI") by 3.0% per annum (net of fees) over a rolling three year period, but with low risk of losing capital over a 12 month period;
- savings account trust funds should be ring-fenced and invested separately in liquid funds and net returns on these funds are allocated to savings account balances of members;
- maintain liquidity levels as required by the Scheme;
- invest only in highly rated institutions with low to moderate risk;
- make investments in compliance with the regulations of the Act; and
- perform risk assessments with feedback to the Board of Trustees with recommendations on the risks identified.

7. INFORMATION TECHNOLOGY

The Scheme's information technology functionality is administered internally, under the guidance of scheme management. Critical functionality has been outsourced to a contractor who has sufficient skill and expertise in the Medical Schemes industry to maintain the IT systems to the required service levels. Scheme management have enforced stringent change management and cost control measures including structured incident logging with defined severity levels and agreed response resolution times.

This statement was approved by the Board of Trustees and is signed on their behalf by:



OA Maritz
Chairperson



M Dugmore
Vice-chairperson



MA Anthony
Acting Principal Officer

Report from the Audit and Governance Committee

This report is provided by the Audit and Governance committee appointed in respect of the 2020 financial year of Witbank Coalfields Medical Aid Scheme. The committee oversees the Scheme's financial reporting process on behalf of the Board of Trustees in terms of a delegation of authority framework. In fulfilling its oversight responsibilities, the Audit and Governance committee reviewed and discussed the audited financial statements and related schedules in the Annual Report with the Scheme's management, including:

- a discussion of the quality, not just the acceptability, of the accounting principles;
- the reasonableness of significant judgments; and
- the clarity of disclosures in the financial statements.

The Scheme discussed with the overall scope and plans for their audit with the independent external auditor.

1. INDEPENDENT EXTERNAL AUDITOR

The Audit and Governance committee meets with the independent external auditor, with and without management present, to discuss the results of their examinations; their evaluations of the Scheme's internal control, including internal control over financial reporting, and the overall quality of the Scheme's financial reporting.

The Audit and Governance committee recognises the importance of maintaining the independence of the Scheme's independent external auditor, both in fact and appearance. The committee remains vigilant of any facts or circumstance that may arise that may cloud the auditor's independence and judgment and takes that into account in recommending re-engagement of the external auditor to the Board of Trustees.

Based on the above, the Audit and Governance committee has recommended to the Board of Trustees that PricewaterhouseCoopers Inc. be retained as the auditors of Witbank Coalfields Medical Scheme for the 2020 financial year. The firm has been the Scheme's external auditors since the 2013 financial year. The audit partner has been rotated for the 2020 according to the rotation policy provided by The Independent Regulatory Board for Auditors (IRBA) in respect of widely held entities.

The members of the Audit and Governance committee and the Board of Trustees believe that, due to external auditor's knowledge of the Scheme and of the medical schemes industry, it is in the best interests of the Scheme to continue retention of the firm to serve as the Scheme's independent external auditor. This decision has also been ratified by the Annual General Meeting of the Scheme held on 29 September 2020.

Any non-audit services that the Scheme may require are recommended for approval to the Board of Trustees by the Audit and Governance committee as and when the need arises.

2. SENIOR MANAGEMENT

The Scheme has seen changes to the senior management team during the year under review. A senior member of management was asked to act in the stead of Principal Officer. A new Fund Manager was appointed during the year. These new appointees carry vast industry experience and/or the relevant educational credentials applicable to their positions. The Scheme is therefore facing no residual risk in relation to changes in senior management. All business-critical positions are filled. Specialised information technology, professional actuarial and legal skills have been sourced from competent external contractors where necessary.

3. ANNUAL FINANCIAL STATEMENTS

The committee have reviewed and discussed, together with management and the independent auditor, the Scheme's audited financial statements for the year ended 31 December 2020, and the results of the independent auditor's audit of internal control over financial reporting.

Report from the Audit and Governance Committee (continued)

Relying on the reviews and discussions above, the committee recommends to the Board of Trustees, and the Board of Trustees approves, that the audited financial statements and related schedules be included in the Annual Report for the year ended 31 December 2020.

On behalf of the Audit and Governance committee:



M Wenum
Chairperson of the Audit and Governance
Committee



Independent Auditor's Report

To the Members of Witbank Coalfields Medical Aid Scheme

Report on the financial statements

Opinion

We have audited the financial statements of Witbank Coalfields Medical Aid Scheme (the Scheme), set out on pages 21 to 56, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, the statement of changes in members' funds 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 the Scheme as at 31 December 2020, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

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.

PwC

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Key audit matter	How our audit addressed the key audit matter
<p data-bbox="236 389 679 421">Outstanding claims provision (IBNR)</p> <p data-bbox="236 450 831 629">The outstanding claims provision of R 26,238,000 at year-end as described in Note 10 to the financial statements, is a provision recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but that were only reported to the Scheme after year-end.</p> <p data-bbox="236 658 820 808">The outstanding claims provision is calculated by the Scheme’s actuaries which is reviewed by management and the Audit and Governance Committee and recommended to the Board of Trustees for approval.</p> <p data-bbox="236 837 831 1111">The Scheme’s actuaries use an actuarial model, based on the Scheme’s actual claim development patterns throughout the year, to project the year-end provision. This model applies the Basic Chain Ladder (“BCL”). The claim service date, processing date and amount are used to derive claim development patterns. These historical patterns are then used to estimate the outstanding claims provision.</p> <p data-bbox="236 1140 831 1290">We identified this to be a matter of most significance to the audit because of the uncertainty in the projected claims pattern. A change in the projected claims pattern can cause a material change to the amount of the provision.</p>	<p data-bbox="863 450 1422 685">We obtained an understanding from the Scheme’s actuaries regarding the process to calculate the outstanding claims provision, which included the design and implementation of controls within the process. The actuarial model applied by the Scheme is one that is generally applied within the medical scheme industry.</p> <p data-bbox="863 714 1394 927">We obtained the actual claims data from the member administration system covering the year ended 31 December 2020. The actual claims data includes the impact of COVID-19 and therefore the impact has been taken into account in the claim’s patterns in the outstanding claims provision.</p> <p data-bbox="863 956 1437 1079">For a sample of actual claims received by the Scheme in the 31 December 2020 financial year, we tested the accuracy of the service and process dates. No material inconsistencies were noted.</p> <p data-bbox="863 1108 1422 1200">We substantively tested a sample of claims against the relevant Scheme rules and assessed completeness of the claims data.</p> <p data-bbox="863 1229 1378 1352">The claims data that was included in the Scheme’s actuarial model was agreed to the above actual claims data with no material inconsistencies noted.</p> <p data-bbox="863 1382 1422 1561">To assess the reasonableness of the Scheme actuaries’ estimation process, we compared the actual claim results in the current year to the prior year provision. Based on our assessment, the estimation process was considered reasonable.</p> <p data-bbox="863 1590 1437 1769">Our internal actuarial experts independently calculated the Scheme’s outstanding claims provision, taking into account the claims data tested above. We compared our results with that of the Scheme and found the amounts to approximate each other</p>

Other Information

The Scheme’s trustees are responsible for the other information. The other information comprises the information included in the document titled “Witbank Coalfields Medical Aid Scheme Annual financial statements for the year ended 31 December 2020”. 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 related 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.

A handwritten signature in black ink, appearing to be 'PwC', is located in the bottom right corner of the page.



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 that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa that have come to our attention during the course of our audit.

Audit Tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc. has been the auditor of Witbank Coalfields Medical Aid Scheme for 8 years.

The engagement partner, Schalk Barnard, has been responsible for Witbank Coalfields Medical Aid Scheme's audit for 1 year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Schalk Barnard
Registered Auditor
Mbombela
20 April 2021

Statement of Financial Position

		2020	2019 restated	1 January 2018 restated
	Note	R	R	R
ASSETS				
Non-current assets				
Equipment and other assets	3	4 125 348	5 125 221	1 010 649
Investment properties	4	14 779 845	15 041 861	9 754 675
Investments at fair value through profit or loss	5	462 538 325	440 836 143	448 397 183
Right-of-use assets		-	54 581	-
		481 443 518	461 057 806	459 162 507
Current assets				
Trade and other receivables	6	26 022 914	17 703 752	17 383 793
Investments at fair value through profit or loss	5	275 054 942	240 620 636	227 430 148
Cash and cash equivalents	7	81 024 478	38 522 941	33 377 236
		382 102 334	296 847 329	278 191 177
TOTAL ASSETS		863 545 853	757 905 135	737 353 684
FUNDS AND LIABILITIES				
MEMBERS' FUNDS				
Accumulated funds		571 102 651	499 902 959	503 151 236
Revaluation reserve		-	-	-
Total members' funds		571 102 651	499 902 959	503 151 236
LIABILITIES				
Non-current liabilities				
Retirement benefit obligation	8	1 445 984	2 696 880	2 940 360
Current liabilities				
Personal medical savings account liabilities	9	233 183 679	199 859 865	178 696 345
Outstanding claims provision	10	25 620 392	26 444 000	23 471 000
Trade and other payables	11	32 161 132	28 830 984	29 065 103
Retirement benefit obligation	8	32 016	113 120	29 640
Lease liabilities	12	-	57 327	-
		290 997 218	255 305 296	231 262 088
Total liabilities		292 443 202	258 002 176	234 202 448
TOTAL FUNDS AND LIABILITIES		863 545 853	757 905 135	737 353 684

Statement of Comprehensive Income

		2020	2019
	Note	R	R
RISK CONTRIBUTION INCOME	13	448 312 522	401 872 825
RELEVANT HEALTHCARE EXPENDITURE			
Risk claims incurred		(358 648 476)	(397 777 387)
Third party claim recoveries		644 664	535 139
Net claims incurred		(358 003 812)	(397 242 248)
Accredited managed care: management services		(7 394 068)	(6 022 817)
Risk transfer arrangement fees	14	(23 268 650)	(45 337 491)
Recoveries from risk transfer arrangement	14	22 500 388	46 675 216
Net income on risk transfer arrangement	14	(768 262)	1 337 725
GROSS HEALTHCARE RESULT		82 146 379	(54 515)
Broker fees		-	(32 625)
Administration and other operative expenses	16	(36 967 032)	(40 368 232)
Net impairment losses on trade and other receivables		15 051	(61 337)
NET HEALTHCARE RESULT		45 194 398	(40 516 709)
OTHER INCOME			
Investment income on investments held at fair value through profit or loss:			
Interest income		39 148 575	52 784 352
Dividend income		30 547 723	34 725 227
Fair value gains/(losses)		7 008 908	7 244 119
Fair value gains/(losses)		1 591 944	10 815 006
Investment income on investments held at amortised cost:			
Interest income		1 174 833	807 399
Income from use of own facilities by external parties		3 902 869	4 694 473
Profit on disposal of equipment and other assets		-	7 080
Sundry income	18	-	636 000
		44 226 276	58 929 304
OTHER EXPENDITURE			
Asset management fees		(3 012 086)	(3 413 659)
Interest paid on members' savings account liabilities	9	(10 609 137)	(10 577 253)
Cost incurred in provision of own facilities to external parties		(4 599 759)	(7 661 973)
		(18 220 983)	(21 652 885)
NET SURPLUS/(DEFICIT) FOR THE YEAR		71 199 691	(3 240 290)
TOTAL COMPREHENSIVE INCOME/(DEFICIT) FOR THE YEAR		71 199 691	(3 240 290)

Statement of Changes in Funds and Reserves

		Fair value through OCI investment reserve	Total members' funds
Note	Accumulated funds R	R	R
	522 300 029	(19 156 780)	503 143 249
	(19 156 780)	19 156 780	-
	503 143 249	-	503 143 249
	(3 240 290)	-	(3 240 290)
	499 902 959	-	499 902 959
	71 199 691	-	71 199 691
	571 102 650	-	571 102 650

Statement of Cash Flows

		2020	2019
	<i>Note</i>	R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows generated from/(used in) operations	19	62 916 750	(25 592 258)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to equipment and other assets	3	(524 200)	(5 016 348)
Additions to investment properties	4	(311 628)	(5 751 525)
Additions to investments at fair value through profit or loss	5	(20 000 000)	(9 258 756)
Additions to right-of-use assets		-	(148 148)
Investment income received on investments at amortised cost		1 174 833	807 399
Proceeds on disposal of equipment and other assets	3	-	23 501
Proceeds on disposal of investments at fair value through profit or loss	5	-	53 000 000
Net rentals received		(696 891)	(2 967 500)
Net cash from investing activities		(20 357 886)	30 688 623
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment on lease liabilities		(57 327)	49 340
Net cash from/(used in) investing activities		(57 327)	49 340
NET INCREASE IN CASH AND CASH EQUIVALENTS		42 501 538	5 145 705
Cash at the beginning of the year		38 522 941	33 377 236
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		81 024 478	38 522 941

Notes to the Annual Financial Statements (continued)

Notes to the Annual Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

The following are the principal accounting policies used by the Scheme:

1.1 BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis in accordance with, and compliance with, International Financial Reporting Standards ("IFRS"), and interpretations of those standards as adopted by the International Accounting Standards Board (IASB), and in the manner required by the Medical Schemes Act of South Africa No. 131 of 1998, as amended. The financial statements have been prepared on the historic cost convention, except for investments which are reflected at fair value. They are presented in Rands, which is the Scheme's functional currency. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.21

1.2 EQUIPMENT AND OTHER ASSETS

An item of equipment and other assets is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Scheme, and the cost of the item can be measured reliably. Equipment and other assets are reflected at historic cost less accumulated depreciation and accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Scheme and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Maintenance and repairs, which neither materially add to the value of assets, nor appreciably prolong their useful lives, are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is charged on the straight-line basis over the estimated useful lives of items of equipment and other assets after taking into account the assets' residual values. The following are the estimated useful lives of equipment and other assets:

Item	Depreciation method	Estimated useful life
Motor vehicles	Straight line	5 years
Office equipment	Straight line	4 years
Computer equipment	Straight line	3 years
Mailroom equipment	Straight line	5 years
Generator	Straight line	10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Surpluses and deficits on disposal of equipment and other assets are determined by comparing the proceeds with the carrying amount and are recognised within other operating income/sundry expenses in the statement of comprehensive income.

1.3 INVESTMENT PROPERTIES

Investment properties are recognised as assets when, and only when, it is probable that the future economic benefits that are associated with the investment properties will flow to the enterprise, and the cost of the investment properties can be measured reliably.

Notes to the Annual Financial Statements (continued)

Investment properties are held to earn rental income and for capital appreciation and are initially recognised at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment properties, the carrying amount of the replaced part is derecognised.

Cost model

Investment properties are carried at historical cost less accumulated depreciation less any accumulated impairment losses. Depreciation is charged on the straight-line basis over the estimated useful life of the property after taking into consideration the asset's residual value as follows:

Item	Depreciation method	Estimated useful life
Airconditioners	Straight line	6 years
Lifts	Straight line	15 years
Partitioning and electrical	Straight line	10 years

Land is not depreciated. Management assess the fair value of buildings constituting investment properties and as the fair value exceeds carrying value buildings are not depreciated.

The residual values and useful lives of the assets are reviewed on an annual basis.

Register of investment properties

A register of all investment properties is available for inspection at the registered office of the Scheme.

1.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Scheme assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Scheme estimates the recoverable amount of the asset.

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit.

1.5 FINANCIAL INSTRUMENTS

1.5.1 Classification, recognition and measurement

The Scheme has the following financial instrument categories: Fair value through profit or loss; Loans and receivables; and Financial liabilities. The Scheme has classified its financial instruments into the following classes:

- Financial assets held at fair value through profit or loss;
- Insurance, trade and other receivables;
- Cash and cash equivalents;
- Insurance, trade and other payables; and
- Personal member savings accounts liability.

The classification depends on the purpose for which the financial instruments are acquired. Management determines the classification of financial instruments at initial recognition and re-evaluates this at every reporting date.

Notes to the Annual Financial Statements (continued)

Financial instruments are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue of the financial asset or liability. Subsequent to initial recognition, these instruments are measured as set out below.

Regular-way purchases and sales of financial assets and liabilities are recognised on trade date, being the date that the Scheme becomes a party to the contractual rights or obligations of the instrument.

i. Financial assets held at fair value through profit or loss

These financial assets are initially recorded at fair value excluding transaction costs, which are immediately expensed. These financial assets are subsequently measured at fair value. The fair value adjustments are recognised in the statement of profit or loss during the financial period.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Scheme intends to sell in the short term. Insurance receivables are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables comprise of 'Insurance, trade and other receivables' and 'Cash and cash equivalents'.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less impairment losses.

a) *Insurance, trade and other receivables*

Insurance, trade and other receivables with members (insurance receivables) and these balances are reviewed for impairment as part of the impairment review conducted on loans and receivables.

b) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, 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, and have an original maturity of 90 days or less.

c) *Financial liabilities*

A financial liability is a liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current liabilities.

Financial liabilities comprise of 'Insurance, trade and other payables' and 'personal member savings accounts liability'.

Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method.

Notes to the Annual Financial Statements (continued)

1.5.2 Impairment of financial assets

i. Loans and receivables

The Scheme's loans and receivables do not contain a significant financing component and therefore the loss allowance is measured at initial recognition as the expected credit losses that result from all possible default events over the expected life of a financial instrument (ECL) in accordance with IFRS 9. As a practical expedient, IFRS 9 allows a provision matrix to be used to estimate ECL for these financial instruments.

The provision matrix is based on historical observed default rates, adjusted for forward looking estimates. At every reporting date, the historical observed rates are updated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Scheme about the following events: the Scheme is unable to collect all amounts due according to the original terms of the receivables; significant financial difficulty of the issuer or debtor; a breach of contract, such as a default or delinquency in payments by the debtor; the disappearance of an active market for that financial asset because of financial difficulties; or national or local economic conditions that correlate with defaults on the assets in the Scheme.

It is in respect of contributions receivable, member and service provider debit balances and advances from savings plan accounts recoverable by management. The Scheme utilises readily available economic information such as consumer price index, healthcare inflation, national credit rating and unemployment indicators as a basis for determining the future expectations of the observable data.

If it is determined that a possible impairment loss will be incurred on loans and receivables measured at amortised cost, the amount of the loss is measured as the difference between the present value of the cash flows due under the contract and the present value of the cash flows that the entity expects to receive. These losses are recognised at initial recognition in profit or loss and reflected in an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed directly to profit or loss.

1.5.3 Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired, the right to receive cash flows has been retained but an obligation to pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Scheme has retained substantially all the risks and rewards of ownership of the transferred asset, the Scheme continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Scheme recognises any income on the transferred asset and any expense incurred on the financial liability.

Where the Scheme neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Scheme determines whether it has retained control of the financial asset. If the Scheme has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; and if the Scheme has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The Scheme derecognises a financial liability when the contractual obligations are discharged, cancelled or expire.

Notes to the Annual Financial Statements (continued)

1.5.4 Offset

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Scheme has certain investments in other funds (investee funds), which are investments in unconsolidated structured entities. The Scheme invests in investee funds whose objectives range from achieving medium- to long-term capital growth. The investee funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

1.7 CASH AND CASH EQUIVALENTS

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

1.8 LEASES

The Scheme assesses whether a contract is, or contains a lease, at the inception of the contract. 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. In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

1.8.1 Scheme as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Scheme is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Scheme recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Details of leasing arrangements where the Scheme is a lessee are presented in note 12.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Scheme uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Scheme under residual value guarantees;

Notes to the Annual Financial Statements (continued)

- the exercise price of purchase options, if the Scheme is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Scheme is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 16).

The lease liability is presented as a separate line item on the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in other expenditure - interest paid. The Scheme remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Scheme will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in surplus or deficit if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the statement of financial position. Lease payments included in the measurement of the right-of-use assets comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Scheme incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Scheme expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease. For right-of-use assets which are depreciated over their useful

Notes to the Annual Financial Statements (continued)

lives, the useful lives are determined consistently with items of the same class of equipment and other assets. Refer to the note 1.2 for details of useful lives of equipment and other assets.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately. The depreciation charge for each year is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

1.9 PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY

The personal medical savings account, which is managed by the scheme on behalf of its members, represents savings contributions (which are a deposit component of the insurance contracts), and accrued interest thereon in terms of the rules of the Scheme, net of any savings claims paid on behalf of members in terms of the Scheme's registered rules.

The deposit component of the insurance contracts has been unbundled since the Scheme can measure the deposit component separately. The deposit component is recognised in accordance with IFRS 9: Financial Instruments and is initially measured at fair value and subsequently at amortised cost using the effective interest method. The insurance component is recognised in accordance with IFRS 4: Insurance Contracts.

Unspent savings at year end are carried forward to meet future expenses for which the members are responsible. In terms of the Medical Schemes Act 131 of 1998, as amended, balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act.

Advances on savings contributions are funded from the Scheme's funds and the scheme will assess the advances for impairment in terms of its accounting policy on impairment in note 1.5.5

The personal medical savings accounts are invested (on behalf of members) in money market instruments with asset managers in terms of the rules of the Scheme. These monies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

1.10 OUTSTANDING CLAIMS PROVISION

Outstanding risk claims comprise provisions for the Scheme's estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date. Outstanding claims are determined as accurately as possible based on 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.

Estimated co-payments and payments from personal medical savings accounts are deducted in calculating the outstanding risk 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.

1.11 LIABILITIES AND RELATED ASSETS UNDER THE LIABILITY ADEQUACY TEST

The liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of any related assets. Where a shortfall is identified, an additional provision is made and the Scheme recognises the deficiency in profit/loss for the year.

Notes to the Annual Financial Statements (continued)

1.12 TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.13 PROVISIONS

Provisions are recognised when:

- the Scheme has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money, where material, and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

If the Scheme has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.14 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, salaries and bonuses, are recognised in the period in which the related service was delivered. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonuses if the Scheme has a present legal or constructive obligation to pay amounts as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Employees all belong to a defined contribution pension fund. Contributions to the fund are recognised in the statement of comprehensive income in the period in which they are incurred.

Post-retirement medical benefits

On retirement the staff employed by the Scheme as at 31 January 2011, will receive a medical aid subsidy equal to 50% of their contribution for the remainder of their lives. Surviving spouses of employees entitled to the subsidy will continue to receive the benefit. The benefit will cease upon the death of the surviving spouse. Payments in terms of this liability has been effective from 1 January 2012.

The post-retirement medical aid contribution benefit liability is measured at the present value of the amount payable for the remaining lives of the beneficiaries and their surviving spouses. Employees become eligible at retirement age of 60.

An actuarial valuation is performed every second year to determine the value of the liability and the liability is unfunded. For the year ended 31 December 2020 the Projected Unit Credit discounted cash flow method was used.

1.15 MEDICAL INSURANCE CONTRACTS

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

Notes to the Annual Financial Statements (continued)

1.16 RISK CONTRIBUTION INCOME

Contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. Risk contributions represent the gross contributions per the registered rules after the unbundling of savings contributions. The earned portion of risk contributions received is recognised as revenue. Risk contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. Risk contributions are shown before the deduction of broker service fees and other acquisition costs.

1.17 RELEVANT HEALTHCARE EXPENDITURE

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

1.17.1 Risk claims incurred

Risk 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 in terms of its registered rules, whether or not reported by the end of the year.

1.17.2 Net claims incurred

Net claims incurred comprise:

- claims submitted and/or accrued for services rendered during the year, net of recoveries from members' savings plan accounts and recoveries from third parties;
- claims for services rendered during the previous year not included in the outstanding claims provision for that year, net of recoveries from members' savings plan accounts and recoveries from third parties;
- claims settled in terms of risk transfer arrangements; and
- managed healthcare services accredited by the Regulator.

1.17.3 Risk transfer arrangements

Contracts entered into by the Scheme with third party service providers under which the Scheme is compensated for losses/claims (through the provision of services to members) on one or more contracts entered into by the Scheme and that meet the classification requirements of insurance contracts are classified as risk transfer arrangements (reinsurance contracts).

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

Risk transfer claims and recoveries are presented in the statement of comprehensive income and the statement of financial position on a gross basis.

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

Claims paid in terms of risk transfer arrangements are calculated based on actual utilisation statistics provided by the third party service providers. In the prior year claims paid in terms of risk transfer arrangements were estimated on the basis of what it would have cost the Scheme had the arrangement not been in place.

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 provision, claims reported not yet paid, and settled claims associated with the risk transfer arrangements taking into account the terms of the contract.

Notes to the Annual Financial Statements (continued)

Amounts recoverable under risk transfer arrangements are assessed for impairment at each reporting 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 arrangements.

1.17.4 Road Accident Fund recoveries

The Scheme grants advances to its members in defraying expenditure incurred in connection with the rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made to the Road Accident Fund by the member, administered in terms of the Road Accident Fund Act, 1996. If the member is reimbursed by the Road Accident Fund, they are obliged contractually to cede that payment to the Scheme to the extent that they have already been compensated.

A reimbursement from the Road Accident Fund is a contingent asset that arises from claims submitted to the Road Accident Fund and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Scheme. If an inflow of economic benefits becomes possible, the Scheme discloses a contingent asset.

Recoveries from the Road Accident Fund are recognised on a receipt basis and are netted off against claims expenditure.

1.18 ALLOCATION OF INCOME AND EXPENDITURE TO BENEFIT OPTIONS

The following items are directly allocated to benefit options:

- Risk contributions;
- Risk claims incurred;
- Net income/(expense) on risk transfer arrangements;
- Accredited managed healthcare services;
- Administration fees;
- Broker fees; and
- Interest paid in terms of the rules of the Scheme on personal medical savings account monies.

The remaining items are apportioned based on the number of members on each option:

- Other administration expenditure;
- Investment income;
- Other income; and
- Other expenditure.

1.19 INVESTMENT INCOME

Interest income is recognised using the effective interest method, taking account of the principal amount outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Scheme. Dividend income is recognised when the right to receive payment is established. Rental income from investment properties is recognised in the statement of comprehensive income on a contractual basis over the lease term. All leases with tenants are linked to the Consumer Price Index (CPI) and therefore straight-line recognition of rental income cannot be calculated.

1.20 UNALLOCATED FUNDS

Unallocated funds arise on the receipt of unidentified deposits in favour of the Scheme. Unallocated funds that have legally prescribed, that is, funds older than three years, are written back and are included under other income in profit or loss.

Notes to the Annual Financial Statements (continued)

1.21 CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Scheme's accounting policies, management are required to make critical assumptions regarding the future and accounting judgements. In the current and prior year, the most significant estimates were considered in the determination of the outstanding claims provision. In the prior year, a significant estimate was made to determine the recoveries from the Scheme's risk transfer arrangements.

1.21.1 Outstanding claims provision

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 Scheme's actuaries relating to the best estimate calculations on reported claims and derived as the claims process develops. All estimates are revised and adjusted at year end by management.

1.21.2 Recoveries from risk transfer arrangements

For the 2016 to 2019 financial years, the measurement of recoveries from risk transfer arrangements was an area that required the use of complex models and significant assumptions around member claims utilization and pricing. This was owing to the service providers not maintaining fee for service information of the services they provide to Yebomed beneficiaries hence claims data could not be used to determine the net income or expense to the Scheme from the capitation agreement. The actuaries therefore estimated the fee for service claims on the basis of what it would have cost the Scheme had the arrangement not been in place.

2. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following IFRS Standards, amendments and interpretations effective and relevant to the Scheme's operations that were adopted in the current year:

Effective date	Standard, Amendment or Interpretation	Impact on the Scheme
Annual periods beginning on or after 1 January 2020	Definition of a business (Amendments to IFRS 3)	<p>The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3.</p> <p>The amendments:</p> <ul style="list-style-type: none"> ○ Confirms that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs. ○ Narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and ○ Adds a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

Notes to the Annual Financial Statements (continued)

Effective date	Standard, Amendment or Interpretation	Impact on the Scheme
Annual periods beginning on or after 1 January 2020	IAS 1 <i>Presentation and Disclosure</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	<p>The amendments to IAS 1 and IAS 8 and consequential amendments to other IFRS statements include:</p> <ul style="list-style-type: none"> ○ Update the definition of material; ○ Use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; ○ Clarify the explanation of the definition of material; and ○ Incorporate some of the guidance in IAS 1 about immaterial information. <p>The amended definition of material is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."</p>
Annual periods beginning on or after 1 January 2020	<p>Amendments to References to Conceptual Framework in IFRS Standards</p> <p>Amendments to References to Conceptual Framework in IFRS Standards (continued)</p>	<p>The IASB decided to revise the Conceptual Framework because certain important issues were not covered, and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:</p> <ul style="list-style-type: none"> ○ a new chapter on measurement; ○ guidance on reporting financial performance; ○ improved definitions of an asset and a liability, and guidance supporting these definitions; ○ updated recognition criteria for assets and liabilities; and ○ clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. <p>The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing a separate accompanying document, amendments to references to the Conceptual Framework in IFRS Standards, which outlines the consequential amendments made to affected IFRS standards. This was done to support transition to the revised Conceptual Framework for companies that develop and apply accounting policies using the Conceptual Framework when no IFRS standard or interpretation applies to a particular transaction.</p>

The following IFRS Standards, amendments and interpretations are not yet effective but relevant to the Scheme's operations:

Effective date	Standard, Amendment or Interpretation	Impact on the Scheme
Annual periods beginning on or after 1 January 2023	IFRS 17 <i>Insurance Contracts</i>	<p>IFRS 17 will impact the measurement of the contracts with members in the Scheme's financial statements. The Scheme will qualify for the premium allocation approach which requires the Scheme to recognise a liability for remaining coverage (with reference to the premiums received) and a liability for incurred claims (calculated as the expected cash outflows and a risk adjustment). The Scheme expects that the boundary of the contracts with members will be one year. The Scheme will be required to assess for onerous contracts at the point members elect the benefit option for the following year.</p> <p>The effective date of IFRS 17 has been deferred by two years to annual reporting periods beginning on or after 1 January 2023. The standard should be applied retrospectively.</p> <p>Early application is permitted.</p>

Notes to the Annual Financial Statements (continued)

Effective date	Standard, Amendment or Interpretation	Impact on the Scheme
Annual reporting periods beginning on or after 1 June 2020	COVID-19 Related Rent Concessions (Amendments to IFRS 16)	<p>The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications. The resulting accounting will depend on the details of the rent concession. The practical expedient will only apply if:</p> <ul style="list-style-type: none"> ○ the revised consideration is substantially the same or less than the original consideration; ○ the reduction in lease payments relates to payments due on or before 30 June 2021; and ○ no other substantive changes have been made to the terms of the lease. <p>Lessees applying the practical expedient are required to disclose:</p> <ul style="list-style-type: none"> ○ that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and ○ the amount recognised in profit or loss for the reporting period arising from application of the practical expedient. <p>Early application is permitted.</p>
Annual periods beginning on or after 1 January 2022	IAS 37 - Onerous Contracts: Cost of Fulfilling a Contract	<p>Amendments to IAS 37, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both:</p> <ul style="list-style-type: none"> ○ the incremental costs – e.g. direct labour and materials; and ○ an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.
Annual periods beginning on or after 1 January 2022	Annual Improvements to IFRS Standards 2018-2020	<p>IFRS 9 Financial Instruments:</p> <p>The amendment clarifies that for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.</p> <p>Early application is permitted.</p>
Annual periods beginning on or after 1 January 2023	IAS 1 -Classification of liabilities as current or non-current -	<p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.</p>

3. EQUIPMENT AND OTHER ASSETS

	2020			2019		
	Cost R	Accumulated depreciation R	Carrying value R	Cost R	Accumulated depreciation R	Carrying value R
Motor vehicles	564 317	(203 823)	360 494	564 317	(118 291)	446 026
Office equipment	4 669 539	(2 236 430)	2 433 109	4 145 339	(1 520 460)	2 624 879
Computer equipment	4 761 139	(3 990 352)	770 787	4 761 139	(3 321 487)	1 439 652
Generator	1 267 594	(706 637)	560 957	1 267 594	(652 930)	614 664
Total	11 262 589	(7 137 241)	4 125 348	10 738 389	(5 613 168)	5 125 221

Notes to the Annual Financial Statements (continued)

RECONCILIATION OF EQUIPMENT AND OTHER ASSETS – 2020

	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Motor vehicles	446 026	-	-	(85 532)	360 494
Office equipment	2 624 879	524 200	-	(715 970)	2 433 109
Computer equipment	1 439 652	-	-	(668 865)	770 787
Generator	614 664	-	-	(53 707)	560 957
Total	5 125 221	524 200	-	(1 524 074)	4 125 348

RECONCILIATION OF EQUIPMENT AND OTHER ASSETS – 2019

	Opening balance R	Additions R	Additions through amalgamation* R	Disposals R	Depreciation R	Total R
Motor vehicles	48 581	426 156	-	-	(28 711)	446 026
Office equipment	319 406	2 536 841	(1 796)	-	(229 572)	2 624 879
Computer equipment	514 774	1 543 996	(14 625)	-	(604 493)	1 439 652
Generator	127 888	509 356	-	-	(22 580)	614 664
Total	1 010 649	5 016 349	(16 421)	-	(885 356)	5 125 221

4. INVESTMENT PROPERTIES

	2020			2019		
	Cost R	Accumulated depreciation R	Carrying value R	Cost R	Accumulated depreciation R	Carrying value R
Land and buildings	12 053 711	(1 647 474)	10 406 237	11 783 286	(1 647 474)	10 135 812
Partitioning, electrical and fittings	2 219 372	(1 167 702)	1 051 670	2 219 372	(1 057 249)	1 162 123
Lift	2 572 553	(557 470)	2 015 083	2 572 553	(458 324)	2 114 229
Airconditioners	2 735 015	(1 428 159)	1 306 856	2 693 812	(1 064 115)	1 629 697
Total	19 580 651	(4 800 806)	14 779 845	19 269 023	(4 227 162)	15 041 861

RECONCILIATION OF INVESTMENT PROPERTIES – 2020

	Opening balance R	Additions R	Depreciation R	Total R
Land and buildings	10 135 812	270 425	-	10 406 237
Partitioning, electrical and fittings	1 162 123	-	(110 453)	1 051 670
Lift	2 114 229	-	(99 146)	2 015 083
Airconditioners	1 629 697	41 203	(364 044)	1 306 856
Total	15 041 861	311 628	(573 644)	14 779 845

Notes to the Annual Financial Statements (continued)

RECONCILIATION OF INVESTMENT PROPERTIES – 2019

	Opening balance	Additions	Depreciation	Total
	R	R	R	R
Land and buildings	7 591 756	2 544 056	-	10 135 812
Partitioning, electrical and fittings	163 945	1 057 249	(59 071)	1 162 123
Lift	1 127 221	1 086 105	(99 097)	2 114 229
Airconditioners	871 753	1 064 115	(306 171)	1 629 697
Total	9 754 675	5 751 525	(464 339)	15 041 861

Investment properties comprise the land and buildings on the corner of OR Tambo Road and Susanna Street, erf 5091 and erf 286, Emalahleni (Witbank) and the vacant land in Susanna Street, erf 5090. The fair value of the properties as valued by the Board of Trustees on 31 December 2020 is R 50 million (2019: R50 million). Management has assessed the residual value of the building to be R16.5 million. This is greater than the current carrying value of the building and therefore no depreciation has been processed. Direct operating expenses arising from the property that generated rental income amount to R3 574 775 (2019: R2 733 989) and which did not generate rental income amount to R1,075,446 (2019: R4 927 984).

5. INVESTMENTS

Investments are held at fair value through other comprehensive income and comprise:

	2020	2019
	R	R
Segregated multiclass portfolio	172,982,129	163,602,411
Linked fund policies	289,556,196	277,233,732
Money market instruments	275,054,942	240,620,636
Total	737,593,267	681,456,779

The underlying asset allocation, on a look-through basis, is as follows:

Cash	358,713,875	334,288,742
Investments in property	9,330,336	12,149,957
Interest-bearing investments, including bonds	200,500,945	186,486,348
Listed equities	169,048,111	148,531,732
Total	737,593,267	681,456,779

The split between the non-current and current portions of investments is as follows:

Non-current assets	462 538 325	440,836,143
Current assets	275 054 942	240,620,636
Total	737 593 267	681,456,779

Refer to note 1.5 financial instruments, for details of valuation policies and processes.

Reconciliation of fair value of investments:

Balance at the beginning of the year	681 456 779	675 827 331
Additions	20 000 000	9 258 756
Proceeds on disposal	-	(53 000 000)
Investment income capitalised net of fees	36 136 488	49 370 693
Balance at the end of the year	737 593 267	681 456 780

Notes to the Annual Financial Statements (continued)

6. TRADE AND OTHER RECEIVABLES

	2020	2019
	R	R
Insurance receivables		
Contributions receivable	22 375 367	17 083 485
Recoveries from members and suppliers	3 221 433	321 420
Provision or impairment losses	(71 809)	(110 385)
Total receivables arising from insurance contracts	25 524 991	17 294 520
Financial assets		
Prepayments	54 386	74 891
Sundry debtors	249 872	-
Deposits paid	99 666	99 666
Rental income receivable	1 116 723	234 675
Provision for impairment loss on rental income receivable	(1 022 723)	-
	497 924	409 232
Total trade and other receivables	26 022 914	17 703 752

Exposure to credit risk

Trade and other receivables inherently expose the Scheme to credit risk, being the risk that the Scheme will incur financial loss if customers fail to make payments as they fall due. All members' contributions outstanding and savings plan advances older than 90 days are provided for as historical experience indicates that receivables that are past due beyond 90 days are generally not recoverable. All outstanding recoveries from members for co-payments from 90 to 120 days are provided for, with historical experience these types of receivables that are immediately due are generally not recoverable. Recoveries from providers pertain mainly to debts under investigation and these debtors are provided for on an individual basis subject to frequency of payments received from these debtors. The Scheme monitors payments monthly and follows up in cases of non-payment.

Age analysis of trade and other receivables:

	2020	2020	2020	2019	2019	2019
	Gross carrying amount	Impairment	Carrying amount	Gross carrying amount	Impairment	Carrying amount
	R	R	R	R	R	R
Insurance receivables						
Not past due	25 236 449	-	25 236 449	17 168 298	(110 385)	17 057 913
Past due 30 days	14 358	-	14 358	41 342	-	41 342
Past due 60 days	34 808	-	34 808	24 530	-	24 530
Past due 90 days	9 600	-	9 600	6 557	-	6 557
More than 120 days	301 586	(71 809)	229 777	164 178	-	164 178
	25 596 800	(71 809)	25 524 991	17 404 905	(110 385)	17 294 520
Financial assets						
Not past due	247 055	-	247 055	202 151	-	202 151
Past due 30 days	683	-	683	194 836	-	194 836
Past due 60 days	132 981	(132 664)	318	12 212	-	12 212
Past due 90 days	161 113	(161 113)	-	-	-	-
More than 120 days	978 815	(728 946)	249 869	33	-	33
	1 520 647	(1 022 723)	497 924	409 232	-	409 232
Total	27 117 447	(1 094 533)	26 022 914	17 814 137	(110 385)	17 703 752

Notes to the Annual Financial Statements (continued)

The Scheme establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The provision is based on the difference between the carrying amount and the amount recoverable from the counterparty.

The Scheme establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The provision is based on the difference between the carrying amount and the amount recoverable from the counterparty. The allowance for impairment losses at 31 December 2020 relates to:

- contributions receivable older than 90 days for which a repayment plan is not in place or is in default;
- the debtor is unlikely to pay, i.e. when the borrower is deceased, insolvent or becoming bankrupt, or when an active market for the financial asset has disappeared because of financial difficulties.

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed with reference to historical information about counterparty default. It can further be based on the fact that the Scheme is a closed scheme and active members' subscriptions being guaranteed by participating employers. The Trustees therefore believe that the credit quality is high. Based on the credit quality of trade and other receivables and their historical default rates, the Scheme believes that the impairment allowance is appropriate.

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

7. CASH AND CASH EQUIVALENTS

	2020	2019
	R	R
Current accounts	39 134 205	31 698 066
Call accounts	41 890 273	6 824 875
	81 024 478	38 522 941

The effective interest rate on the bank account were 1.45% (2019: 1.00%).

The carrying amount of the cash and cash equivalents approximates the fair values due to the short-term maturities of these balances.

8. RETIREMENT BENEFIT OBLIGATION

POST-RETIREMENT MEDICAL AID BENEFIT

On retirement the staff employed by the Scheme as at 31 January 2011, will receive a medical aid subsidy equal to 50% of their medical aid contribution per month for the remainder of their lives. Surviving spouses of employees entitled to the subsidy will continue to receive the benefit. The benefit will cease upon the death of the surviving spouse. The actuarial valuation to determine the liability is performed every year and the liability is unfunded. The post-retirement medical aid benefit liability is measured at the present value of the amount payable for the remaining lives of the beneficiaries and their surviving spouses. Employees become eligible for the medical aid subsidy on normal retirement at any age after 60.

Notes to the Annual Financial Statements (continued)

Movements in the post-retirement medical aid benefit for the year are as follows:

	2020	2019
	R	R
Balance at the beginning of the year	2 810 000	2 970 000
Expenses in respect of the current year		
Service cost	92 000	171 000
Interest cost	182 000	333 000
Benefits paid	(38 000)	(31 000)
Settlements	(1 379 000)	-
Remeasurements	(189 000)	(633 000)
	1 478 000	2 810 000

Net expense/(income) recognized in surplus or deficit:

Employment costs/benefit	(45 313)	129 000
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Split between non-current and current portions:

Non-current liabilities	1 445 984	2 696 880
Current liabilities	32 016	113 120
	1 478 000	2 810 000

If the assumed future rate of medical inflation was 1% higher, the liability would have been R286 732 (2019: R446 790 higher).

The five year summary of the post-retirement medical aid benefit liability as at 31 December 2019 is as follows:

	2020	2019	2018	2017	2016
	R	R	R	R	R
Present value of liability	1 478 000	2 810 000	2 970 000	3 427 223	2 731 000
Actuarial gain/(loss)	189 000	633 000	964 323	(253 951)	365 041

Key assumptions used:

An actuarial valuation was performed by independent valuers, 3One Actuaries (Pty) Ltd, on 31 December 2020, using the Projected Unit Credit discounted cashflow method. The projections contained in the valuation was consistent with those used in the prior year. The key assumptions used were:

	2020	2019
	R	R
Discount rate	13.11%	11.62%
Real discount rate	2.81%	2.48%
Health care cost inflation	10.02%	8.92%
Long-term price inflation	8.52%	7.42%
Expected increase in salaries	10.02%	8.92%
Retirement age	63	63
Mortality rates	Pre-retirement: SA 85-90 (light) with a 3 year age reduction for females Post-retirement: PA(90)	

Notes to the Annual Financial Statements (continued)

9. PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITIES

	2020 R	2019 R
Balance of savings account balances at the beginning of the year	199,859,865	178,696,345
Net movement for the year:		
Savings account contributions received	126,236,983	114,300,283
Transfers from other schemes in terms of Regulation 10(4)	864,103	1,034,852
Interest and other income earned on monies invested in terms of the rules of the Scheme	10,609,137	10,577,253
Claims paid out of savings	(92,072,878)	(93,640,619)
Transfers to other schemes in terms of Regulation 10(4)	-	(26,500)
Refunds on death or resignation in terms of regulation 10(5)	(12,313,532)	(11,081,749)
Balances due to members on personal medical savings account balances held at the end of the year	233,183,678	199,859,865

The personal medical savings account liability contains a demand feature in terms of Regulation 10 of the Act that any credit balance on a member's personal medical 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 personal medical savings account or does not enrol in another medical scheme.

Interest is paid in terms of the rules of the scheme on the personal medical savings accounts on a monthly basis, based on the effective interest method.

It is estimated that claims to be paid out of members' personal medical savings accounts in respect of claims incurred in 2020 but not recorded amount to R5 524 033 (2019: R5 738 040).

Advances on personal medical savings accounts are funded by the Scheme and are included in trade and other receivables. The scheme does not charge interest on advances on personal medical savings accounts.

Unclaimed monies are written back to scheme funds to the extent that it has prescribed in terms of the Prescription Act 69 of 1969.

10. OUTSTANDING RISK CLAIMS PROVISION

Not covered by risk transfer arrangements

Provision for outstanding risk claims – incurred but not yet reported

Provision arising from liability adequacy test

25 620 392	26 444 000
-	-
25 620 392	26 444 000

Analysis of movements in outstanding risk claims:

Balance at the beginning of year

Payments in respect of prior year

Under provision in prior year

Adjustment of current year

Balance at end of year

26 444 000	23 471 000
(28 352 585)	(25 506 977)
(1 908 585)	(2 035 977)
27 528 977	28 479 977
25 620 392	26 444 000

Notes to the Annual Financial Statements (continued)

Analysis of outstanding risk claims provision:

	2020	2019
	R	R
Estimated gross claims per registered rules	31 144 425	32 182 040
Less: Estimated savings plan claims	(5 524 033)	(5 738 040)
Balance at year end	25 620 392	26 444 000

The Scheme does not carry any risk in terms of the capitation fee agreement and therefore did not make a provision for those claims under the IBNR provision.

PROCESS USED TO DETERMINE THE ASSUMPTIONS

The process used to determine the assumptions is intended to result in a neutral estimate of the most likely or expected outcome or to provide a given level of assurance. The sources of data used as inputs for the assumptions are internally obtained. In determining the estimate there is more emphasis on current trends taking past experience into account. However, the ultimate liabilities may vary as a result of subsequent developments.

The sources of data used as inputs for the assumptions incorporated claims payment information with service dates during 2019 and 2020, with payment dates to 30 March 2021. The claims payment information during 2019 enhances the reliability of results by allowing for incorporation of historic claims payment run-off trends.

The sources of information used as inputs for the assumptions was provided by the Scheme's IT system administrator and Ntsika claims data was provided by the co-administrator. The data has not been audited. However, reasonability checks were performed that provide comfort that the data is sufficiently accurate for the purposes of this exercise.

The following are examples of the data checks were performed:

- detection of unrealistic/impossible values (e.g service dates in the future);
- reasonability of total claims amounts relative to historic values;
- claims amounts relative to independent sources (e.g management accounts); and
- ensuring completeness of the data.

ASSUMPTIONS

The assumptions that have the greatest effect on the measurement of the outstanding risk claims provision are the expected claims ratios for the most recent benefit years for each of the scheme's benefit options. These are used for assessing the outstanding risk claims provisions for the 2020 and 2019 benefit years.

Expected claim ratios are calculated by the Scheme's actuaries using the Chain Ladder Method ("CLM"). The expected claims ratio assumed for the benefit years 2020 and 2019 is 9.46% and 5.63% respectively for Comprehensive, 7.19% and 13.06% respectively for Midmas and 12.67% and 9.24% respectively for Ntsika. The Scheme does not carry any risk in terms of the capitation fee agreement and therefore did not make a provision for Yebomed option claims.

CHANGES IN ASSUMPTIONS AND SENSITIVITIES TO CHANGES IN KEY VARIABLES

The table below outlines the sensitivity of insured liability estimates for reasonable possible movements in assumptions used in the estimation process. It should be noted that this is a deterministic approach with no correlations between the key variables.

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, assessment of and reasonable changes to that variable in the future may be required.

Notes to the Annual Financial Statements (continued)

An analysis of sensitivity around various scenarios for the general medical insurance business provides an indication of the adequacy of the Scheme's estimation process. The Scheme believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based on certain variables and assumptions, which could differ when claims arise.

Impact on members' funds reported caused by reasonable possible changes in key variables:

The actuaries have considered the possible sensitivity of the IBNR estimate to change by considering the distribution of the 200 estimates produced through the bootstrapping process employed.

The table below compares the IBNR provision to the 1st and 99th percentile of simulated IBNR estimates:

	IBNR Estimate	Difference to recommended provision	Difference
	R	R	%
First percentile (bottom-end)	25 035 841	(584 551)	(2.3%)
IBNR provision	25 620 392	26,444,000	-
99th percentile (top-end)	26 049 362	428 970	1.7%

This analysis is prepared for a change in a specified variable with other assumptions remaining constant. The change in liability also represents the absolute change in income / (expense) for the period. It should be noted that increases in liabilities will result in decreases in members' funds and vice versa. These reasonable possible changes in key variables do not result in any changes directly in reserves.

If volatility is in line with that observed since the beginning of 2019, there is a 99% probability that the ultimate claims experience for 2020 will prove, at worst, R428 970 (2019: R549 698) worse than that incorporated in the recommended IBNR provision. This represents 0.1% of the total claims estimate for 2020.

11. TRADE AND OTHER PAYABLES

	2020	2019
	R	R
Insurance payables		
Reported claims not yet paid	26 697 472	23 644 720
Contributions received in advance	2 399 840	1 895 207
Unallocated deposits	124	420
Total receivables arising from insurance contracts	29 097 436	25 540 347
Financial liabilities		
Provision for audit fees	521 312	1 171 541
Provision for employee costs	1 261 837	824 000
Accruals	1 265 204	1 253 199
VAT liability	15 342	41 897
	3 063 695	3 290 637
Total trade and other payables	32 161 131	28 830 984

The fair value of trade and other payables approximate their carrying amounts due to the short-term nature of these liabilities.

Notes to the Annual Financial Statements (continued)

12. LEASE LIABILITIES

Details pertaining to leasing arrangements, where the Scheme is lessee, are presented below:

	2020	2019
	R	R
Current liabilities	-	57,327

The Scheme adopted IFRS 16 during the 2019 financial year. Office equipment relating to the lease of a photocopier was the only qualifying asset affected by IFRS 16. There are other leases for office equipment, but due to their low value they are still being recognised as operating leases in accordance with the previous requirements of IAS 17.

The maturity analysis of lease liabilities is as follows:

Within one year	-	84,804
Withing two to five years	-	195,897
	-	280,701

13. RISK CONTRIBUTION INCOME

Gross contributions per registered rules	574,549,505	516,173,108
Less: Personal medical savings account contributions received*	(126,236,983)	(114,300,283)
Risk contribution income per statement of comprehensive income	448,312,522	401,872,825

*The Savings contributions are received by the scheme in terms of Regulation 10(1) and the scheme's registered rules and held in trust on behalf of its members. Refer to note 9 to the financial statements for more detail on how these monies were utilised.

14. RELEVANT HEALTHCARE EXPENDITURE

Claims incurred excluding claims incurred in respect of risk transfer arrangements

Current year claims per registered rules	429 044 574	439 733 813
Third party claims recoveries	(644 664)	(535 139)
Movement in outstanding risk claims provision:		
Under provision in prior year	1 908 585	2 035 977
Adjustment for current year	(2 732 193)	2 973 000
Claims paid from personal medical savings accounts*	(92 072 878)	(93 640 619)
Accredited managed healthcare services (note 15)	7 394 068	6 022 817
	342 897 492	356 589 849

Claims incurred in respect of risk transfer arrangements

	22 500 388	46 675 216
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Net claims incurred per the statement of comprehensive income

	365 397 880	403 265 065
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*Claims are paid on behalf of the members from their personal savings accounts in the terms of Regulation 10(3) and the scheme's registered benefits. Refer to note 9 to of the financial statements for a breakdown of the movement in these balances.

Notes to the Annual Financial Statements (continued)

Net income/ (expense) on risk transfer arrangements

Risk transfer arrangement fees	23 268 650	45 337 491
Recoveries from risk transfer arrangement	(22 500 388)	(46 675 216)
Net income/ (expense)	768 262	(1 337 725)

A risk transfer arrangement is defined by IFRS 4 as an insurance contract issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant. The cost the Scheme would have incurred to deliver the specified benefits had it not entered into the capitation agreement primarily represents the Scheme's exposure to its members, as the capitation agreement cannot absolve the Scheme from its responsibility towards its members. This "cost" is disclosed as claims incurred.

The Scheme would have incurred this cost (had it not entered into the capitation agreement) to deliver the specified benefits and as such it represents the Scheme's recovery in kind from the service provider. This recovery in kind, of cost incurred, is disclosed as recoveries from risk transfer arrangements.

The Scheme entered into a risk transfer arrangement (capitation contract) whereby the parties agreed that the Anglo Coal Highveld Hospital render services to beneficiaries on the Yebomed option. A fixed fee is paid monthly to ACHH per beneficiary. ACHH are responsible for pre-authorising and funding all benefits applicable to the Yebomed option as per the registered rules of the Scheme.

The Yebomed option is fully capitated through a comprehensive Health Maintenance Organisation providing a full range of health services as well as healthcare. Actual claims data was used to determine the under the risk transfer arrangement for the 2020 financial year. In 2019 the Scheme's actuaries to performed a valuation on the capitation fee arrangement to determine whether it is in the members' best interest or not. This valuation was done as actual claims data was not available. They determined the claims that Yebomed beneficiaries were expected to make in a fee for service environment given their demographic profile and benefits available to them. The assumptions used to determine the recovery from the arrangement were:

- generally lower claiming expectations for a healthy, low-income mining group;
- mining-specific health demands; and
- higher primary health costs due to proximity of facilities and resulting ease of access.

15. ACCREDITED MANAGED HEALTHCARE SERVICES

	2020	2019
	R	R
Active risk management services	2,938,711	2,159,640
Hospital benefit management services	2,843,520	2,488,680
Pharmacy benefit management services	922,707	856,909
Disease risk management support services	538,051	517,588
Managed care network management services and risk management	151,078	-
	7,394,068	6,022,817

Notes to the Annual Financial Statements (continued)

16. ADMINISTRATION FEES AND OTHER OPERATIVE EXPENSES

	2020	2019
	R	R
Actuarial fees	552,000	343,875
AGM and committee meeting expenses	35,557	221,667
Association fees	20,590	147,195
Audit fees	1,229,416	1,484,107
Bank charges	280,337	276,035
Board of Trustees remuneration and considerations	28,904	140,014
Computer expenses	7,410,520	3,850,312
Consulting fees	905,666	2,835,835
Council for Medical Schemes expenses	402,605	1,331,385
Debt collection fees	1,103	8,741
Depreciation, amortisation and impairments	1,578,655	978,922
Donations	-	34,940
Employee costs	13,810,116	18,536,790
Fidelity insurance	-	28,434
Insurance	215,306	176,921
Legal fees	2,141,623	-
Levies	11,818	42,360
Marketing	498,395	2,623,460
MVA collection fees	18,411	20,188
Operating leases - office equipment	133,476	106,488
Other expenses	-	15,024
Pharmacy real time switching fees	1,351,920	1,259,083
Principal officer's conference and travel costs	149,853	372,382
Principal officer's remuneration	4,257,462	4,026,791
Printing and stationery	173,370	352,857
Professional indemnity insurance	44,487	44,487
Repairs and maintenance	21,497	80,448
Sub-contracted administration costs	1,157,326	353,710
Telephone and postage	420,217	503,761
Travel, accommodation and conferences	116,405	172,020
	36,967,032	40,368,232

Notes to the Annual Financial Statements (continued)

17. TRUSTEES' REMUNERATION AND CONSIDERATIONS

	Fees for meeting attendance R	Travelling and other expenses for meetings and conferences R	Total R
2020			
BOARD OF TRUSTEES			
JC de Carvalho	19,723	-	19,723
KL Leripa	-	810	810
	19,723	810	20,533
AUDIT AND GOVERNANCE COMMITTEE			
AJ de Klerk	5,379	2,992	8,371
	25,102	3,802	28,904
2019			
BOARD OF TRUSTEES			
JC de Carvalho	19,521	-	19,521
AD de Jager	7,071	87	7,158
M Dugmore	-	29,889	29,889
KL Leripa	-	39,357	39,357
PM Motubatse	-	30,161	30,161
	26,592	99,494	126,086
AUDIT AND GOVERNANCE COMMITTEE			
AD de Jager	3,586	686	4,272
AJ de Klerk	6,275	2,046	8,321
	9,861	2,732	12,593
INVESTMENT COMMITTEE			
Committee experts	1,335	-	1,335
	37,788	102,226	140,014

18. SUNDRY INCOME

Over-utilisation levy	-	636,000
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Notes to the Annual Financial Statements (continued)

19. CASH GENERATED FROM/(USED IN) OPERATIONS

	2020 R	2019 R
Net surplus/(deficit) for the year	71 199 691	(3 240 290)
Adjustment for non-cash flow items:		
Depreciation	2 152 299	1 443 262
Investment income	(40 323 407)	(53 598 831)
Investment manager fees	3 012 086	3 413 659
Net rental income on use of own facilities by third parties	696 891	2 967 500
Changes in working capital		
(Increase)/decrease in trade and other receivables	(8 319 162)	(319 959)
Increase in personal medical savings accounts liabilities	33 323 814	21 163 520
Increase/(decrease) in outstanding claims provision	(823 608)	2 973 000
Increase/(decrease) in trade and other payables	3 330 148	(234 119)
Increase/(decrease) in retirement benefit obligation	(1 332 000)	(160 000)
	62 916 750	(25 592 258)

20. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION

2020	Comprehensive R	Midmas R	Ntsika R	Yebomed R	Scheme R
Gross contribution income	497 006 855	11 224 312	41 562 339	24 756 000	574 549 506
Savings contributions	(124 216 607)	(2 020 377)	-	-	(126 236 984)
Risk contribution income	372 790 248	9 203 935	41 562 339	24 756 000	448 312 522
Relevant healthcare expenditure					
Risk claims incurred	(389 419 982)	(8 726 161)	(23 863 862)	(22 500 388)	(451 060 394)
Savings claims paid	90 380 264	1 692 614	-	-	92 072 878
Accredited managed healthcare services	(5 704 075)	(156 433)	(1 533 560)	-	(7 394 068)
Provision for outstanding claims	3 404 087	(151 841)	(2 428 638)	-	823 608
Net loss on risk transfer arrangements	-	-	-	(768 262)	(768 262)
Third party claim recoveries	160 095	-	-	-	160 095
	(308 179 612)	(6 891 821)	(27 826 060)	(23 268 650)	(366 166 143)
Gross healthcare result	64 610 636	2 312 114	13 736 279	1 487 350	82 146 379
Administration expenditure	(32 884 092)	(324 118)	(2 296 228)	(1 462 594)	(36 967 032)
Net impairment on healthcare receivables	34 631	(19 580)	-	-	15 051
Net healthcare result	31 761 175	1 968 416	11 440 051	24 756	45 194 398

Notes to the Annual Financial Statements (continued)

2019

	Comprehensive R	Midmas R	Ntsika R	Yebomed R	Scheme R
Gross contribution income	451 763 864	7 705 617	8 634 137	48 069 490	516 173 108
Savings contributions	(112 913 271)	(1 387 012)	-	-	(114 300 283)
Risk contribution income	338 850 593	6 318 605	8 634 137	48 069 490	401 872 825
Relevant healthcare expenditure					
Risk claims incurred	(431 214 742)	(5 424 159)	(5 354 194)	(46 451 911)	(488 445 006)
Savings claims paid	92 419 160	1 221 459	-	-	93 640 619
Accredited managed healthcare services	(5 443 389)	(110 727)	(468 701)	-	(6 022 817)
Provision for outstanding claims	(3 090 000)	288 000	(171 000)	-	(2 973 000)
Risk transfer arrangements	-	-	-	1 337 725	1 337 725
Third party claim recoveries	535 139	-	-	-	535 139
	(346 793 832)	(4 025 427)	(5 993 895)	(45 114 186)	(401 927 340)
Gross healthcare result	(7 943 239)	2 293 178	2 640 242	2 955 304	(54 515)
Broker services	(28 835)	(962)	(2 828)	-	(32 625)
Administration expenditure	(36 422 915)	(264 636)	(773 448)	(2 907 233)	(40 368 232)
Net impairment on healthcare receivables	(64 783)	3 529	(83)	-	(61 337)
Net healthcare result	(44 459 772)	2 031 109	1 863 883	48 071	(40 516 709)

21. RELATED PARTIES

Relationships

Key management personnel	Trustees and their close family members Principal Officer and her close family members Acting Principal Officer and her close family members
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Related party balances/transactions

	2020 R	2019 R
Trustee Remuneration (note 17)	20,533	130,358
Contributions received in terms of the Scheme's Rules	1,126,626	983,320
Claims paid in terms of the Scheme's Rules	563,464	842,203
Principal Officer Remuneration	4,257,462	4,026,791
Principal Officer Travel, accommodation and conferences	103,978	372,382
Principal Officer Cell phone and other reimbursements	44,087	-
Savings account balances	120,046	71,201
Loan receivable	249,872	-

All costs were charged at market related prices in accordance with the provisions of the Act.

Notes to the Annual Financial Statements (continued)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

22.1 FAIR VALUES AND FINANCIAL INSTRUMENTS

The fair value of publicly traded financial instruments held as available-for-sale securities is based on quoted market prices at the reporting date. The face value less estimated credit adjustments for assets and liabilities with maturities less than one year is assumed to approximate their fair values.

Level 1: Quoted market price (unadjusted in an active market for an identical instrument).

Level 2: Valuation techniques based on observable inputs, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant un-observable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

22.1.1 Categories of financial assets

	Fair value level	Fair value through OCI R	Amortised cost R	Total carrying amount R	Fair value R
2020					
Investments (note 5)					
• Cash	1	358,713,875		358,713,875	358,713,875
• Listed equities	1	169,048,111		169,048,111	169,048,111
• Investments in property	1	9,330,336		9,330,336	9,330,336
• Interest-bearing investments, including bonds	1	200,500,945		200,500,945	200,500,945
Non-insurance receivables (note 6)	3		1,520,647	1,520,647	497,924
Cash and cash equivalents (note 7)	1		81,024,478	81,024,478	81,024,478
		737,593,267	82,545,125	820,138,392	819,115,669
2019					
Investments (note 5)					
• Cash	1	334,288,742		334,288,742	334,288,742
• Listed equities	1	148,531,732		148,531,732	148,531,732
• Investments in property	1	12,149,957		12,149,957	12,149,957
• Interest-bearing investments, including bonds	1	186,486,348		186,486,348	186,486,348
Non-insurance receivables (note 6)	3		409,232	409,232	409,232
Cash and cash equivalents (note 7)	1		38,522,941	38,522,941	38,522,941
		681,456,779	38,932,173	720,388,952	720,388,952

Notes to the Annual Financial Statements (continued)

22.1.2 Categories of financial liabilities

	Fair value level	Amortised cost R	Total carrying amount R	Fair value R
2020				
Outstanding risk claims provision (note 10)	2	25 620 392	25 620 392	25 620 392
Non-insurance payables (note 11)	3	3 063 695	3 063 695	3 063 695
		28 684 087	28 684 087	28 684 087
2019				
Outstanding risk claims provision (note 10)	2	26,444,000	26,444,000	26,444,000
Non-insurance payables (note 11)	3	3,290,637	3,290,637	3,290,637
Lease liabilities (note 12)	3	57,327	57,327	57,327
		29,791,964	29,791,964	29,791,964

22.2 FINANCIAL RISK MANAGEMENT

The Scheme's activities expose it to a variety of financial risks, including the effects of changes in the equity market, foreign currency exchange rates 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 performance of the investments, which the Scheme holds to meet its obligations to its members.

Risk management and investment decisions are carried out by the Investment Committee, under the guidance and policies approved by the Board of Trustees. The Investment Committee identifies and evaluates financial risks associated with the Scheme's investment portfolio. The Investment Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and policies around the investment of excess funds. The Board of Trustees reviews and signs off on these written policies.

This section discusses the Scheme's risk management policies. The measurement of expected credit losses uses the information and approaches that the Scheme uses to manage risk.

22.2.1 Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Scheme.

The Scheme's principle financial assets subject to credit risk are investments, cash and cash equivalents and trade and other receivables. The Scheme does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics. The Scheme defines counterparties as having similar characteristics if they are related entities.

The credit risk is primarily attributable to its trade and other receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Credit risk on liquid funds is limited to high credit quality financial institutions with high credit ratings assigned by international credit-rating agencies.

The amounts presented in the statement of financial position are net of allowances for impaired receivables.

Notes to the Annual Financial Statements (continued)

The maximum exposure to credit risk is presented in the table below:

	2020			2019		
	Fair value/ Amortised cost	Impairment	Carrying amount	Fair value/ Amortised cost	Impairment	Carrying amount
	R	R	R	R	R	R
Investments (note 5)	737,491,259	-	737,491,259	681,456,779	-	681,456,779
Non-insurance receivables (note 6)	1,520,647	(1,022,723)	497,924	409,232	-	409,232
Cash and cash equivalents	81,024,478	-	81,024,478	38,522,941	-	38,522,941
	820,036,384	(1,022,723)	819,013,661	720,388,952	-	720,388,952

	Top 5 holdings at 31 December	Ratings (long term)	Percentage of portfolio	
			2020	2019
			Current accounts	Nedbank Ltd
Money market	Nedbank Ltd	Baa3	20.8%	21.4%
	FirstRand Bank Ltd	Baa3	22.0%	22.9%
	Standard Bank Group Ltd	Baa3	20.2%	17.0%
	ABSA Bank Ltd	Baa3	21.7%	20.8%
	Investec Bank Ltd	Baa3	13.6%	16.3%
	Other	Baa3	1.7%	1.6%
			100.0%	100.0%

Baa Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

22.2.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Trustees, which has built an appropriate liquidity risk management framework for the management of the Scheme's short, medium and long-term funding and liquidity management requirements.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities; the availability of funding through liquid cash positions with various financial institutions ensures that the Scheme can fund the day-to-day operations. The Scheme manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The financial liabilities posing a liquidity risk are outstanding claims provision and trade and other payables.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

Notes to the Annual Financial Statements (continued)

	0 - 1 Month	2 - 3 Months	4 - 9 Months	Contractual cash flows	Carrying amount
	R	R	R	R	R
2020					
Current liabilities					
Outstanding risk claims provision (note 10)	22 802 149	2 562 039	256 204	25 620 392	25 620 392
Non-insurance payables (note 11)	3 063 695	-	-	3 063 695	3 063 695
	25 865 844	2 562 039	256 204	28 684 087	28 684 087
2019					
Current liabilities					
Outstanding risk claims provision (note 10)	-	26,444,000	-	26,444,000	26,444,000
Non-insurance payables (note 11)	3,290,637	-	-	3,290,637	3,290,637
Lease liabilities (note 12)	-	57,327	-	57,327	57,327
	3,290,637	26,501,327	-	29,791,964	29,791,964

22.2.3 Interest rate risk

The Scheme's investment policy during the year under review was to hold most of investments in interest bearing instruments. The Scheme's investments were therefore exposed to changes in the market interest rates. Except for the Scheme's investments in interest-bearing instruments, cash and cash equivalents also expose the Scheme to interest rate risk. The table below summarises the Scheme's exposure to interest rate risks. Included in the table are the Scheme's investments at carrying amounts categorised by earlier of contractual repricing or maturity dates.

	Carrying amount	
	R	
Assets	2020	2019
Investments in property (note 5)	9,330,336	12,149,957
Interest-bearing investments, including bonds (note 5)	200,500,945	186,486,348
Cash and cash equivalents (notes 5 and 7)	439,738,354	372,811,683
	649,569,634	571,447,988

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Change in interest rates by 100 basis points

	2020		2019	
	Increase	Decrease	Increase	Decrease
	R	R	R	R
Impact surplus or deficit	6,495,696	(6,495,696)	5,714,480	(5,714,480)

22.2.4 Price risk

The Scheme is exposed to price risk because of investments held by the Scheme which are classified as at fair value through profit or loss or at fair value through other comprehensive income. The Scheme was not exposed to commodity risk. To manage its price risk arising from investments, the Scheme diversifies its portfolio. Diversification of the portfolio is done by the asset manager in accordance with the mandate set by the Scheme.

Notes to the Annual Financial Statements (continued)

The price risk sensitivity analysis has been determined based on the exposure to price risks at the reporting date on investments. The analysis assumes that all other variables remain constant. The method remained consistent with the prior period.

If the equity indexes had been 3% lower, the Scheme's surplus and accumulated funds for the year would have been unaffected as the equity investments are classified as investments at fair value through other comprehensive income. The revaluation reserve would reduce by R 5 million (2019: R 15 million) as a result of the change in the market value of instruments.

22.3 CAPITAL RISK MANAGEMENT

The Scheme manages its capital in order to maintain the capital requirements of the Act. Regulation 29 of the Act requires a minimum ratio of accumulated funds expressed as a percentage of gross annual contribution income to be 25%. The calculation of the regulatory requirement is set out in section 2.5 of the Report of the Board of Trustees.

23. STRUCTURED ENTITIES

The Scheme's investments in investee funds are subject to the terms and conditions of the respective investee fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investee funds. The asset manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. All investee funds in the investment portfolio are managed by portfolio managers who are compensated by the respective investee funds for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee and is reflected in the valuation of the fund's investment in each of the investee funds. These investments are included in investments at fair value through other comprehensive income as in the statement of financial position.

The exposure of the investments in investee funds at fair value is disclosed in the following table:

Investee fund	2020 R	2019 R
Coronation Medical Absolute	143,830,790	135,884,187
NinetyOne Stable Money	70,174,416	46,867,663
Prudential Medical Aid Inflation Plus 5%	145,725,407	141,349,545

The strategy of the investee funds is to protect the capital of investors in an absolute sense, whilst providing income in excess of short-term bank deposit rates. The Scheme is not exposed to any further risks of financial loss beyond the fair value of its share in the investee funds as outlined in the preceding table.

24. LIABILITY AND ADEQUACY TESTS

The liability adequacy test was considered and concluded not to be material. This is due to the fact that current estimates of future cash flows relating to the recognised liability equals the recognised liability as a result of the settlement of the recognised liability taking place within four months of report date.

25. COMMITMENTS AND CONTINGENCIES

OPERATING LEASE COMMITMENTS

	2020 R	2019 R
Minimum lease payments due:		
- within one year	82,485	109,979
- in the second to the fifth year inclusive	-	82,485
	82,485	192,464

Notes to the Annual Financial Statements (continued)

The Scheme entered into various operating lease agreements for office equipment. Leases on office equipment are contracted for a period of mostly three years. Some operating leases were capitalised as right-of-use assets with corresponding lease liability (refer to note 12), whilst the low value and short-term leases were recognised in surplus or deficit in accordance with IFRS 16. No contingent rent is payable.

CONTINGENT ASSETS

Claims against the Road Accident Fund for benefits paid on behalf of the Scheme's members are disclosed as a contingent asset as the inflow of economic benefits is probable, but not virtually certain.

26. INSURANCE RISK MANAGEMENT

26.1 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 exposed to the risk. These risks relate 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 also has exposure to market risk through its insurance and investment activities.

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

The Board of Trustees oversees the operational duties and management of insurance risk to which the Scheme is exposed. The Board of Trustees reviews the insurance risks to which the Scheme is exposed to at each meeting and ensures that the benefit options provided to members are structured to fall within the acceptable insurance risk levels specified.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. 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 is greater than expected.

The Scheme's affairs are governed by a set of rules, registered with the Council for Medical Schemes, which set out the benefits provided by each option and the definition of the restricted membership group.

Benefits provided include the following:

- In-hospital benefits cover costs incurred by members, whilst they are in hospital;
- Chronic disease benefits cover medication and consultations on all options. Disease management programmes have been designed to assist, educate and support members in managing their chronic illness;
- Day-to-day benefits cover the cost of out-of-hospital medical attention, such as visits to general practitioners and dentists as well as acute and over-the-counter medicines, subject to the benefit limits and Scheme tariffs contained in the Rules of the Scheme; and
- Other benefits such as the Scheme's disease management programmes, preventative wellness benefits and external appliances are available.

The Scheme has the right to change the terms and conditions of the contract in terms of the Scheme Rules. Management information, including contribution income, expenditure and claims ratios by option, is reviewed monthly.

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.

Notes to the Annual Financial Statements (continued)

26.2 NATURE AND EXTENT OF RISK ARISING FROM INSURANCE CONTRACTS

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

26.3 CONCENTRATION OF INSURANCE RISK

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 volatility of the outcome. The strategy is set out in the annual business plan, which specifies the benefits to be provided, the preferred target market and demographic split thereof.

In-hospital benefits cover all cost incurred by members, whilst they are in hospital to receive pre-authorised treatment for certain medical conditions. Chronic benefits cover the cost of certain prescribed medicines consumed by members for chronic conditions/diseases, such as high blood pressure, cholesterol and asthma. Day-to-day benefits cover the cost (up to 100% of the Scheme tariff) of all out of hospital medical attention, such as visits to general practitioners and dentists as well as prescribed non-chronic medicines. Savings account claims are excluded. All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contract at renewal.

Management information, including contribution income, claims ratios and demographic split, is reviewed monthly.

The following table summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred, excluding capitation fees, by age group in relation to the type of risk covered / benefits provided.

Age group	Unique beneficiaries	In-hospital		Chronic		Day to day		Total
		PMB	Non-PMB	PMB	Non-PMB	PMB	Non-PMB	
		R	R	R	R	R	R	
2020								
< 25	148	16 153 586	5 565 452	5 596 355	1 347 667	6 141 049	8 618 350	43 422 460
25 - 34	2 197	12 850 594	3 563 075	498 169	590 792	8 422 850	8 127 216	34 052 695
35 - 49	4 359	26 057 181	8 282 078	4 713 352	3 469 792	18 075 747	19 397 418	79 995 568
50 - 64	2 065	39 056 434	8 530 813	8 217 493	3 648 092	23 603 007	17 855 915	100 911 753
> 65	898	31 266 652	5 498 300	6 682 489	2 889 445	17 608 161	14 644 172	78 589 219
Total	9 667	125 384 447	31 439 718	25 707 858	11 945 788	73 850 813	68 643 072	336 971 696
2019								
< 25	204	21 533 718	9 320 185	6 258 027	1 182 418	11 063 604	12 051 865	61 409 817
25 - 34	1 817	12 660 356	4 031 851	790 845	815 796	7 990 231	7 497 942	33 787 021
35 - 49	2 807	21 073 022	10 218 736	4 991 955	3 620 776	16 694 107	18 059 504	74 658 100
50 - 64	1 564	29 322 062	10 349 177	8 272 835	3 436 069	21 685 373	18 336 701	91 402 217
> 65	884	35 750 157	5 147 073	6 193 464	3 106 081	20 258 296	17 124 135	87 579 206
Total	7 276	120 339 315	39 067 022	26 507 126	12 161 140	77 691 611	73 070 147	348 836 361

26.4 RISK TRANSFER ARRANGEMENTS

The Scheme reinsures a portion of the risks it underwrites so that it can limit its exposures to losses and protect capital resources. The Scheme has entered into a capitation agreement with Anglo Coal Highveld Hospital in respect of the Yebomed option.

The risk transfer arrangement spreads the risk and minimises the effect of losses. According to the terms of the capitation agreement, the Anglo Coal Highveld Hospital Network provides certain benefits to all Yebomed members, as and when required by the members. The Scheme does, however, remain liable to its members and suppliers with respect to ceded insurance obligations if any reinsurer (supplier) fails to meet the obligations it assumes.

Notes to the Annual Financial Statements (continued)

26.5 CLAIMS DEVELOPMENT

Claims development tables are not presented. The uncertainty regarding the amount and timing of claim payments are resolved within a year.

27. FIDELITY COVER

In accordance with the Rules of the Scheme, the fidelity cover at 31 December 2020 amounts to R 800,000 (2019: R 800,000). The cover is provided under a group Fidelity Policy covering the scheme.

28. MATTERS OF NON-COMPLIANCE WITH THE ACT

The Scheme places high priority to meeting requirements set by the Act. In this regard, the Scheme subjects itself to an independent external audit to ensure compliance. Due to this approach, the Scheme does not focus on one area of compliance only, but on all areas that affect the Scheme and ensures compliance in this way.

The following are non-compliance with the that arose during the year under review. The Scheme has not incurred any regulatory penalties, sanctions or fines for any contraventions. The details of each matter of non-compliance is disclosed below:

28.1 LATE RECEIPT OF CONTRIBUTIONS

Section 26(7) of the act requires that “all subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due.” Non-compliance could result in possible cash flow constraints and have an impact on interest income. During 2020, not all contributions billed were received within three days of the due date. The scheme continuously follows up on outstanding contributions and applies a credit control policy to overdue contributions.

28.2 CLAIMS PAID IN EXCESS OF 30 DAYS OF RECEIPT

Section 59(2) of the act states that “a medical scheme shall pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme.” The scheme endeavours to pay all claims within 30 days of receipt, however processing of a few claims is occasionally delayed due to procedures to ensure their validity. The claims paid outside of 30 days are investigated by management to ensure this matter is effectively managed.

28.3 INVESTMENTS IN ADMINISTRATORS, HOLDING COMPANY OF AN ADMINISTRATOR OR EMPLOYER GROUPS

Section 35(8) (a, c & d) of the Act prohibits a medical scheme from holding any investments in the business of any administrator of a medical scheme or any holding company of an administrator or any employer group. The Scheme has underlying investments in administrators of medical schemes (Liberty, MMI and Sanlam) amounting to 0.24% and employer groups (Anglo America Plc) of 1.09% of total net asset value. The Scheme has applied for an exemption from the Council for Medical Schemes.

28.4 MEMBERSHIP CERTIFICATES SENT LATER THAN 30 DAYS AFTER RESIGNATION

Regulation 3(2) of the Act requires that a medical scheme must, within 30 days of the termination of membership or at the time of request of any former member, or dependant, provide that member or dependant with a membership certificate reflecting their past membership and conditions that applied. In a few instances these were sent after 30 days. Management are in the process of automating this function to avoid future instances of human error.

Notes to the Annual Financial Statements (continued)

29. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

The impact of the COVID-19 is, and continues to be, significant. The Scheme funded 161 COVID-19 hospital cases in hospital totalling R 8.78 million. Unfortunately, 17 of those members passed away. The Scheme continues to fund the cost of COVID-19 testing for all members from risk benefits, where the relevant clinical entry criteria have been met, and has negotiated competitive pricing with pathology groups to contain the cost impact of this necessary risk measure.

Costs related to other-cause hospitalisations declined during 2020, with hospital facilities having stopped the provision of elective procedures for much of lockdown. Claims trends show that members, presumably being weary of exposure, have avoided healthcare settings where possible and hence day to day claims reduced overall as well. The net impact on overall relevant healthcare expenditure for 2020 is a decrease of 6.5% compared to prior year.

The Scheme forms part of an industry panel negotiating COVID-19 vaccination roll-out and pricing to the private healthcare market. Together with its actuaries, the Scheme estimates the cost of vaccination for all adult beneficiaries on WCMAS to be in the range of R10 – R15 million. In setting the Scheme's budget for 2021, the Board agreed to offset the pandemic cost, including vaccination, against its considerable accumulated reserves. Should the ultimate vaccination cost fall within this estimated range, the impact on reserves will be a small reduction of 1.8 to 2.6 percent. The Scheme is projected to remain well in excess of the minimum solvency level requirement of 25%.

The Board has reviewed the budgets and cash flow projections for the next twelve months from date of approval and has concluded that the going concern assumption is appropriate and will continue to be for the foreseeable future. The Board has an annual strategic meeting at which the business plan together with key performance indicators and strategic targets for the forthcoming year are formulated to ensure that all material risk areas are comprehensively addressed and that contingency plans are implemented. The Audit and Governance Committee regularly reviews the Scheme's risk register and management accounts and reports to the Board of trustees with recommendations regarding the necessary steps taken to mitigate such risks.

30. CORRECTION OF ERROR

During 2020, the Scheme discovered that its investments had been incorrectly classified as financial assets held at fair value through other comprehensive income since the 2018 financial year. Investments in unconsolidated structured entities have been reclassified as financial instruments held at fair value through profit or loss in accordance with *IFRS 9: Financial Instruments*. As a consequence, movements between accumulated funds and the revaluation reserve for investments at fair value through other comprehensive income have been misstated. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following table summarises the impacts on the Scheme's financial statements.

30.1 Statement of financial position

	Impact of correction of error (R)		
	As previously reported	Adjustments	As restated
31 December 2018			
Total assets	737 353 684	-	737 353 684
Total liabilities	234 202 448	-	234 202 448
Accumulated funds	522 308 016	(19 156 780)	503 151 236
Revaluation reserve	(19 156 780)	19 156 780	-
Total equity	503 151 236	-	503 151 236

Notes to the Annual Financial Statements (continued)

	Impact of correction of error (R)		
	As previously reported	Adjustments	As restated
31 December 2019			
Total assets	757 905 135	-	757 905 135
Total liabilities	258 002 176		258 002 176
Accumulated funds	515 066 295	(15 163 336)	499 902 959
Revaluation reserve	(15 163 336)	15 163 336	-
Total equity	499 902 959	-	499 902 959

30.2 Statement of comprehensive income

	Impact of correction of error (R)		
	As previously reported	Adjustments	As restated
31 December 2019			
Investment income	42 783 825	10 815 006	53 598 831
Income from use of own facilities by external parties	4 694 473	-	4 694 473
Sundry income	636 000	-	636 000
Other income	48 114 298	10 815 006	53 598 831
Deficit for the year	(14 055 296)	10 815 006	(3 240 290)
Realised gain on disposal of fair value investments	6 821 562	(6 821 562)	-
Unrealised profit on revaluation of investments	3 993 444	(3 993 444)	-
Other comprehensive income for the year	10 815 006	(10 815 006)	-
Total comprehensive deficit for the year	(3 240 290)	-	(3 240 290)

30.3 Solvency ratio

	Impact of correction of error		
	As previously reported	Adjustments	As restated
31 December 2018	114.21%	(4.18%)	110.03%
31 December 2019	99.79%	(2.94%)	96.85%

31. SIGNIFICANT EVENTS

In the previous year, the Scheme reported a significant event relating to alleged fraudulent activities committed by a member of senior management. The alleged fraudulent activities included misuse of the Scheme's property, expenses incurred without the appropriate authorisation, non-compliance with the Scheme's internal procurement policies and theft of the Scheme's monetary assets. The Scheme commissioned an independent forensic investigation on the matter. The member of senior management has been suspended pending the outcome of their disciplinary hearing, which is currently underway.

The Regulator, Council for Medical Schemes, commissioned an investigation into the Scheme's governance in terms of section 44(4)(a) of the Medical Schemes Act. The Scheme awaits the resultant recommendations report from the Regulator.

32. EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the reporting period.