



**2019
ONLINE
AGM**

Notice of Annual
General Meeting

ONLINE ANNUAL GENERAL MEETING GUIDE 2020

Attending the **Umvuzo Health** AGM electronically

This year we will be conducting an online AGM, giving you the opportunity to attend the AGM **wherever you are** and participate online, using your smartphone, tablet or computer.

If you choose to participate online you will be able to view a live webcast of the meeting, and submit your votes in real time and you will need to either:
Download the Lumi AGM app from the Apple App or Google Play Stores by searching for Lumi AGM.

Visit <https://web.lumiagm.com> on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Internet Explorer 11, Edge and Firefox. Please ensure your browser is compatible.

REGISTRATION PROCESS

1. Click on the link sent to your phone via SMS or the email you received, and follow the instructions to register
OR
2. Go to our website (www.umvuzohealth.co.za), click on the Virtual AGM button and follow the instructions to register.

After registration, you will be sent a username, password and MEETING ID. This will then enable you to log into the site and attend the meeting on the 21st of August 2020.

NAVIGATION

When successfully authenticated, the info screen will be displayed. You can view company information, ask questions and watch the **webcast**.

If you would like to watch the webcast press the broadcast icon at the bottom of the screen.

If viewing on a computer the webcast will appear at the side automatically once the meeting has started.



SIXTEENTH ANNUAL REPORT: 2019

NOTICE IS HEREBY GIVEN THAT THE 16th (SIXTEENTH) ANNUAL GENERAL MEETING OF MEMBERS OF UMVUZO HEALTH MEDICAL SCHEME WILL BE HELD ON FRIDAY, 21 AUGUST 2020, AT 12:00

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JJ OOSTHUIZEN
PRINCIPAL OFFICER
18 June 2020

A full set of the Annual Financial Statements is available from **UMVUZO HEALTH** on request.

MINUTES OF THE 15th ANNUAL GENERAL MEETING (AGM) OF MEMBERS HELD ON FRIDAY, 14 JUNE 2019, AT 12:00, IN THE CULLINAN A ROOM, SOUTHERN SUN, C/O STANZA BOPAPE AND STEVE BIKO STREET, ARCADIA, PRETORIA.

1. ATTENDANCE REGISTER

| A | BOARD OF TRUSTEES | CAPACITY | P = PRESENT A = ABSENT AP = APOLOGY |
|---|-------------------|------------------|---|
| | Mr FS Nkosi | Chairperson | P |
| | Me SS Mabuza | Vice-Chairperson | P |
| | Mr MM Kiet | Member | P |
| | Mr SS Mokoena | Member | P |
| | Mr WM Mokoena | Member | P |
| | Mr MM Moyo | Member | P |
| | Mr MF Nqume | Member | P |
| | Mr BR Radebe | Member | P |
| | Mr SS Sibambo | Member | P |
| | Mr JL Tantsi | Member | P |

B MEMBERS

One hundred and forty (140) members were present according to the Attendance Register.

An apology was received from Mr LC Disipi.

C IN ATTENDANCE

| | | |
|------------------|----------------------------|---|
| Mr JJ Oosthuizen | Principal Officer | P |
| Mr HB van Zyl | Head of Administration | P |
| Dr PC du Preez | Medical advisor | P |
| Mr ET Chapanduka | Ngubane & Co Inc: Auditors | P |
| Mr A Madziva | Ngubane & Co Inc: Auditors | P |
| Me L Kumi | Ngubane & Co Inc: Auditors | P |

2. OPENING AND WELCOME BY THE CHAIRPERSON AND CONSTITUTION OF THE MEETING

After bringing the attendees to order, the Principal Officer, at the request of the Chairperson, requested the Vice-Chairperson to direct a few words of welcome to everybody present. The Vice-Chairperson first requested Mr BR Radebe to open the meeting with a prayer and then called on the meeting to sing the National Anthem.

She directed a special word of welcome to the Chairperson whom is still recovering from an injury. The welcome was then extended to all present and everybody contributing to the success of the Scheme were thanked. The Chairperson was then requested to proceed with the meeting.

The Chairperson took the podium and welcomed everybody in general and especially those members attending for the first time. A special word of welcome was directed to the Auditors Mr Sibanda and colleagues who are also going to assist with the election process.

With reference to the notice convening the meeting and as a quorum was present in terms of Rule 26.1.3 of the Rules of the Scheme, he declared the meeting properly constituted.

The Chairperson highlighted the fact that Umvuzo Health currently serves approximately 39 500 members covering more than 75 000 lives and ended 2018 of with a solvency ratio of 35.39%. He emphasized that Umvuzo Health is now geared for more growth and expansion. The high growth in membership was applauded by the members present.

It is noteworthy that Umvuzo Health has thus far never made a deficit, and it was therefore not necessary to burden members with untimely interim increase during any financial year. This achievement can only be the result of a dedicated management team supported by an active Board of Trustees.

The Chairperson then mentioned that Umvuzo Health had the privilege of hosting a very senior delegation from the Council for Medical Schemes

(CMS). The Chairperson of the CMS Dr Clarence Mini as well as the Registrar Dr Siphon Kabane addressed himself, the Vice and the Principal Officer. The meeting was experienced very positive and was he of the opinion that the healthy relationship between the two organisations were further strengthened.

Umvuzo Health also received its second routine inspection visit since inception during March 2019 and as the inspection was conducted and experienced positively, only some minor remedial actions/ recommendations are expected.

After concluding his opening address, the Chairperson requested the Principal Officer to deal with the following proposed rules of order for conducting the AGM. The following rules were accepted by the meeting following some questions/clarifications were sought from the floor-

- A member will only have a chance to speak once per topic;
- The speaker must keep to the discussion;
- Only items appearing on the Agenda of the AGM shall be discussed;
- All cell phones must be switched off or put on silent;
- Avoid coming and leaving the venue as much as possible;
- No interjections while another speaker has the platform;
- If you wish to speak, raise your hand to be identified and introduce yourself before you speak;
- Problems of a personal nature must be discussed during office hours; and
- Discussions/questions of items not on the Agenda to be addressed after formal conclusion of this meeting.

3. MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING

The minutes of the 14th Annual General Meeting held on 15 June 2018 was approved by the meeting and signed by the Chairperson.

4. MATTERS ARISING FROM THE MINUTES

There were no matters arising from the minutes.

5. ANNUAL REPORT OF THE BOARD OF TRUSTEES

Following a page by page discussion, questioning, congratulations and explanation, the Annual Report of the Board of Trustees for 2018 was adopted.

6. ABRIDGED FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Chairperson emphasized that he is proud to again announce that an unqualified report has yet again been issued by the auditors. He then afforded Mr Chapanduka the opportunity to elaborate on the Financial Statements for 2018.

Mr Chapanduka took to the stand and extended an apology on behalf of the Head of Assurance, Mr Sibanda, for not being able to attend the meeting. Key aspects were highlighted and discussed in short and did he elaborate on the contraventions of Statute. After discussion and questioning, the Abridged Financial Statements and Auditor's report for 2018 were adopted.

7. APPOINTMENT OF AUDITORS

On request of the Chairperson the auditors excused themselves during discussion of this item.

On recommendation of the Audit Committee, the Board of Trustees with great pleasure recommend to the meeting the re-appointed of Ngubane & Co Inc as auditors of the Scheme for the following year. Discussion followed and was it agreed that in future written motivation for said recommendation will be included in the Agenda.

The meeting appointed Me Joyce Mgiba of Ngubane & Co (JHB) as auditor of the Scheme for the following year.

The auditors were invited back to the meeting and congratulated by the Chairperson.

8. REMUNERATION OF TRUSTEE MEMBERS

The Chairperson corrected the typo error in paragraph 1 below. In terms of Rule 18.16 an honorarium as from time to time determined at the Annual general meeting (AGM) may be paid to members of the Board of Trustees.

“Board of Trustee members currently receive the following remuneration: -

1. R4 511 meeting/workshop allowance per day;
2. R1 200 daily allowance;
3. Travelling reimbursement at the SARS prescribed rate (currently R3.61 per kilometre);
4. Accommodation with breakfast at an appropriate hotel facility;
5. R1 000 cell phone allowance per month for the Chairperson; and
6. R5 000 entertainment allowance per event for the Chairperson.”

Annually at the AGM, the members approve an adjustment of the meeting allowance as in 1 above.

The Board of Trustees resolved to recommend that the meeting allowance of the Chairperson be adjusted to 30% more than that of the Board members.

The AGM accepted this recommendation and approved an increase in the meeting/workshop allowance equivalent to the Consumer Price Index plus 3%.

9. ELECTION OF BOARD OF TRUSTEE MEMBERS

The Chairperson thanked the current Board members for their dedicated work and the support he received from them as Chairperson. He further thanked the Principal Officer and his team for their advice and support during his term of office. A special word of gratitude was also directed to all the members for their support and trust bestowed in the Board of Trustees for their three-year term of office.

He further thanked the Medical advisor, the marketing team, all employees and all the different service providers for excellent services and a job well done.

The Chairperson then requested the Principal Officer to preside over the election process. The Principal Officer announced that in terms of Rule 18.4 of the Rules of the Scheme, 18 (eighteen) nominations were received by him on or before 30 April 2019. Fifteen nominations were duly completed and, in consultation with the Auditors, accepted.

The 15 nominees in alphabetically order are: -

1. Mr S Chabalala from Lonmin;
2. Mr LC Disipi from Assmang Black Rock;
3. Mr MM Kiet from Assmang Khumani;
4. Me SS Mabuza from Simba;
5. Mr DR Mahutsana from Assmang Khumani;
6. Mr KT Marotela from Sibanye;
7. Mr WM Mokoena from SanParks;
8. Mr CS Motaung from Harmony;
9. Mr MM Moyo from Assmang Black Rock;
10. Mr FS Nkosi from Pick n Pay;
11. Mr MF Nqume from Kumba;
12. Mr BR Radebe from Lonmin;
13. Mr SS Sibambo from SanParks;
14. Mr A Solomon from FAWU; and
15. Mr JL Tantsi from Impala.

The election process to be followed was explained by the Principal Officer in detail. As there are only 10 positions on the Board of Trustees and after each nominee present were given the opportunity to introduce himself, the election was held per ballot paper in terms of Rule 18.5.

The election and counting process were overseen by the Auditors and following an adjournment, the meeting reconvened. The Principal Officer declared, in alphabetical order, according to the number of votes received, the following members duly elected as Board Members of Umvuzo Health:

1. Mr MM Kiet;
2. Me SS Mabuza;
3. Mr WM Mokoena;
4. Mr CS Motaung;

5. Mr MM Moyo;
6. Mr FS Nkosi;
7. Mr MF Nqume;
8. Mr BR Radebe;
9. Mr SS Sibambo; and
10. Mr JL Tantsi.

The Principal Officer congratulated the new Board of Trustees, the meeting re-convened and the Chairperson also congratulated the newly elected Board of Trustees.

10. CLOSURE

Preceding his formal closure remarks, the Chairperson again thanked the following parties for their dedicated services-

- The Board of Trustees;
- The Principal Officer and staff of the Scheme;
- Call centre personnel;
- Client liaison officers;
- Administration;
- Clinical staff;
- Medical advisor;
- Auditors;
- All service providers; and
- Members present.

The meeting was closed and adjourned at 16:20.

APPROVED AND SIGNED AT A MEETING HELD ON 21 AUGUST 2020.

Mr FS Nkosi
CHAIRPERSON

ANNUAL REPORT OF THE BOARD OF TRUSTEES

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

Registration number: 1597

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

Umvuzo Health Medical Scheme is a not for profit closed scheme registered in terms of the Medical Schemes Act, 1998 (Act 131 of 1998), as amended. As required for registration, a guarantee has been issued by Standard Bank of South Africa Limited in favour of Umvuzo Health Medical Scheme and lodged with the Registrar of Medical Schemes. The Scheme is self-administered and the administration accreditation number is 51.

1.2 Benefit options within Umvuzo Health Medical Scheme

The Medical Scheme offered six (6) benefit options during the year under review, five (5) original options and one (1) Efficiency Discounted Option (EDO). The EDO is included in the original for reporting purposes. The options were: -

- Standard option;
- Ultra Affordable option;
- Ultra Affordable Value option - EDO;
- Supreme option;
- Extreme option; and
- Activator option.

1.3 Savings plan

None.

1.4 Risk transfer arrangements

The Scheme had capitation agreements for the duration of the year with the following:

- Universal Care for primary care services on the Standard and Ultra Affordable options; and
- Netcare 911 for ambulance services on all options.

2. MANAGEMENT

2.1 Board of Trustees in office during the year under review

| Name | | Date elected | Date resigned |
|---------------|------------------|-----------------------------|---------------|
| Mr FS Nkosi | Chairperson | : Member trustee 14/06/2013 | |
| Me SS Mabuza | Vice-chairperson | : Member trustee 14/06/2013 | |
| Mr MM Kiet | Member trustee | 24/06/2016 | |
| Mr SS Mokoena | Member trustee | 17/06/2011 | 14/06/2019 |
| Mr WM Mokoena | Member trustee | 24/06/2016 | |
| Mr CS Motaung | Member trustee | 14/06/2019 | |
| Mr MM Moyo | Member trustee | 24/06/2016 | |
| Mr MF Nqume | Member trustee | 14/06/2013 | |
| Mr BR Radebe | Member trustee | 22/01/2018 | |
| Mr SS Sibambo | Member trustee | 24/06/2016 | |
| Mr LJ Tantsi | Member trustee | 17/06/2011 | |

2.2 Principal officer

JJ Oosthuizen

Physical address

Alenti Office Park, Building D
457 Witherite Road
The Willows
Pretoria, 0040

Postal address

P O Box 1463
Faerie Glen
0043

2.3 Registered office address and postal address

Physical address

Alenti Office Park, Building D
457 Witherite Road
The Willows
Pretoria, 0040

Postal address

P O Box 1463
Faerie Glen
0043

2.4 External auditors

Ngubane & Co. (Jhb) Inc

Physical address

Ngubane House
1 Superior Close, off 16th Road
Midrand, 1685

Postal address

P O Box 8468
Halfway House
1685

2.5 Actuaries

Insight Actuaries & Consultants

Physical address

Ground floor Block J
Central Park
400 16th Road
Randjespark
Midrand, 2191

Postal address

Private Bag X17
Halfway House
1685

2.6 Investment Manager

Old Mutual Wealth
Physical address
The Estuaries
2 Oxbow Crescent
Century City, 7441

Postal address
P O Box 207
Cape Town
8000

3. INVESTMENT STRATEGY OF THE MEDICAL SCHEME

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

The mandate of Management is to ensure that:

- the Scheme remains liquid;
- investments are placed at minimum risk and the best possible rate of return;
- investments made are in compliance with the regulations of the Act; and
- a risk assessment is performed with feedback to the Board of Trustees with recommendations on the risks identified.

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

4. MANAGEMENT OF INSURANCE RISK

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

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

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

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

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

| | Extreme | Supreme | Standard | Ultra | Activator | Total |
|---|----------|----------|----------|----------|-----------|----------|
| Average number of members during the year | 1,120 | 12,212 | 7,107 | 18,972 | 11 | 39,422 |
| Number of members at 31 December | 1,127 | 12,362 | 7,280 | 19,209 | 12 | 39,990 |
| Average number of beneficiaries during the year | 2,628 | 31,421 | 14,589 | 26,393 | 18 | 75,049 |
| Number of beneficiaries at 31 December | 2,648 | 31,859 | 14,802 | 26,708 | 20 | 76,037 |
| Dependant ratio at 31 December | 1.35 | 1.58 | 1.03 | 0.39 | 0.67 | 0.90 |
| Risk contributions per average member per month | 4,865.02 | 3,940.13 | 2,724.28 | 1,540.84 | 1,969.51 | 2,592.00 |
| Risk contributions per average beneficiary per month | 2,073.37 | 1,531.36 | 1,327.13 | 1,107.60 | 1,203.59 | 1,361.53 |
| Relevant healthcare expenditure per average beneficiary per month | 1,782.79 | 1,203.37 | 1,260.79 | 1,087.53 | 826.48 | 1,149.00 |
| Non-healthcare expenditure per average beneficiary per month | 201.67 | 168.60 | 157.90 | 109.77 | 136.13 | 147.15 |
| Relevant healthcare expenditure as a % of risk contributions | 85.99% | 78.58% | 95.00% | 98.19% | 68.67% | 87.69% |
| Non-health expenditure as a % of risk contributions | 9.73% | 11.04% | 11.90% | 9.91% | 11.31% | 10.81% |
| Average age of beneficiaries at 31 December | 28 | 27 | 31 | 36 | 34 | 31 |
| Pensioner ratio at 31 December (>60) | 2.48% | 1.71% | 3.12% | 2.74% | 5.00% | 2.37% |
| Average accumulated funds per member at 31 December | | | | | | 9,540.54 |
| Return on investments as a % of investments | | | | | | 6.34% |

Operational statistics per benefit option: 2018

| | Extreme | Supreme | Standard | Ultra | Activator | Total |
|---|----------|----------|----------|----------|-----------|-----------|
| Average number of members during the year | 961 | 11,489 | 6,677 | 10,271 | 0 | 29,398 |
| Number of members at 31 December | 960 | 11,444 | 6,816 | 11,153 | 0 | 30,373 |
| Average number of beneficiaries during the year | 2,265 | 29,415 | 13,962 | 16,615 | 0 | 62,257 |
| Number of beneficiaries at 31 December | 2,276 | 29,451 | 14,240 | 17,632 | 0 | 63,599 |
| Dependant ratio at 31 December | 1.37 | 1.57 | 1.09 | 0.58 | 0.00 | 1.09 |
| Risk contributions per average member per month | 4,504.65 | 3,648.13 | 2,540.36 | 1,570.87 | 0.00 | 2,698.77 |
| Risk contributions per average beneficiary per month | 1,911.25 | 1,424.90 | 1,214.87 | 971.07 | 0.00 | 1,274.37 |
| Relevant healthcare expenditure per average beneficiary per month | 1,488.97 | 1,146.96 | 1,052.06 | 898.67 | 0.00 | 1,071.86 |
| Non-healthcare expenditure per average beneficiary per month | 194.71 | 164.27 | 149.20 | 105.55 | 0.00 | 146.32 |
| Relevant healthcare expenditure as a % of risk contributions | 77.91% | 80.49% | 86.60% | 92.54% | 0.00% | 84.11% |
| Non-health expenditure as a % of risk contributions | 10.19% | 11.53% | 12.28% | 10.87% | 0.00% | 11.48% |
| Average age of beneficiaries at 31 December | 27 | 26 | 30 | 32 | 0 | 29 |
| Pensioner ratio at 31 December (>60) | 1.88% | 1.59% | 2.95% | 2.94% | 0.00% | 2.29% |
| Average accumulated funds per member at 31 December | | | | | | 11,094.14 |
| Return on investments as a % of investments | | | | | | 5.62% |

| 5.2 Operational statistics for the Scheme | 2019 | 2018 |
|---|-------------|-------------|
| | R | R |
| Average accumulated funds per member | 9,540.54 | 11,094.14 |
| Total amount paid to Accredited Managed Care Organisation for management services | 28,058,465 | 22,262,289 |
| Return on investments as a percentage of investments. | 6.34% | 5.62% |

5.3 Results of operations

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

5.4 Solvency ratio

| | | |
|--|---------------|---------------|
| Total members' funds per statement of financial position | 381,526,353 | 336,963,544 |
| Gross contributions | 1,226,180,620 | 952,064,024 |
| Solvency ratio | <u>31.12%</u> | <u>35.39%</u> |

5.5 Reserve accounts

Movements in the reserve accounts are set out in the statement of changes in funds and reserves. There were no unusual movements that the trustees believe need to be brought to the attention of the members of the Medical Scheme.

5.6 Outstanding claims

The basis of calculation of the outstanding claims provision is discussed in note 1.8 to the annual financial statements and this is consistent with the prior year. Movements in the outstanding claims are set out in note 7 to the annual financial statements. There have been no unusual movements that the trustees believe need to be brought to the attention of the members of the medical scheme.

6. ACTUARIAL SERVICES

The Scheme's actuaries were consulted in the determination of the contribution and benefit levels.

7. GUARANTEES RECEIVED BY THE SCHEME FROM A THIRD PARTY

In terms of section 33(3) of the Medical Schemes Act, Standard Bank of South Africa Limited has provided a guarantee of R2 500 000 (2018: R2 500 000) in favour of the Scheme.

8. SUBSEQUENT EVENTS

Prior to the date the financial statements were authorised for signature, the President of South Africa declared a national state of disaster as a result of the identified COVID-19 cases in South Africa and globally. COVID-19 has also had an impact on the South African and global investment markets resulting in a decline in the fair value of investments between the reporting date and the date on which the financial statements were authorised for signature.

The decline in the fair value of investments occurred after the reporting date. At the reporting date there were no reported cases of COVID-19 identified in South Africa.

Even though South Africa is in the early stage of the outbreak and there exist uncertainties about the potential impact of COVID-19 on the Scheme and its beneficiaries, the Scheme together with its Actuaries, has considered possible scenarios and the realistic impact can be as much as 3,2% of Scheme reserves. The Board of Trustees are of the view that the Scheme's strong financial position will allow the Scheme to absorb the potential direct and indirect negative impact of COVID-19 with a reduction in Scheme reserves of up to 3,2% in the 2020 financial year. Based on the most likely scenario it is not envisaged that it will have a material impact on the Scheme's ability to pay claims and continue as a going concern.

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

During the year, the Scheme had through its Investment manager pooled investments with exposure to Employer groups who participate in the medical scheme. No loans have been granted by the Scheme.

10. RELATED PARTY TRANSACTIONS

Transaction with related parties are disclosed in notes 17 and 18 to the annual financial statements.

11. AUDIT COMMITTEE

An audit committee was established in accordance with the provisions of the Act. The committee is mandated by the Board of Trustees by means of a written terms of reference as to its membership, authority and duties. The committee consists of five members of which two are members of the Board of Trustees. The majority of the members, including the chairperson, are not officers of the Medical Scheme. The committee met twice during the year under review.

The Principal Officer of the Medical Scheme, the financial manager and the external auditors attend all audit committee meetings and have unrestricted access to the chairperson of the committee.

In accordance with the provisions of the Act, the primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the Medical Scheme's accounting policies, internal control systems and financial reporting practices. The external auditors formally report to the committee on critical findings arising from audit activities.

The committee presently comprises: Alderman NM Malefo (Chairperson), Dr PC du Preez, Mr M Lombard, Mr FS Nkosi and Mr SS Sibambo.

12. INVESTMENTS

Management is mandated by the Board of Trustees by means of written terms of reference as to its authority and duties. The Board of Trustees continue to invest excess funds in line with the requirements of Annexure B of the Regulation to the Act.

13. BOARD OF TRUSTEES AND SUB-COMMITTEE MEETING ATTENDANCE

The following schedule sets out Board of Trustee and sub-committee meeting attendances. Trustee remuneration and considerations are disclosed in note 17 to the annual financial statements.

| | #1 | #2 | #3 | Board meetings attended | EXCO committee meetings attended | Audit committee meetings attended |
|-----------------------------------|----|----|----|-------------------------|----------------------------------|-----------------------------------|
| Mr FS Nkosi: Chairperson | 8 | 1 | 2 | 8 | 1 | 2 |
| Me SS Mabuza: Vice-Chairperson | 8 | 1 | | 8 | 1 | |
| Mr MM Kiet | 8 | 1 | | 8 | 1 | |
| Mr SS Mokoena Resigned 14/06/2019 | 4 | | 1 | 4 | | 1 |
| Mr WM Mokoena | 8 | | | 8 | | |
| Mr CS Motaung | 4 | | | 4 | | |
| Mr MM Moyo | 8 | 1 | | 7 | 1 | |
| Mr MF Nqume | 8 | | | 8 | | |
| Mr BR Radebe | 8 | | | 8 | | |
| Mr SS Sibambo | 8 | | | 8 | | 1 |
| Mr LJ Tantsi | 8 | 1 | 1 | 7 | 1 | |

#1 Number of Board of Trustee meetings

#2 Number of Executive committee meetings

#3 Number of Audit committee meetings

14. NON-COMPLIANCE WITH THE ACT

The following areas of non-compliance with the Act were identified during the course of the financial year:

- **Contravention of section 26(7) of the Act**

In terms of section 26(7) of the Medical Schemes Act, contributions must be paid over to the Scheme within 3 days after becoming due.

Cause of non-compliance

There are instances where the Scheme received contributions after 3 days

of it becoming due. It should be noted that there are no contracts in place that is contrary to the legislation.

Possible impact

If not well managed, late payment of contributions could result in:

- Negative impact on the Scheme's cash flow; and
- Loss of potential interest income.

Corrective action taken

The Scheme's credit policy is applied:

- Employers and members are notified via sms and e-mail of the non-payment and requested to urgently address this matter.
- Where contributions owing to the Scheme have not been paid within 30 days of the due date, the Scheme suspends all benefit payments in respect of claims which arose during the period of default.
- Where outstanding contributions are not paid within 90 days of the notification, membership is cancelled.

• ***Contravention of section 59(2) of the Act***

In terms of section 59(2) of the Medical Schemes Act, accounts must be paid within 30 days after the day on which the claim was received.

Cause of non-compliance

The auditing of hospital accounts can cause some accounts to be paid after the 30 day period. Members who are suspended due to non-payment of their contributions, can also cause claims not to be paid until their contributions have been paid up.

Possible impact

- Non-compliance with section 59(2) of the Medical Schemes Act; and
- Reputational damage with members and providers.

Corrective action taken

- The Scheme will endeavour, together with the Managed care organisation and Hospitals, to speed up the auditing process.

• ***Contravention of section 33(2) of the Act***

In terms of section 33(2) of the Medical Schemes Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound.

Cause of non-compliance

During the financial period under review, the following options did not

comply with section 33(2):

| Benefit Option | Nr of members at year-end | Net healthcare results | Net results |
|-------------------------|---------------------------|------------------------|--------------|
| Standard option | 7 280 | (16 029 723) | (11 055 772) |
| Ultra Affordable option | 19 209 | (28 409 052) | (20 913 015) |

Possible impact

- Non-compliance with section 33(2) of the Medical Schemes Act; and
- Utilising funds from the other options to fund the Standard and Ultra-Affordable options put the other options under pressure.

Corrective action taken

The Scheme continues to monitor both options with a view to improving its financial outcome and will evaluate different strategies to address the deficits in these options. The net healthcare deficit reflects higher disease burden in these benefit options. The Scheme's strategy on the sustainability of these benefit options has to balance short and long term financial considerations, with consideration of fairness to both healthy and sick members and with continued affordability of cover for members with different levels of income and different healthcare needs. The Scheme applied higher contribution increases on these benefit options for the new financial year. It is expected that the higher contribution increases will address the pricing misalignment in the coming financial year whilst the remainder of the deficit will solely be attributable to the worse demographic profile and disease burden on these options.

• ***Contravention of Regulation 35(8)(d)***

In terms of Section 35(8)(d), A medical scheme shall not invest any of its assets in the business of or grant loans to —

- (a) An employer who participates in the medical scheme or any administrator or any arrangement associated with the medical scheme;
- (b) Any other medical scheme;
- (c) Any administrator; and
- (d) Any person associated with any of the abovementioned.

Cause of non-compliance

The Scheme has investments in certain groups and companies associated with medical scheme administration. The exposure to these

entities had been obtained through the Scheme's investment in Collective Investment Scheme. The Scheme does not control the investing activities of the Investment manager.

Possible impact

- Non-compliance with the Regulation 35(8) (d) of the Medical Schemes Act.

Corrective action taken

The Scheme obtained exemption in terms of section 8(h) from section 35(8) of the Act from the Council for Medical Schemes. The exemption had been granted with the proviso that the Scheme does not make any direct investments in these entities.

15. GOING CONCERN

Prior to the date the financial statements were authorised for signature, the President of South Africa declared a national state of disaster as a result of the identified COVID-19 cases in South Africa and globally. COVID-19 has also had an impact on the South African and global investment markets resulting in a decline in the fair value of investments between the reporting date and the date on which the financial statements were authorised for signature.

The impact of COVID-19 is uncertain at this early stage and is it constantly monitored by the Board of Trustees, Management, Scheme Actuaries and other related parties. The Scheme's strong financial position and Reserve level allows it to absorb the potential negative impact of COVID-19, with a potential negative impact on the Scheme's 2020 solvency level, based on the most likely scenario, and it is not envisaged that it will have an impact on the Scheme's ability to pay claims as they arise or to continue as a going concern into the foreseeable future. The Trustees also concluded that there was no need to adjust the 2019 Annual Financial Statements.

FS Nkosi
Chairperson

SS Mabuza
Vice-Chairperson

JJ Oosthuizen
Principal Officer

30 April 2020

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 Umvuzo Health Medical Scheme. The annual financial statements comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in members' funds and reserves and the statement of 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. The annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Medical Schemes Act, 131 of 1998, as amended.

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 the end of the year. The Trustees also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the annual financial statements.

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

Umvuzo Health Medical Scheme operated in a well-established controlled environment which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurances that assets are safeguarded and the risk facing the business are being controlled.

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

The annual financial statements have been audited by an independent firm, Ngubane & Co. (Jhb) Inc, which was given unrestricted access to all financial records and related data, including minutes of meetings of members, the Board of Trustees and Committees of the Board. The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The annual financial statements of Umvuzo Health Medical Scheme were approved by the Board of Trustees on 30 April 2020 and are signed on their behalf by:

FS Nkosi
Chairperson

SS Mabuza
Vice-Chairperson

JJ Oosthuizen
Principal Officer

30 April 2020

STATEMENT OF CORPORATE GOVERNANCE BY BOARD OF TRUSTEES

Umvuzo Health Medical Scheme is committed to the principles and practices of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Scheme is committed to good Corporate Governance and applies good governance principles. The Trustees are proposed and elected by the members of the Scheme.

BOARD OF TRUSTEES

The Trustees and their committees meet regularly and monitor the performance of the outsourced services. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

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

INTERNAL CONTROL

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

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

ETHICAL VALUES OF THE SCHEME

The Scheme is bound by a Code of Conduct, mandates and principles of treating beneficiaries fairly. The Code of Conduct outlines the principles that guide the Scheme in a way that contributes to the welfare of the key stakeholders and helps balance the needs of all stakeholders in the system. Governance and ethical values within the Scheme are continually being addressed by the Board of Trustees.

The Scheme committees have mandates that set out their responsibilities that promote the principles of transparency and ethics. The Scheme is bound to open communication with all its stakeholders about its financial and business targets and to treat them fairly in all business dealings.

COMPLIANCE WITH THE MEDICAL SCHEMES ACT

The Trustees monitor that the Scheme complies with the Medical Schemes Act 131 of 1998 and the Regulations issued in terms of the Act. The Board is also fully committed to, and has applied, the principles of the Code of Corporate Practices and Conduct as set out in the King IV report on governance, where necessary and practical. The Board of Trustees has noted the minor non-compliance matters which are set out fully in the Report of the Board of Trustees.

INDEPENDENT EVALUATION OF THE BOARD AND COMMITTEES

The Board of Trustees has adopted a practice of performing evaluations on the Board of Trustees and its Committees during 2019. These evaluations will be performed by independent professionals and through the relevant committees during the following financial year.

FS Nkosi
Chairperson

SS Mabuza
Vice-Chairperson

JJ Oosthuizen
Principal Officer

30 April 2020

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE UMVUZO HEALTH MEDICAL SCHEME FOR THE YEAR ENDED 31 DECEMBER 2019

Opinion

We have audited the financial statements of the Umvuzo Health Medical Scheme (the Scheme), set out on pages 20 to 65, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in members funds and 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 Umvuzo Health Medical Scheme as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act.

Basis for Opinion

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

We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA

Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Subsequent event: The impact of the uncertainty of COVID-19

We draw attention to Note 23 in the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of COVID-19 on Umvuzo Health Medical Scheme's prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances.

Our opinion is not modified in respect of this matter.

Key Audit Matters

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

| Key audit matters | How our audit addressed the key matter |
|--|---|
| <p>Incurred but not received provision (IBNR)</p> <p>As disclosed in Note 7, the carrying amount of the Outstanding claims provision (IBNR) at year-end was R43 508 431 (2018: R35 348 911). The determination of IBNR requires the Scheme's Actuaries to make assumptions in the valuation thereof, which is determined with reference to an estimate of the ultimate cost of settling all claims incurred but not reported at the Statement of Financial position date.</p> <p>The outstanding claims provision (IBNR) is calculated by the Actuaries after considering the results of both the Health Monitor model and Bornhuetter-Ferguson method and incorporating the chain ladder techniques. The chain ladder technique is used to estimate claims for those (future) payment months which were not paid when the report was prepared.</p> <p>These instruments take into consideration the: -</p> <ul style="list-style-type: none"> • previous experience in claims patterns; • claims settlement patterns; • trends in claims frequency; • changes in the claims processing cycle; and • other factors such as expectations of future events that are believed to be reasonable to be taken into account in the valuation of the IBNR at year-end. | <p>Our audit of the IBNR estimation and disclosure we performed various audit procedures including the following: -</p> <ul style="list-style-type: none"> • testing the design effectiveness and implementation of the Scheme's controls relating to the preparation of the IBNR calculation; • testing the validity of the model used by management expert against the requirements of applicable sections of IFRS and the SAICA Guide on Accounting for Medical Schemes; • testing the integrity of the information used in the calculation of the IBNR by performing substantive procedures, on a sample basis, on the completeness and accuracy of the claims data used in calculating the IBNR; • evaluating the independence, objectivity, competence of management experts and placing reliance on their work; • tests of detail on the current year's IBNR including testing actual claims experienced subsequent to year-end and to as close as possible to audit completion date. • performance of a retrospective review of the IBNR raised in the 2018 financial year based on actual claims paid in 2019 that have service dates in the 2018 financial year to verify the assumptions applied to determine the IBNR are reasonable; and • assessing the presentation and disclosure in respect of the IBNR and considered whether the disclosures reflected the risks inherent in the accounting for the IBNR. |

| | |
|--|---|
| | |
| <p>The above-mentioned factors require significant judgement and assumptions to be made by Scheme’s Actuaries and therefore accordingly, for the purposes of our audit, we identified the valuation of the IBNR as a key audit matter.</p> | <p>The assumptions applied in the IBNR are appropriate and we are satisfied that the movement of the IBNR in the Standard of Comprehensive Income and the related disclosure of the IBNR balance and assumptions are appropriate.</p> |

Other information

The Board of Trustees is responsible for the other information. The other information comprises the information included in the Board of Trustees’ report, report of the Audit committee, statement of corporate governance and statement of responsibilities by the Board of Trustees. 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.

Responsibility of the Scheme's Trustees for the Financial Statements

The Board of Trustees is 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, and for such internal control as the Board of 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 Board of Trustees is 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 Responsibility 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.

We communicate with the Scheme's trustees regarding, among other matters, the planned scope and time 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

As required by the Council for Medical Schemes, we report the following material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa as amended that have come to our attention during the course of our audit:

- **Contravention of section 26(7) of the Act**
In terms of section 26(7) of the Medical Schemes Act, contributions must be paid over to the Scheme within 3 days after becoming due. A few employers did not adhere to the prescriptions of the Act.
- **Contravention of section 59(2) of the Act**
In terms of section 59(2) of the Medical Schemes Act, accounts must be paid within 30 days after the day on which the claim was received. There were instances in which the Scheme did not pay to a member or a provider of service benefits owing to that member or provider of service within 30 days after the day on which the claim in respect of such benefit were received by the Scheme.

- ***Contravention of section 33(2) of the Act***
In terms of section 33(2) of the Medical Schemes Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. As at 31 December 2019 the Standard and Ultra Affordable option had a net operating deficit of R11 055 772 and R20 913 015 respectively for the year. The two options remain under close monitoring.
- ***Contravention of Regulation 35(8)(d)***
In terms of Regulation 35(8)(d), a medical scheme shall not invest any of its assets in the business of any administrator. The Scheme's investments in pooled investment vehicles allows the Investment manager the discretion to invest in a combination of shares and bonds that will best achieve their stipulated benchmark. During the year the Scheme had pooled investments with exposure to medical scheme administrators.

Auditor's Tenure

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ngubane & Co. (Jhb) Inc. been the auditor of Umvuzo Health Medical Scheme for 14 years.

The engagement partner, Joyce Mgiba, has been responsible for Umvuzo Health Medical Scheme's audit for 1 year.

Ngubane & Co. (Jhb) Incorporated
Chartered Accountants (SA)
Director: Joyce Mgiba
Registered Auditor
Midrand

30 April 2020

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

| | 2019 | 2018 |
|---------------------------------------|--------------------|--------------------|
| | R | R |
| ASSETS | | |
| Non-current assets | | |
| Property and equipment | 2 085 851 | 0 |
| Available-for-sale investments | 65,794,128 | 60,266,554 |
| Current assets | | |
| Trade and other receivables | 70,116,096 | 43,740,942 |
| Cash and cash equivalents | 397,537,057 | 331,219,843 |
| Inventory | 3,292,279 | 881,789 |
| TOTAL ASSETS | 538,825,411 | 436,109,125 |
| FUNDS AND LIABILITIES | | |
| Members' funds and reserves | | |
| Accumulated funds | 381,526,353 | 336,963,544 |
| Available-for-sale fair value reserve | 9,098,325 | 6,249,792 |
| Non-current liabilities | | |
| Operating lease liability | 0 | 196,284 |
| Lease liabilities | 1,480,327 | 0 |
| Current liabilities | | |
| Trade and other payables | 102,414,863 | 57,350,594 |
| Outstanding claims provision | 43,508,431 | 35,348,911 |
| Lease liabilities | 797,112 | 0 |
| TOTAL FUNDS AND LIABILITIES | 538,825,411 | 436,109,125 |

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

| | 2019 R | 2018 R |
|---|----------------|---------------|
| Risk contribution income | 1226,180,620 | 952,064,024 |
| Relevant healthcare expenditure | (1075,298,760) | (800,768,179) |
| Net claims incurred | (1061,525,902) | (800,648,133) |
| Risk Claims incurred | (1064,493,960) | (804,264,939) |
| Third party claim recoveries | 2,968,058 | 3,616,806 |
| Accredited managed care services - No transfer of risk | (28,058,465) | (22,262,289) |
| Net (expense)/income on risk transfer arrangements | 14,285,607 | 22,142,243 |
| Risk transfer arrangement expenses | (230,779,148) | (158,006,765) |
| Recoveries from risk transfer arrangements | 245,064,755 | 180,149,008 |
| Gross healthcare result | 150,881,860 | 151,295,845 |
| Broker service fees | (27,084,836) | (20,639,468) |
| Administration expenses | (104,953,720) | (88,538,682) |
| Net impairment losses on healthcare receivables | (295,077) | (139,016) |
| Net healthcare result | 18,548,227 | 41,978,679 |
| Other income | 26,201,171 | 19,629,076 |
| Investment income | 26,157,070 | 19,519,273 |
| Unclaimed credits | 44,101 | 109,803 |
| | 44,749,398 | 61,607,755 |

| | | |
|--|------------|-------------|
| Finance costs | (186,588) | 0 |
| Interest "paid" on operating lease | (186,588) | 0 |
| Net income for the year | 44,562,809 | 61,607,755 |
| Other comprehensive income | 2,848,533 | (1,300,359) |
| Available-for-sale investment - net change in fair value | 2,848,533 | (1,300,359) |
| Total comprehensive income for the year | 47,411,342 | 60,307,396 |

STATEMENT OF CHANGES IN MEMBERS FUNDS AND RESERVES FOR THE YEAR ENDED 31 DECEMBER 2019

| | Fair value revaluation reserve R | Accumulated Funds R | Total R |
|--|---|---------------------------|--------------------|
| Opening balance - 01/01/2018 | 7,550,151 | 275,355,789 | 282,905,940 |
| Net income for the year | - | 61,607,755 | 61,607,755 |
| <i>Other comprehensive income</i> | | | |
| Unrealised gains on revaluation of available-for-sale investments | (1,300,359) | - | (1,300,359) |
| Balance as at 01/01/2019 | 6,249,792 | 336,963,544 | 343,213,336 |
| Net income for the year | - | 44,562,809 | 44,562,809 |
| <i>Other comprehensive income</i> | | | |
| Unrealised gains on revaluation of available-for-sale investments | 2,848,533 | | 2,848,533 |
| Balance as at 31/12/2019 | <u>9,098,325</u> | <u>381,526,353</u> | <u>390,624,678</u> |

CATEGORIES OF INVESTMENT AS AT 31 DECEMBER 2019

| | 2019 R | 2018 R |
|---|--------------------|--------------------|
| Call accounts | 202,790,759 | 173,283,235 |
| Current account | 14,746,298 | 9,936,608 |
| Fixed deposit | 180,000,000 | 148,000,000 |
| Cash and cash equivalent per statement of financial position | <u>397,537,057</u> | <u>331,219,843</u> |

NET INCOME / (EXPENSE) FROM OPERATIONS PER BENEFIT OPTION

| | Extreme R | Supreme R | Standard R | Ultra R | Activator R | Total R |
|--|--------------|---------------|---------------|---------------|----------------|----------------|
| 2019 | | | | | | |
| Risk contribution income | 65,385,822 | 577,402,141 | 232,337,820 | 350,794,862 | 259,975 | 1,226,180,620 |
| Relevant healthcare expenditure | (56,222,201) | (453,734,832) | (220,724,684) | (344,438,524) | (178,519) | (1075,298,760) |
| Risk claims incurred | (54,551,762) | (444,411,191) | (223,300,207) | (339,093,204) | (169,538) | (1061,525,902) |
| Claims incurred | (54,619,583) | (446,059,516) | (223,868,111) | (339,777,212) | (169,538) | (1064,493,960) |
| Third party claim recoveries | 67,821 | 1,648,325 | 567,904 | 684,008 | 0 | 2,968,058 |
| Accredited managed care services - | | | | | | |
| No transfer of risk | (1,400,655) | (11,348,156) | (6,929,889) | (8,373,786) | (5,979) | (28,058,465) |
| Net income/(expense) on risk transfer arrangements | (269,784) | 2,024,515 | 9,505,412 | 3,028,466 | (3,002) | 14,285,607 |
| Capitation fees paid | (346,325) | (3,780,672) | (75,349,747) | (151,299,402) | (3,002) | (230,779,148) |
| Recoveries from risk transfer arrangements | 76,541 | 5,805,187 | 84,855,159 | 154,327,686 | 0 | 245,064,755 |
| Gross healthcare result | 9,163,621 | 123,667,309 | 11,613,136 | 6,356,338 | 81,456 | 150,881,860 |
| Broker service fees | (1,112,309) | (11,696,796) | (5,693,993) | (8,575,246) | (6,492) | (27,084,836) |
| Administration expenses | (5,219,441) | (51,845,597) | (21,897,129) | (26,155,583) | (22,559) | (105,140,309) |
| Net impairment losses on healthcare receivables | (28,196) | (180,231) | (51,737) | (34,561) | (352) | (295,077) |
| Net healthcare result | 2,803,675 | 59,944,685 | (16,029,723) | (28,409,052) | 52,053 | 18,361,638 |
| Other income | 1,394,820 | 12,330,818 | 4,973,951 | 7,496,037 | 5,545 | 26,201,171 |
| Investment income | 1,394,820 | 12,317,230 | 4,956,265 | 7,483,210 | 5,545 | 26,157,070 |
| Unclaimed credits | 0 | 13,588 | 17,686 | (12,827) | 0 | 44,101 |
| Net income/(expense) for the year | 4,198,495 | 72,275,503 | (11,055,772) | (20,913,015) | 57,598 | 44,562,809 |
| Number of members at 31 December 2019 | 1,127 | 12,362 | 7,280 | 19,209 | 12 | 39,990 |

NET INCOME / (EXPENSE) FROM OPERATIONS PER BENEFIT OPTION

| 2018 | Extreme R | Supreme R | Standard R | Ultra R | Activator R | Total R |
|--|----------------------|----------------------|-----------------------|--------------------|------------------------|--------------------|
| Risk contribution income | 51,947,669 | 502,960,056 | 203,543,625 | 193,612,674 | 0 | 952,064,024 |
| Relevant healthcare expenditure | (40,470,167) | (404,853,699) | (176,266,711) | (179,177,602) | 0 | (800,768,179) |
| Risk claims incurred | (39,085,628) | (395,448,085) | (191,403,084) | (174,711,336) | 0 | (800,648,133) |
| Claims incurred | (39,108,365) | (396,881,395) | (192,190,090) | (176,085,089) | 0 | (804,264,939) |
| Third party claim recoveries | 22,737 | 1,433,310 | 787,006 | 1,373,753 | 0 | 3,616,806 |
| Accredited managed care services - | | | | | | |
| No transfer of risk | (1,138,820) | (10,066,756) | (6,205,212) | (4,851,501) | 0 | (22,262,289) |
| Net income/(expense) on risk transfer arrangements | (245,719) | 661,142 | 21,341,585 | 385,235 | 0 | 22,142,243 |
| Capitation fees paid | (279,546) | (3,353,783) | (66,513,193) | (87,860,243) | 0 | (158,006,765) |
| Recoveries from risk transfer arrangements | 33,827 | 4,014,925 | 87,854,778 | 88,245,478 | 0 | 180,149,008 |
| Gross healthcare result | 11,477,502 | 98,106,357 | 27,276,914 | 14,435,072 | 0 | 151,295,845 |
| Broker service fees | (863,307) | (9,920,827) | (4,706,847) | (5,148,287) | 0 | (20,639,468) |
| Administration expenses | (4,426,401) | (48,002,345) | (20,254,204) | (15,855,732) | 0 | (88,538,682) |
| Net impairment losses on healthcare receivables | (2,297) | (59,352) | (35,906) | (41,461) | 0 | (139,016) |
| Net healthcare result | 6,185,297 | 40,123,833 | 2,279,957 | (6,610,408) | 0 | 41,978,679 |
| Other income | 1,071,163 | 10,354,031 | 4,215,798 | 3,988,084 | 0 | 19,629,076 |
| Investment income | 1,065,034 | 10,311,717 | 4,173,063 | 3,969,459 | 0 | 19,519,273 |
| Unclaimed credits | 6,129 | 42,314 | 42,735 | 18,625 | 0 | 109,803 |
| Net income/(expense) for the year | 7,256,460 | 50,477,864 | 6,495,755 | (2,622,324) | 0 | 61,607,755 |
| Number of members at 31 December 2019 | 960 | 11,444 | 6,816 | 11,153 | 0 | 30,373 |

REMUNERATION OF TRUSTEE MEMBERS

In terms of Rule 18.16 an honorarium as from time to time determined at the Annual general meeting (AGM) may be paid to members of the Board of Trustees.

Board of Trustee members currently receive the following remuneration:

1. R4 850 meeting/workshop allowance and the Chairperson 30% on that;
2. R1 200 daily allowance;
3. Travelling reimbursement at the SARS prescribed rate (currently R3.98 per kilometre);
4. Accommodation with breakfast at an appropriate hotel facility;
5. R1 000 cell phone allowance per month for the Chairperson; and
6. R5 000 entertainment allowance per event for the Chairperson.

Annually at the AGM, the members approve an adjustment of the meeting allowance as in 1 above.

During 2020 with the declaration of the COVID – 19 National Disaster by the President of South Africa, the Board of Trustees had to make alternative arrangements in order to fulfil their fiduciary duties and ensure that the Scheme is rendering the required services to its beneficiaries.

As the bi-monthly meetings were not allowed, the Board took the decision to remunerate Trustee members monthly during the lock down instead of the approved policy. The average remuneration per Trustee of 2019 was used as basis, herewith the monthly remuneration paid with effect from 1 May 2020:

1. R18 000 for the Chairperson; and
2. R12 000 for the Trustees.

As this was as a result of the extraordinary circumstances and not in line with the approved policy, this resolution needs to be condoned by the members at the Annual General Meeting.

It is recommended that:

1. the resolution of the Board to remunerate Trustees monthly be condoned; and
2. the meeting/workshop allowance be increased with 7% with effect from 1 September 2020; and
3. the monthly Trustee remuneration during lock down be increased with 10% with effect from 1 September 2020.

For consideration by the meeting.

South Africa's National Anthem

Nkosi sikelel' iAfrika
Maluphakanyisw' uphondo lwayo,
Yizwa imithandazo yethu,
Nkosi sikelela, thina lusapho lwayo.

Morena boloka setjhaba sa heso,
O fedise dintwa le matshwenyeho,
O se boloke, O se boloke setjhaba sa heso,
Setjhaba sa South Afrika – South Afrika.

Uit die blou van onse hemel,
Uit die diepte van ons see,
Oor ons ewige gebergtes,
Waar die kranse antwoord gee,

Sounds the call to come together,
And united we shall stand,
Let us live and strive for freedom,
In South Africa our land.

IMPORTANT CONTACT INFORMATION

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