



Summary of Financial Statements
Opsomming van Finansiële State
2006

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Chairperson's report for 2006

Foreword

All schemes in the health care environment face the challenge of providing good, affordable medical cover while simultaneously retaining a viable financial reserve and maintaining cost-effective administration.

Creating this balance was far easier in the past when external influences had little impact on managing the variables. This is unfortunately no longer the case. Assumptions adopted by the TeleMed team and its actuaries, based inter alia on the promised but deferred roll-out of the Risk Equalisation Fund (REF), has once again had an adverse effect on our financial results. In future, a more conservative approach to budgeting will undoubtedly have to be adopted.

TeleMed has, as you may have noticed in various communiqués, undertaken a rebranding exercise and the positive response has been overwhelming. Our target for the year ahead will be the promotion of our new image, maintenance of our excellent service, the development and support of superior health care products as well as closer networking with our health care service providers.

The role of members in the management of the Scheme

Not only has the governance environmental changes affected the management strategies of all schemes, but the role that members play has and will become a critical success factor in curtailing health care costs.

Negotiations with health care service providers on tariff structures adopted by them, following recent court decisions, will no longer be the sole responsibility of the Scheme. We encourage active participation and engagement by our members.

Members will increasingly be provided with in-depth information, via various communi-

cation channels, on the products, mechanisms and options available and thus be empowered to make informed decisions about their health care.

This may appear to be a major change in mindset, but the time has come for members to take responsibility for their own health care and the associated costs. We will urge them to become actively involved and exercise their rights as medical scheme members. The result of these actions will be tangible not only in the range of benefits that TeleMed will be able to offer, but in monetary terms when capping these benefits in future.

The 2006 financial results compel TeleMed to adopt an aggressive 5-year business plan that has been submitted to the Registrar of Medical Schemes and that details how it will achieve the required solvency ratio of 25%.

Nonetheless, TeleMed still enjoys an excellent and healthy financial base and, coupled with the focus and active participation of the Board, management, staff and members, will undoubtedly go from strength to strength.

Again, I wish to thank the entire team for its guidance, diligence and contribution towards managing TeleMed last year.

Finally

Members are urged to participate in the election of candidates for the one-year tenure positions on the Board. We remind those nominated that there is a possibility that they may be elected as Scheme Trustees. The role of a Trustee involves a number of responsibilities not least of which is the good governance of the Scheme.



Leon la Grange
Chairperson: TeleMed Board of Trustees

Voorsittersverslag vir 2006

Voorwoord

Om goeie, bekostigbare mediese dekking te voorsien en terselfertyd 'n lewensvatbare reserwefonds asook gesonde administrasie te handhaaf, is 'n uitdaging aan alle skemas in die gesondheidsfondsbedryf.

In vorige jare was hierdie 'n makliker oefening aangesien die wisselvallighede bestuur was sonder veel inmenging van buite, maar lede moet besef dat dit ongelukkig nie meer die geval is nie. Die aannames wat die TeleMed span en sy aktuarisse moes maak, inter-alia gebaseer op die beloofde uitrol van die Risiko Gelykmakingsfonds ("REF"), wat nie gerealiseer het nie, het weereens 'n ongunstige uitwerking op ons finansiële syfers gehad. Dit sal verseker lei tot 'n meer konserwatiewe benadering ten opsigte van begrotings-aannames in die toekoms.

Soos lede waarskynlik opgemerk het uit verskeie kommunikasies, het TeleMed se handelsmerk 'n gedaanteverwisseling ondergaan - met oorweldigende positiewe reaksie van sy lede. Tesame met die nuwe beeld is uitmuntende diens, die ontwikkeling en ondersteuning van voortrefflike gesondheidsorg produkte, asook nouer skakeling met gesondheidsorg diensverskaffers ons mikpunt in die jaar wat voorlê.

Die rol van lede met die bestuur van die Skema

Nie alleen het die wetsverandering die bestuurstrategie vir alle skemas geaffekteer nie, maar die rol wat lede speel, het en gaan 'n kritiese faktor wees by die afwaartse bestuur van gesondheidsorgkoste.

As gevolg van die tariefstrukture wat gesondheidsorg diensverskaffers in die lig van onlangse hofbeslissings aangeneem het, is onderhandelings met diensverskaffers vir billike tariefstrukture nie meer net die Skema se verantwoordelikheid nie. Aktiewe deelname en verbintenis deur lede moet aangemoedig word. Ten einde dit te kan doen, sal lede meer bemagtig moet word met

kennis van die produkte, meganismes en beskikbare opsies. In die jaar wat voorlê, sal hierdie aspekte aan lede in verskeie kommunikasie mediums oorgedra word met die oog op beter ingeligte lede.

Hierdie mag blyk 'n ernstige verandering van denkwysse te wees, maar aangesien dit hoogtyd is dat lede ook verantwoordelikheid aanvaar vir hul gesondheidsorg en -uitgawes, wil ons lede aanspoor om aktief te begin raak en hul regte as mediese skemaliede uit te oefen. Die voordele hiervan sal tasbaar wees nie net betreffende lede se toekomstige voordele nie, maar ook die monetêre waarde wat dit vir die Skema en so ook ons lede sal inhou.

Die finansiële uitslae vir 2006 verlang dat TeleMed 'n aggressiewe 5-jaar besigheidsplan, wat reeds aan die Registrateur van Mediese Skemas voorgelê is, aanneem wat uiteensit hoe TeleMed die voorgeskrewe solvensieverhouding van 25% gaan bereik.

TeleMed het steeds 'n gesonde finansiële basis en sal, tesame met die aktiewe deelname en fokus van die Raad, Bestuur, sy personeel en lede, ongetwyfeld van krag tot krag kan gaan.

Weereens, dankie aan die hele span vir hul leiding en ywer wat die afgelope jaar aan die dag gelê is met die bestuur van TeleMed.

Laastens

Lede behoort teen dié tyd reeds op hoogte te wees van die verkiesingsproses vir daardie raadslede wat slegs een jaar op die Raad dien en ek wil graag 'n beroep doen op lede om asseblief deel te neem aan die Trustee verkiesing. Lede wat genomineer is, moet daarop let dat hul moontlike verkiesing as Trusteese 'n gewigtige saak is aangesien hulle deel word van 'n entiteit wat verantwoordelik is vir die goeie bestuur van die Skema.



Leon la Grange

Voorsitter: TeleMed Raad van Trusteese

Report of the Board of Trustees for the year ended 31 December 2006

The 2006 Annual General Meeting was held on 22 June 2006.

1. Management

1.1 Board of Trustees in office during the year under review

L la Grange	Member trustee (Chairperson)	Re-elected 22 June 2006	3 year term
BA Bets	Member trustee	Re-elected 22 June 2006	3 year term
JJ Bezuidenhout	Member trustee	Re-elected 22 June 2006	3 year term
GF Dempsey	Member trustee	Re-elected 22 June 2006	2 year term
DJ Fredericks	Member trustee	Re-elected 22 June 2006	1 year term
AJ van der Berg	Member trustee	Term expires 22 June 2006	
AJ Lapan	Appointed trustee	Term expires 22 June 2006	
MR Monamodi	Appointed trustee	Re-appointed 13 July 2006	1 year term
AI Minnaar	Appointed trustee	Appointed 13 July 2006	1 year term
NA Potgieter	Member trustee	Elected 22 June 2006	2 year term
L Louw	Appointed trustee	Appointed 13 July 2006	1 year term
JJ Laubscher	Member trustee	Elected 22 June 2006	1 year term
T Borg-Jorgenson	Appointed trustee	Appointed 13 July 2006	1 year term

1.2 Principal Officer CP Stadler

1.3 Registered office and postal addresses

4 Third Street	PO Box 303
Marlands	Germiston
Germiston	1400
1401	

1.4 Actuaries

The following actuaries evaluated the benefit options, pricing and post-retirement health care liability:

The Health Monitor Company	Private Bag X17
Ground Floor	Halfway House
Block J	1685
Central Park	
400 16th Road	
Midrand	

The following company was contracted to evaluate the Pension and Provident Funds:

Simeka Consultants and Actuaries	PO Box 972
Menlyn Woods	Elardus Park
First Floor, Phase 2	0047
Sprite Avenue	
Faerie Glen	
0043	

The last evaluation was done for the 2005 financial year end. The Scheme obtained approval from the Financial Services Board during 2005 to move from a defined benefit plan to a defined contribution plan effective 1 January 2002 and therefore no current evaluation is required.

1.5 Auditors

PricewaterhouseCoopers Inc.	PO Box 35296
32 Ida Street	Menlo Park
Menlo Park	0102
0102	

2. Description of the Medical Scheme

2.1 Terms of registration

TeleMed is a non profit open medical scheme registered in terms of the Medical Schemes Act 131 of 1998, as amended.

2.2 Benefit options within TeleMed

The Scheme offered four benefit options to employers and members of the public for the period under review. These are:

- Bronze
- Silver
- Gold
- Platinum

2.3 Personal savings account (referred to as Flexfunder)

The objective is to provide a facility for the Silver option members to set funds aside to meet future health care costs.

Members pay an agreed sum, according to their earnings and limited to 25% of their gross contributions, into a personal savings account to help pay the member's portion of healthcare costs when they have exceeded their benefit limits or if the benefit is not covered by the Scheme.

The liability to the members in respect of the personal savings account is reflected as a current liability in the financial statements, repayable in terms of Regulation 10 of the Act as amended.

The personal savings account holder carries the risk in terms of the rules of the Scheme.

3. Investment and fixed asset policy of the Medical Scheme

The Trustees continue to invest funds in line with the requirements of the Medical Schemes Act 131 of 1998, as amended. There has been no change in the policy during the current accounting year.

The Scheme invested in fixed deposits and cash instruments during 2006. 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. Review of the accounting year's activities

4.1 Operating results

The results of the Scheme are detailed in the annual financial statements. The Trustees believe that specific reference should be made to paragraph 15 in this report regarding non-compliance with the Medical Schemes Act and its Regulations. Furthermore, administrative expenses increased as a whole due to a computer system change and accelerated marketing, communication and rebranding activities (refer to note 10 of the summarised financial statements).

4.2 Operational statistics

Please refer to pages 8 and 9.

4.3 Accumulated funds ratio

	2006 R	2005 R
The accumulated funds ratio is calculated as follows:		
Accumulated funds as per balance sheet	<u>110,739,033</u>	<u>146,501,442</u>
Gross contributions	<u>729,611,611</u>	<u>676,739,986</u>
Accumulated funds ratio = Accumulated funds / Gross annual contribution income x 100%	<u>15.18%</u>	<u>21.65%</u>

The Scheme did not achieve the solvency margin of 25% as required by the Medical Schemes Act. Refer to paragraph 15.1 of this report.

4.4 Reserve accounts

Movements in the reserves are set out in the Statement of changes in funds and reserves.

4.5 Outstanding claims provision

Movements on the outstanding claims provision are detailed in Note 8 of the summarised financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

Operational statistics

	Bronze	
	2006	2005
Number of members at the end of the accounting year	1,910	304
Average number of members for the accounting year	1,920	246
Average number of dependants for the accounting year	2,739	141
Average net contributions per member per month	R737	R587
Average net contributions per beneficiary per month	R304	R373
Average claims incurred per member per month	R662	R243
Average claims incurred per beneficiary per month	R602	R155
Average administration costs per member per month	R13	R49
Average administration costs per beneficiary per month	R6	R31
Average managed care: Management services per member	R161	R116
Average accumulated funds per member at 31 December	R4,318	R6,119
Beneficiaries per member at 31 December	1.78	1.55
Net claims as a percentage of net contributions	89.71%	51.93%
Managed care: Management services as a percentage of net contributions	1.82%	1.65%
Non-health care expenses as a percentage of net contributions	1.82%	8.30%
Average health care management expenses per beneficiary per month	5.53	6.16
Number of new members	2,947	149
Number of membership terminations	1,341	48

Silver		Gold		Platinum		Total	
2006	2005	2006	2005	2006	2005	2006	2005
2,422	1,947	12,391	12,448	8,924	9,243	25,647	23,942
2,324	1,839	12,488	12,681	9,032	9,507	25,764	24,273
3,435	2,612	16,323	17,039	11,574	12,567	34,071	32,359
R1,744	R1,288	R2,318	R2,174	R2,922	R2,689	R2,360	R2,293
R704	R532	R1,005	R928	R1,281	R1,158	R1,016	R983
R1,566	R1,450	R2,235	R2,124	R2,836	R2,568	R2,278	R2,228
R632	R599	R969	R906	R1,243	R1,106	R981	R955
R77	R76	R155	R123	R155	R123	R138	R119
R31	R31	R67	R52	R68	R53	R59	R51
R330	R245	R492	R411	R621	R507	R498	R433
R4,318	R6,119	R4,318	R6,119	R4,318	R6,119	R4,318	R6,119
2.50	2.43	2.30	2.33	2.27	2.31	2.27	2.32
97.98%	112.16%	96.45%	97.72%	97.05%	95.51%	97.33%	97.19%
1.79%	1.59%	1.77%	1.57%	1.77%	1.57%	1.77%	1.57%
5.02%	5.89%	6.70%	5.66%	5.32%	4.57%	5.88%	5.17%
11.08	8.43	17.78	14.60	22.67	18.20	17.87	15.46
620	297	395	476	241	431	4,203	1,353
145	467	452	567	560	633	2,498	1,715

5. Actuarial services

The determination of the contributions, benefit levels and outstanding claims provision was done in consultation with the Scheme's actuaries.

6. Subsequent events

The Scheme has introduced a new option, Gold Select, in the 2007 financial year.

7. Investments in and loans to participating employers or members of the Medical Scheme and other related parties

The Scheme holds no investments in participating employers or other related parties.

8. Audit Committee

The Audit Committee was established in accordance with the provisions of the Medical Schemes Act 131 of 1998, as amended. The Committee is mandated by the Board of Trustees in the form of 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 members, including the Chairperson, are not officers of the Scheme.

The Chairperson of the Scheme, the Financial Manager, Internal Auditor and the External Auditors have unrestricted access to the Chairperson of the Committee.

In accordance with the provisions of the Medical Schemes Act 131 of 1998, as amended, the primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting policies, internal control systems and financial reporting practices. The External and Internal Auditors formally report to the Committee on critical findings arising from audit activities.

The Committee met on four occasions during the course of the year:

- 3 April 2006
- 25 April 2006
- 19 July 2006
- 2 October 2006

The Committee comprises JFJ Scheepers (Chairperson)*, L la Grange**, DJ Fredericks**, IR Coetzee* and MH Motlekar*.

* Independent member

** Trustee member

9. Investment Committee

The Investment Committee comprises DJ Fredericks, WJ Myburgh, JJ Laubscher, CP Stadler, FR Olivier and NR Hiralal. The primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the investment policy of the Scheme.

The Committee met on three occasions during the course of the year:

- 3 April 2006
- 25 April 2006
- 23 October 2006

10. Action Committee

The Action Committee comprises L la Grange, BA Bets, JJ Bezuidenhout and GF Dempsey. The primary responsibility of the Action Committee is to consider proposals to be tabled at Board meetings on an ongoing basis and to act as the Board's Remuneration Committee.

The Committee met on seven occasions during the course of the year:

- 9 February 2006
- 4 April 2006
- 11 May 2006
- 11 July 2006
- 27 July 2006
- 4 October 2006
- 2 November 2006

11. Human Resource Committee

The Committee comprises BA Bets, GF Dempsey, NA Potgieter, CP Stadler, FR Olivier and SE Pilane. The responsibilities of the Human Resource Committee is to review the human resource strategies, policies and organisation of the Scheme including employment, compensation, diversity, succession planning, training and development, but excluding, other than policy guidelines, the compensation of the Chief Executive Officer and the other Executives.

The Committee met on four occasions during the course of the year:

- 9 February 2006
- 24 May 2006
- 4 October 2006
- 6 December 2006

12. Managed Health Care Committee

The Committee comprises L la Grange, BA Bets, CP Stadler and Dr WJ Oosthuizen. The responsibilities of the Managed Health Care Committee is to develop and review the managed health care strategies, monitor progress of managed health care service providers and advise on the appointment of key service providers to meet strategic objectives.

The Committee met on two occasions during the course of the year:

- 14 August 2006
- 9 November 2006

13. Trustee and Sub-Committee meeting attendance

The following schedule details the meeting attendance by the Board of Trustee and Board Sub-Committee members. Trustee remuneration is disclosed in Note 10 of the summarised financial statements.

	Board of Trustees	Action Committee	Investment Committee	Audit Committee	Human Resources Committee	Managed Health Care Committee
Number of meetings for the year	9	7	3	4	4	2
Trustee/Sub-Committee member						
L la Grange	9	7		4	2	2
BA Bets	9	7		2	3	2
JJ Bezuidenhout	7	3				
GF Dempsey	9	7			4	
DJ Fredericks	2		3	3		
AJ van der Berg	3					
AJ Lapan	1					
MR Monamodi	3					
JJ Laubscher	6		1			
L Louw	2					
T Borg-Jorgenson	1					
AI Minnaar	2					
NA Potgieter	6				1	
JFJ Scheepers				4		
IR Coetzee				4		
MH Motlekar				3		
CP Stadler			3			
FR Olivier			3			
W Myburgh			1			
NR Hiralal			3			
WJ Oosthuizen						2

14. Pension and Provident Fund Trustees

Mr MR Monamodi, a member of the Board of Trustees, presides over the TeleMed Pension and Provident Fund Trustee meetings.

15. Non-compliance with the Medical Schemes Act 131 of 1998 and its Regulations

15.1 Required solvency margin not achieved by the Scheme - Regulation 29 (2) of the Regulations to the Medical Schemes Act

Although the Scheme budgeted for a solvency margin of 21.37% at the end of 2006, higher claims than expected were experienced, especially on the Gold option, where a number of very high cost hospital cases were recorded. This resulted in a solvency margin of 15.18% at the end of 2006. A business plan indicating how the Scheme will reach the desired solvency level and what corrective action the Trustees will take to do so was submitted to the Council for Medical Schemes.

15.2 Financial soundness of benefit options - Section 33 (2) of the Medical Schemes Act

The Silver, Gold and Platinum benefit options were not self supporting in terms of financial performance due to higher than expected claiming patterns. As a result of extraordinary impairment losses of R6,8m, the Bronze option also recorded an operational deficit. As per 15.1 above, corrective action will be taken.

15.3 Managed health care providers with expired accreditation

The accreditations of the following managed health care providers have expired. Their current applications are pending with the Council for Medical Schemes.

- Access Health South Africa (Pty) Ltd
- Prime Cure Health (Pty) Ltd
- National Healthcare Risk Managers (Pty) Ltd

15.4 Limitation on assets - Regulation 30 of the Regulations to the Medical Schemes Act

The value of the owner occupied Scheme property exceeded the maximum 2.5% of total assets as prescribed by the Regulation.

The summarised financial statements presented on pages 24 - 47 were signed off by the Board of Trustees on its behalf by:



Leon la Grange
8 June 2007



Ben Bets

Verslag van die Raad van Trustees **vir die jaar geëindig 31 Desember 2006**

Die 2006 Algemene Jaarvergadering was op 22 Junie 2006 gehou.

1. Bestuur

1.1 Dienende Raad van Trustees gedurende die boekjaar

L la Grange	Ledetrustee (Voorsitter)	Herverkies 22 Junie 2006	3 jaar termyn
BA Bets	Ledetrustee	Herverkies 22 Junie 2006	3 jaar termyn
JJ Bezuidenhout	Ledetrustee	Herverkies 22 Junie 2006	3 jaar termyn
GF Dempsey	Ledetrustee	Herverkies 22 Junie 2006	2 jaar termyn
DJ Fredericks	Ledetrustee	Herverkies 22 Junie 2006	1 jaar termyn
AJ van der Berg	Ledetrustee	Beëindiging van termyn 22 Junie 2006	
AJ Lapan	Aangewysde trustee	Beëindiging van termyn 22 Junie 2006	
MR Monamodi	Aangewysde trustee	Heraangestel 13 Julie 2006	1 jaar termyn
AI Minnaar	Aangewysde trustee	Aangestel 13 Julie 2006	1 jaar termyn
NA Potgieter	Ledetrustee	Verkies 22 Junie 2006	2 jaar termyn
L Louw	Aangewysde trustee	Aangestel 13 Julie 2006	1 jaar termyn
JJ Laubscher	Ledetrustee	Verkies 22 Junie 2006	1 jaar termyn
T Borg-Jorgenson	Aangewysde trustee	Aangestel 13 Julie 2006	1 jaar termyn

1.2 Hoofbeampte

CP Stadler

1.3 Geregistreerde kantoor- en posadres

Derdestraat 4	Posbus 303
Marlands	Germiston
Germiston	1400
1401	

1.4 Aktuarisse

Die volgende aktuarisse is gebruik vir die evaluering van die voordeelopsies, prysing en die las ten opsigte van die nadiens gesondheidsorg omskrewesvoordeelplan:

The Health Monitor Company	Privaatsak X17
Grondvloer	Halfway House
Blok J	1685
Central Park	
Sestiendeweg 400	
Midrand	

Die volgende maatskappy was gekontrakteer om die Pensioen- en Voorsorgfonds te evalueer:

Simeka Konsultante en Aktuarisse	Posbus 972
Menlyn Woods	Elardus Park
Eerstevloer, Fase 2	0047
Sprite Laan	
Faerie Glen	
0043	

Die laaste evaluasie was gedoen vir die 2005 finansiële jaar. Die Skema het gedurende 2005 goedkeuring verkry vanaf die Finansiële Dienste Raad om oor te skakel van 'n omskrewe voordeelplan na 'n omskrewe bydraeplan effektief 1 Januarie 2002 en daarom word geen evaluasie vereis vir die huidige jaar nie.

1.5 Ouditeure

PricewaterhouseCoopers Geïnk.	Posbus 35296
Idastraat 32	Menlo Park
Menlo Park	0102
0102	

2. Beskrywing van die Mediese Skema

2.1 Registrasievoorwaardes

TeleMed is 'n oop mediese skema sonder winsoogmerk wat ingevolge die Wet op Mediese Skemas 131 van 1998, soos gewysig, geregistreer is.

2.2 TeleMed voordeelopsies

Tydens die boekjaar het die Skema vier voordeelopsies gebied aan werkgewers en lede van die publiek. Hierdie opsies was:

- Brons
- Silwer
- Goud
- Platinum

2.3 Persoonlike spaarrekening (verwys na as Flexfunder)

Die oogmerk is om 'n fasiliteit vir Silwer opsie lede daar te stel waardeur hulle fondse opsy kan sit om toekomstige gesondheidsorgkoste te bestry.

Lede betaal 'n ooreengekome bedrag, volgens hulle inkomste en beperk tot 25% van hulle bruto bydraes, in 'n persoonlike spaarrekening ten einde hulle te help om hul gedeelte van gesondheidsorgkoste te betaal wanneer hul 'n voordeellimiet oorskry of wanneer die koste nie deur die Skema gedek word nie.

Die aanspreeklikheid teenoor lede ten opsigte van die persoonlike spaarrekening word as 'n bedryfslas in die finansiële state getoon wat ingevolge Regulasie 10 van die Wet, soos gewysig, terugbetaalbaar is.

Volgens die Reëls van die Skema dra die houer van die persoonlike spaarrekening die risiko.

3. Beleggings- en vastebatebeleid van die Mediese Skema

Die Trustees belê steeds fondse ooreenkostig die vereistes van die Wet op Mediese Skemas 131 van 1998, soos gewysig. Daar was tydens die boekjaar geen wysiging in hierdie beleid nie.

Die Skema het gedurende 2006 in vaste deposito's en kontantinstrumente belê. Hierdie beleid word jaarliks hersien, wanneer nakoming van die Wet, asook die risiko en opbrengs van die verskillende beleggingsinstrumente en die surplus van beskikbare fondse in ag geneem word.

4. Oorsig van bedrywighede tydens die boekjaar

4.1 Bedryfsresultate

Die resultate van die Skema is in die finansiële state uiteengesit. Die Trusteese is van mening dat spesifieke verwysing gemaak moet word na Aantekening 15 in hierdie verslag oor nie-voldoening aan die Wet op Mediese Skemas en sy Regulasies. Verder, administrasie uitgawes het in sy geheel verhoog as gevolg van die oorskakeling na 'n nuwe rekenaarstelsel, verhoogde aksies in bemaking, kommunikasie en die bekendstelling van 'n nuwe handelsmerk (verwys na Aantekening 10 van die opgesomde finansiële state).

4.2 Bedryfstastatistiek

Verwys asseblief na bladsye 18 en 19.

4.3 Opgehoopte fondsverhouding

	2006 R	2005 R
Die opgehoopte fondsverhouding word as volg bereken:		
Opgehoopte fonds soos per balansstaat	<u>110,739,033</u>	<u>146,501,442</u>
Bruto bydraes	<u>729,611,611</u>	<u>676,739,986</u>
Opgehoopte fondsverhouding = Opgehoopte fondse / Bruto jaarlikse inkomste uit bydraes x 100%	<u>15.18%</u>	<u>21.65%</u>

Die Skema het nie die solvensiemarge van 25%, soos vereis word deur die Wet op Mediese Skemas, behaal nie. Verwys na Aantekening 15.1 van hierdie verslag.

4.4 Reserwerekennings

Bewegings in die reserwes is uiteengesit in die Staat van veranderings in fondse en reserwes.

4.5 Uitstaande eisevoorsiening

Bewegings in die uitstaande eisevoorsiening word in Aantekening 8 van die opgesomde finansiële state uiteengesit. Daar was geen buitengewone beweging wat na mening van die Trusteese onder die aandag van skemalede gebring moet word nie.

5. Aktuariële dienste

Die Skema se aktuarisse is geraadpleeg oor bydraevasstelling, voordeelvlakke en uitstaande eisevoorsiening.

6. Latere gebeure

Die Skema het 'n nuwe opsie, Goud Select, bekend gestel in die 2007 finansiële jaar.

7. Beleggings in en lenings aan deelnemende werkgewers of lede van die Mediese Skema en ander betrokke partye

Die Skema hou geen beleggings in deelnemende werkgewers of enige ander verwante partye.

8. Ouditkomitee

Die Komitee is ooreenkomstig die bepalings van die Wet op Mediese Skemas 131 van 1998, soos gewysig, saamgestel. Die Komitee het 'n mandaat van die Raad van Trustees by wyse van 'n geskrewe opdrag met betrekking tot sy lidmaatskap, gesag en pligte. Die Komitee bestaan uit vyf lede waarvan twee van die lede op die Raad van Trustees dien. Die meerderheid van lede, insluitend die Voorsitter, is nie ampsdraers van die Mediese Skema nie.

Die Voorsitter van die Skema, die Finansiële Bestuurder, die Interne Ouditeur en die Eksterne Ouditeure het onbeperkte toegang tot die Voorsitter van die Komitee.

Volgens die bepalings van die Wet op Mediese Skemas 131 van 1998, soos gewysig, is die Komitee se primêre verantwoordelikheid om die Raad van Trustees by te staan in die uitvoering van die Skema se rekeningkundige beleide, interne beheerstelsels en finansiële verslagdoeningspraktyke. Die Eksterne en Interne Ouditeure doen formeel verslag aan die Komitee oor kritieke bevindings wat uit hul oudits voortspruit.

Die Komitee het in die loop van die jaar by vier geleenthede vergader:

- 3 April 2006
- 25 April 2006
- 19 Julie 2006
- 2 Oktober 2006

Die Komitee is saamgestel uit JFJ Scheepers (Voorsitter)*, L la Grange**, DJ Fredericks**, IR Coetzee* en MH Motlekar*.

* Onafhanklike lid

** Trusteelid

Bedryfstatistiek

	Brons	
	2006	2005
Aantal lede aan die einde van die boekjaar	1,910	304
Gemiddelde aantal lede vir die boekjaar	1,920	246
Gemiddelde aantal afhanklikes vir die boekjaar	2,739	141
Gemiddelde netto bydraes per lid per maand	R737	R587
Gemiddelde netto bydraes per voordeeltrekker per maand	R304	R373
Gemiddelde eise aangegaan per lid per maand	R662	R243
Gemiddelde eise aangegaan per voordeeltrekker per maand	R602	R155
Gemiddelde administrasiekoste per lid per maand	R13	R49
Gemiddelde administrasiekoste per voordeeltrekker per maand	R6	R31
Gemiddelde Bestuurdorg: Bestuursdienste per lid	R161	R116
Gemiddelde opgehoopte fondse per lid op 31 Desember	R4,318	R6,119
Voordeeltrekkers per lid op 31 Desember	1.78	1.55
Netto eise as 'n persentasie van netto bydraes	89.71%	51.93%
Bestuurde sorg: Bestuursdienste as 'n persentasie van netto bydraes	1.82%	1.65%
Nie-gesondheid uitgawes as 'n persentasie van netto bydraes	1.82%	8.30%
Gemiddelde gesondheidsorg bestuur uitgawes per voordeeltrekker per maand	5.53	6.16
Aantal nuwe lede	2,947	149
Aantal lede bedank	1,341	48

***Verlag van die Raad van Trustees
vir die jaar geëindig 31 Desember 2006 vervolg***

Silwer		Goud		Platinum		Totaal	
2006	2005	2006	2005	2006	2005	2006	2005
2,422	1,947	12,391	12,448	8,924	9,243	25,647	23,942
2,324	1,839	12,488	12,681	9,032	9,507	25,764	24,273
3,435	2,612	16,323	17,039	11,574	12,567	34,071	32,359
R1,744	R1,288	R2,318	R2,174	R2,922	R2,689	R2,360	R2,293
R704	R532	R1,005	R928	R1,281	R1,158	R1,016	R983
R1,566	R1,450	R2,235	R2,124	R2,836	R2,568	R2,278	R2,228
R632	R599	R969	R906	R1,243	R1,106	R981	R955
R77	R76	R155	R123	R155	R123	R138	R119
R31	R31	R67	R52	R68	R53	R59	R51
R330	R245	R492	R411	R621	R507	R498	R433
R4,318	R6,119	R4,318	R6,119	R4,318	R6,119	R4,318	R6,119
2.50	2.43	2.30	2.33	2.27	2.31	2.27	2.32
97.98%	112.16%	96.45%	97.72%	97.05%	95.51%	97.33%	97.19%
1.79%	1.59%	1.77%	1.57%	1.77%	1.57%	1.77%	1.57%
5.02%	5.89%	6.70%	5.66%	5.32%	4.57%	5.88%	5.17%
11.08	8.43	17.78	14.60	22.67	18.20	17.87	15.46
620	297	395	476	241	431	4,203	1,353
145	467	452	567	560	633	2,498	1,715

9. Beleggingskomitee

Die Komitee bestaan uit DJ Fredericks, WJ Myburgh, JJ Laubscher, CP Stadler, FR Olivier en NR Hiralal. Die primêre verantwoordelikheid van die Komitee is om die Raad van Trustees by te staan in die uitvoering van hul pligte met betrekking tot die Skema se beleggingsbeleid.

Die Komitee het in die loop van die jaar by drie geleenthede vergader:

- 3 April 2006
- 25 April 2006
- 23 Oktober 2006

10. Aksiekomitee

Die Komitee bestaan uit L la Grange, BA Bets, JJ Bezuidenhout en GF Dempsey. Die primêre verantwoordelikheid van die Aksiekomitee is om deurlopend voorstelle wat ingedien word by Raadsvergaderings te oorweeg, asook om te dien as die Raad se Vergoedingskomitee.

Die Komitee het in die loop van die jaar by sewe geleenthede vergader:

- 9 Februarie 2006
- 4 April 2006
- 11 Mei 2006
- 11 Julie 2006
- 27 Julie 2006
- 4 Oktober 2006
- 2 November 2006

11. Menslike Hulpbronne Komitee

Die Komitee bestaan uit BA Bets, GF Dempsey, NA Potgieter, CP Stadler, FR Olivier en SE Pilane. Die verantwoordelikheid van die Menslike Hulpbronne Komitee is om die menslike hulpbronstrategieë, -beleide en organisasie van die Skema te hersien wat werkverskaffing, vergoeding, diversiteit, suksesbeplanning, opleiding en ontwikkeling insluit, maar wat buiten die beleidsriglyne, die vergoeding van die Hoof Uitvoerende Beampte en die ander Uitvoerende Beamptes uitsluit.

Die Komitee het in die loop van die jaar by vier geleenthede vergader:

- 9 Februarie 2006
- 24 Mei 2006
- 4 Oktober 2006
- 6 Desember 2006

12. Bestuurde Gesondheidsorg Komitee

Die Komitee bestaan uit L la Grange, BA Bets, CP Stadler en Dr WJ Oosthuizen. Die verantwoordelikhede van die Bestuurde Gesondheidsorg Komitee is om bestuurde gesondheidsorg strategieë te ontwikkel en te evalueer, om die vordering van gesondheidsorg diensverskaffers te monitor en om raad te gee oor die aanstelling van sleutel diensverskaffers ten einde die strategiese doelwitte te bereik.

Die Komitee het in die loop van die jaar by twee geleenthede vergader:

- 14 Augustus 2006
- 9 November 2006

13. Vergaderingbywoning van Trustees en Subkomitees

Die volgende skedule dui die Raad van Trustees se bywoning van Raadsvergaderings sowel as die bywoning van die Raad se subkomitee vergaderings aan. Trustee vergoeding word geopenbaar in Aantekening 10 van die opgesomde finansiële state.

	Raad van Trustees	Aksiekomitee	Beleggingskomitee	Ouditkomitee	Menslike Hulpbronne Komitee	Bestuurde Gesondheidsorg Komitee
Aantal vergaderings vir die jaar	9	7	3	4	4	2
Trustee/Subkomitee lede						
L la Grange	9	7		4	2	2
BA Bets	9	7		2	3	2
JJ Bezuidenhout	7	3				
GF Dempsey	9	7			4	
DJ Fredericks	2		3	3		
AJ van der Berg	3					
AJ Lapan	1					
MR Monamodi	3					
JJ Laubscher	6		1			
L Louw	2					
T Borg-Jorgenson	1					
AI Minnaar	2					
NA Potgieter	6				1	
JFJ Scheepers				4		
IR Coetzee				4		
MH Motlekar				3		
CP Stadler			3			
FR Olivier			3			
W Myburgh			1			
NR Hiralal			3			
WJ Oosthuizen						2

14. Pensioen- en Voorsorgfonds Trustees

Mnr MR Monamodi, 'n lid van die Raad van Trustees, is die Voorster van die TeleMed Pensioen- en Voorsorgfonds Trustee vergaderings.

15. Nie-voldoening aan die Wet op Mediese Skemas 131 van 1998 en sy Regulasies

15.1 Vereiste solvensiemarge nie behaal deur die Skema - Regulasie 29 (2) van die Wet op Mediese Skemas

Hoewel die Skema begroot het vir 'n solvensiemarge van 21.37% aan die einde van 2006, is meer eise ontvang as wat vermag is, veral op die Goud opsie waar 'n aantal hoë hospitaalgevalle aangeteken is. Dit het gelei tot 'n solvensiemarge van 15.18% was aan die einde van 2006. 'n Besigheidsplan om die Skema op die gewenste solvensiemarge te bring en wat aandui watter aksies die Trustees beplan, was ingedien by die Raad vir Mediese Skemas.

15.2 Finansiële gesondheid van voordeelopsies - Artikel 33 (2) van die Wet op Mediese Skemas

Die Silwer, Goud en Platinum voordeelopsies was nie selfonderhoudend ten opsigte van finansiële prestasie nie as gevolg van hoër eise as wat vermag was. As gevolg van die buitengewone waardedaling van R6,8m, dui die Brons opsie ook 'n tekort op operasionele gebied. Korrektiewe aksies sal plaasvind soos 15.1 hierbo.

15.3 Verstrykte akkreditasie van bestuurde gesondheidsorg diensverskaffers

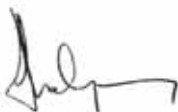
Die volgende bestuurde gesondheidsorg diensverskaffers se akkreditasie het verstryk. Hul huidige aansoek is hangende by die Raad vir Mediese Skemas.

- Access Health South Africa (Edms) Bpk
- Prime Cure Health (Edms) Bpk
- National Healthcare Risk Managers (Edms) Bpk

15.4 Bepierking op bates - Regulasie 30 van die Regulasies tot die Wet op Mediese Skemas

Die waarde van die eienaar geokkupeerde Skema eiendom oorskry die maksimum 2.5% van totale bates soos voorgeskryf deur die Regulasie.

Die opgesomde finansiële state voorgestel op bladsye 24 - 47 was afgeteken namens die Raad van Trustees deur:



Leon la Grange

8 Junie 2007



Ben Bets

Independent auditors report to TeleMed members

Report on the summarised financial statements

We have audited the annual financial statements of TeleMed Medical Scheme for the year ended 31 December 2006, from which the summarised financial statements were derived, in accordance with International Standards on Auditing. These summarised financial statements are presented on pages 24 to 47.

In our report dated 30 April 2007, we express an unqualified opinion on the financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they are derived.

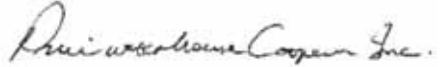
For a better understanding of the Scheme's financial position and the results of its operations for the year ended 31 December 2006 and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report thereon.

Report on other legal and regulatory requirements

As required by the Council for Medical Schemes, we report the following instances of non-compliance with the Medical Schemes Act, which we consider to be material:

Note 15 to the summarised financial statements indicated that the Scheme did not comply with Section 33 (2) of the Medical Schemes Act, as none of the benefit options were self supporting in terms of membership and financial performance.

Furthermore, Note 15 also indicates that the Scheme did not comply with Regulation 29 (2) of the Medical Schemes Act, as the required accumulated funds ratio of 25% was not achieved on 31 December 2006.



PricewaterhouseCoopers Inc.

Director: J Prinsloo

Registered Auditor

Pretoria

11 June 2007

Balance Sheet as at 31 December 2006

	Notes	2006 R	2005 R
Assets			
Non-current assets			
Property, plant and equipment	2	8,685,043	7,605,410
Current assets			
Held-to-maturity financial assets	3	200,000	58,700,000
Available-for-sale financial assets	3	20,296,152	-
Receivables	4	11,117,071	8,498,729
Cash and cash equivalents	5	170,332,648	159,644,802
Total assets		210,630,914	234,448,941
Funds and Liabilities			
Members' funds			
Accumulated funds		116,150,374	151,912,783
Revaluation reserves		110,739,033	146,501,442
		5,411,341	5,411,341
Non-current liabilities			
Post retirement health care benefits		8,558,027	7,381,447
Current liabilities			
Personal savings plan liability	6	24,982,301	27,145,329
Trade and other payables	7	23,940,212	6,009,382
Outstanding claims provision	8	37,000,000	42,000,000
Total funds and liabilities		210,630,914	234,448,941

**Condensed Income Statement for the year ended
31 December 2006**

	Notes	2006 R	2005 R
Risk contribution income		723,668,212	667,760,522
Risk transfer arrangement fees		<u>(18,203,000)</u>	<u>(2,793,409)</u>
Net contribution income		705,465,212	664,967,113
Investment income		14,755,920	15,732,406
Other income		<u>35,508</u>	<u>4,914</u>
Net income		720,256,640	680,704,433
Risk claims incurred	9	(704,363,023)	(649,008,805)
Claims recoveries from other risk transfer arrangements		21,927,982	1,929,753
Managed health care expenses		(12,828,343)	(10,506,820)
Broker services fees		(9,483,765)	(2,550,608)
Administration expenses	10	(42,582,938)	(34,552,226)
Net impairment (losses) / recoveries		(7,834,096)	954,218
Other operating expenses		<u>(854,865)</u>	<u>(178,250)</u>
Deficit for the year		<u>(35,762,409)</u>	<u>(13,208,305)</u>

**Statement of changes in funds and reserves
for the year ended 31 December 2006**

	Accumulated funds R	Revaluation reserve R	Total members fund R
Balance as at 1 January 2005	159,709,747	5,411,341	165,121,088
Net deficit for the year	<u>(13,208,305)</u>	-	<u>(13,208,305)</u>
Balance as at 31 December 2005	146,501,442	5,411,341	151,912,783
Net deficit for the year	<u>(35,762,408)</u>	-	<u>(35,762,408)</u>
Balance as at 31 December 2006	<u>110,739,033</u>	<u>5,411,341</u>	<u>116,150,374</u>

**Condensed cash flow statement
for the year ended 31 December 2006**

	2006 R	2005 R
Cash flows from operating activities		
Cash utilised from operations	(40,609,733)	(21,193,817)
Investment income	<u>14,755,920</u>	<u>15,732,406</u>
Net cash utilised from operating activities	<u>(25,853,813)</u>	<u>(5,461,411)</u>
Cash flows from investing activities		
	<u>36,541,659</u>	<u>118,610,144</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of year	<u>159,644,802</u>	<u>46,496,069</u>
Cash and cash equivalents at year end	<u>170,332,648</u>	<u>159,644,802</u>

Notes to the summarised financial statements

1. Principal accounting policies

The principal accounting policies applied in the preparation of the annual financial statements and the summarised financial statements derived therefrom are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements are prepared on the going concern principle in accordance with International Financial Reporting Standards ("IFRS"). They have been prepared under the historical cost convention, as modified by the re-evaluation of land and buildings and financial assets and liabilities, which are carried at fair value.

1.2 Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is reflected at historical cost less accumulated depreciation and accumulated impairments. Depreciation is charged on the straight-line basis over the estimated useful lives of the assets after taking into consideration the assets' residual value. Land is not depreciated. The estimated maximum useful lives of items of property, plant and equipment are:

Buildings	2%	50 years
Elevator	10%	10 years
Motor vehicles	25%	4 years
Furniture and fittings	16.67%	6 years
Computer equipment	33.33%	3 years
Office equipment	20%	5 years

The useful lives and residual values are assessed annually and adjusted if appropriate. Where components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items. There was no adjustment in the useful lives from the previous year.

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are recognised in the Income Statement.

Gains and losses on the disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount. They are included in the Income Statement as part of other income.

1.3 Financial instruments

The Scheme classifies its investments into the following categories: held-to-maturity, receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates these at every reporting date to ensure appropriate classification.

(i) Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities - other than those that meet the definition of loans and receivables, that the Scheme's management has the positive intention and ability to hold to maturity. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(ii) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those the Scheme intends to sell in the short term, or that it has designated as a fair value through profit and loss, or as available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Scheme will not be able to collect all amounts due according to its original terms.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the Scheme intends to dispose of them within twelve months of the Balance Sheet date. Subsequent to initial recognition, available-for-sale financial assets are carried at fair values. Changes in the fair values of financial assets, classified as available-for-sale, are recognised directly in the Scheme's revaluation reserve.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustment previously recognised in accumulated funds are transferred to the income statement and disclosed as realised gains on disposal of "available-for-sale investments". Interest on available-for-sale financial assets, calculated using the effective interest method, is recognised as investment income in the Income Statement. Dividends on available-for-sale equity instruments are recognised as investment income in the Income Statement when the Scheme's right to receive payments is established.

The fair values of quoted financial assets are based on bid prices at balance sheet date as quoted daily on a regulated exchange. If the market for a financial asset is not active, the Scheme establishes fair value by using valuation techniques. The Scheme did not have any financial assets that did not trade in an active market during the period under review.

Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction cost. After initial recognition, financial liabilities are recognised at fair value with gains and losses recognised in the Income Statement. The fair value is determined at the present value of cash flows required to settle the liabilities. However, due to the short term nature of these maturities, the fair value is normally an approximate cost.

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short-term liquid investments that are readily convertible (within three months) to a known amount of cash and are subject to an insignificant risk of change in value.

1.5 Insurance contracts

(a) Claims incurred

Gross claims incurred comprises the total estimated cost of all claims arising from health care events that have occurred in the year and for which the Scheme is responsible, whether or not reported by the end of the year.

Net claims incurred comprise:

- Claims submitted and accrued of services rendered during the year, net of recoveries from members for co-payments and savings plan accounts
- Payments under managed health care contracts for services rendered to members
- Movements in the provision for outstanding claims
- Claims settled in terms of risk transfer arrangements

(b) Outstanding claims

Claims outstanding comprise provision for the Scheme's estimate of the ultimate cost of settling all claims incurred but not yet reported at the balance sheet date and related internal and external claims handling expenses. Claims outstanding are determined as accurately as possible based on a number of factors, which include previous experience in claiming patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claiming frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim.

Estimated co-payments and payments from savings plan accounts are deducted in calculating the outstanding claims provision.

The Scheme does not discount its provision for outstanding claims on the basis that claims must be submitted within four months of the medical event and therefore the effect of the time value of money is not considered to be material.

(c) Personal savings plan liability

The personal savings plan liability represents savings plan contributions which is a deposit component of the insurance contracts. The deposit component has been unbundled since the Scheme is able to measure the deposit component separately and its accounting policies do not otherwise require it to recognise all obligations and rights arising from the deposit component. The insurance component is recognised in accordance with IFRS 4.

The deposit component, accounted for under IAS39, is measured at cost because it has a demand feature. Subsequently, savings plan contributions are credited on the accrual basis and withdrawals on a cash basis, i.e. no provision is made for outstanding claims at year-end.

(d) Risk transfer arrangements

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

Risk transfer premiums/fees and benefits reimbursed are presented in the Income Statement and Balance Sheet on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim.

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

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

2. Property, plant and equipment

Please refer to pages 46 and 47.

3. Financial assets

Held-to-maturity financial assets

	2006 R	2005 R
Fixed deposits	200,000	58,700,000

The investments represent fixed deposits
- fixed interest rate

The exposure of the Scheme's held-to-maturity financial assets to interest rate changes and the contractual repricing dates are as follows:

	<i>Less than 6 months</i>	<i>Exposure 7-12 months</i>	<i>Total</i>
At 31 December 2006			
Fixed deposits	-	200,000	200,000
At 31 December 2005			
Fixed deposits	58,500,000	200,000	58,700,000

Fixed deposit of R200,000 (2005: R200,000)
is ceded in favour of a supplier as
guarantee for future service cost.

Approval in this regard was obtained
from the Council for Medical Schemes.

Available-for-sale financial assets

	2006 R	2005 N/A
Fair value at the beginning of the year	-	
Capital contribution	20,000,000	
Investment income		
Interest	540,253	
Asset management fees	(244,101)	
Fair value at year end	<u>20,296,152</u>	
Classified as:		
Listed equities	<u>8,262,563</u>	
Money market and bond instruments	<u>12,033,589</u>	
Currently per financial statements		
Current assets	<u>20,296,152</u>	

The weighted average effective interest on the investments was 1.81% during 2006.

4. Receivables

	2006 R	2005 R
Contributions	8,319,357	4,923,470
Contributions outstanding	9,411,843	5,667,696
Less: Provision for impairment on receivables	(1,092,486)	(744,226)
Accrued interest	2,105,538	2,232,946
Savings plan account advances	7,719	17,641
Savings plan account advances (refer to Note 6)	199,394	209,316
Less: Provision for savings advances that are not recoverable	(191,675)	(191,675)
	10,432,614	7,174,057
Prepaid expenses	480,521	748,397
Claims paid on behalf of service provider	-	-
Claims paid on behalf of service provider outstanding	6,759,844	-
Less: Provision for claims paid on behalf of service provider that are not recoverable	(6,759,844)	-
Member and provider debtors	78,234	-
Member and provider debtors outstanding	803,070	-
Less: Member and provider debtors that are not recoverable	(724,836)	-
Other	125,702	478,320
Third party claims debtors	-	97,955
	<u>11,117,071</u>	<u>8,498,729</u>

At 31 December 2006 and 2005, the carrying amounts of accounts receivable approximates their fair values due to the short-term maturities of these assets.

5. Cash and cash equivalents

	2006 R	2005 R
Cash and cash equivalents are made up as follows:		
Cash on hand	3,796	1,709
Current account	643,513	552,765
Money market account	46,685,339	42,090,328
Two month fixed deposits	12,500,000	-
Three month fixed deposits	<u>110,500,000</u>	<u>117,000,000</u>
Total cash and cash equivalents	<u>170,332,648</u>	<u>159,644,802</u>

6. Personal savings plan liability

	2006	2005
	R	R
Contributions received during the year	5,943,399	8,979,464
Less:		
Personal savings account refunds to resigned members	(4,045,047)	(1,024,511)
Payments to and on behalf of members	<u>(4,260,774)</u>	<u>(1,165,456)</u>
Net movement on fund	(2,362,422)	6,789,497
Balance at beginning of year	<u>27,145,329</u>	<u>20,146,516</u>
	24,782,907	26,936,013
Advances on personal savings accounts (refer to Note 4)	199,394	209,316
Balance at year end	<u>24,982,301</u>	<u>27,145,329</u>

It is estimated that claims to be paid out of members' savings accounts in respect of claims incurred in 2006, but not recorded, will amount to R843,270 (2005: R151,013) (refer to Note 8).

7. Trade and other payables

	2006 R	2005 N/A
Contributions received in advance	4,040,260	2,172,157
Arrears expenses	3,511,271	1,665,342
Sundry accounts payable	931,311	739,623
Reported claims not yet paid	15,457,370	1,432,260
	<u>23,940,212</u>	<u>6,009,382</u>

At 31 December 2006 and 2005, the carrying amounts of accounts payable approximate their fair values due to the short-term maturities of these liabilities.

8. Outstanding claims provision

	2006	2005
	R	R
Analysis of movements in outstanding claims		
Balance at beginning of year	42,000,000	45,500,000
Payments in respect of previous year	44,539,257	48,503,057
Under-provision in previous year (refer to Note 9)	(2,539,257)	(3,003,057)
Adjustment for current year	(5,000,000)	3,500,000
Balance at year end	<u>37,000,000</u>	<u>42,000,000</u>
Analysis of outstanding claims provision		
Estimated gross claims	38,050,618	42,183,998
Outstanding claims provision relating to risk transfer arrangements	(207,348)	(32,985)
Less: Estimated recoveries from savings plan accounts (refer to Note 6)	(843,270)	(151,013)
	<u>37,000,000</u>	<u>42,000,000</u>

9. Risk claims incurred

	2006	2005
	R	R
Claims incurred excluding those incurred in respect of risk transfer arrangements		
Current year		
Current year's claims	689,156,558	648,741,451
Movement in outstanding claims provision	(2,460,743)	(496,943)
Under-provision in previous year (refer to Note 8)	2,539,257	3,003,057
Adjustment for current year (refer to Note 8)	(5,000,000)	(3,500,000)
Less: Claims paid/charged to savings accounts (refer to Note 6)	(4,260,774)	(1,165,456)
Net claims incurred before risk transfer arrangements	682,435,041	647,079,052
Claims incurred in respect of risk transfer arrangements		
Current year's claims incurred in respect of related risk transfer arrangements	21,720,634	1,896,768
Movement in outstanding claims provision	207,348	32,985
Over/(under) provision in previous year	-	-
Adjustment for current year	207,348	32,985
Movement in provision arising from liability adequacy test	(207,348)	(32,985)
Over/(under) provision in previous year	-	-
Adjustment for current year	(207,348)	(32,985)
Less: Claims paid/charged to savings accounts		
Net claims incurred per the Income Statement	704,363,023	649,008,805

10. Administration expenses

	2006 R	2005 R
Audit fees	855,573	233,255
Fees for audit	484,306	69,152
Under-provision in previous year	103,016	164,103
Other services	268,251	-
Computer expenses	6,957,053	3,775,993
Service level agreements for old administration system	1,228,130	2,987,235
Service level agreements for new administration system	4,371,906	-
Other expenses	1,357,017	788,758
Communication costs	1,390,025	445,690
Depreciation (refer to Note 2)	582,556	388,725
Loyalty Program	2,104,044	-
Postage	2,233,643	1,878,892
Fidelity guarantee and professional indemnity insurance premium	83,738	79,750
Operating leases	2,652,614	2,884,882
Principal Officer fees and other considerations	219,623	208,379
Employee benefit costs	20,193,613	20,645,184
Salaries and related costs	16,862,466	16,916,314
Pension and provident costs	2,154,567	2,211,423
Past service costs: Post-retirement health care benefits (refer to Note 6)	1,176,580	1,517,447
Association fees	357,776	295,043
Telephone expenses	1,416,083	1,167,616
Total trustees' remuneration and consideration expenses (refer to Note 11 - Related party transactions)	542,483	332,815
Other expenses	2,994,114	2,216,002
	<u>42,582,938</u>	<u>34,552,226</u>

11. Related party transactions

	2006	2005
	R	R
Key management personnel and close family members		
Trustees		
Remuneration and other considerations	542,483	332,815
Contributions to the Scheme	312,685	284,942
Claims	167,686	443,697
Creditors for claims	-	891
Chief Executive Officer		
Remuneration	829,796	758,683
Duties as Principal Officer	219,623	208,379
Duties as Chief Executive Officer	610,173	550,304
Key management personnel		
Remuneration and other considerations	1,623,983	2,093,386
Contributions to the Scheme	127,582	76,281
Claims	121,905	248,392
Leave pay	124,363	138,610

All contributions received and benefits paid were in terms of the Rules of the Scheme.

The terms and conditions of the related party transactions were in accordance with the Rules of the Scheme.

12. Contingent asset

Claims for third party debtors for benefits paid on behalf of the Scheme's members are disclosed as a contingent asset as the inflow of economic benefit is probable, but not virtually certain. The estimated future economic benefit that could probably flow from these third party claims debtors amounts to approximately R4,521,600 (2005: R2,260,242).

Claims paid on behalf of service providers for the Scheme's members are disclosed as a contingent asset as the inflow of economic benefit is probable, but not virtually certain. The estimated future economic benefit that could probably flow from these third party claims debtors amounts to approximately R6,759,844 (2005: R0).

13. Commitments

	2006 R	2005 R
Capital commitments		
Capital expenditure authorised by the Trustees for property, plant and equipment but not contracted for	<u>1,463,000</u>	<u>520,000</u>
Operating lease commitment		
The future minimum lease payments under an operating lease are as follows:	3,876,623	3,687,232
Less than 1 year	<u>1,731,507</u>	<u>2,945,906</u>
More than 1 year but less than 5 years	<u>2,145,116</u>	<u>741,326</u>

Capital expenditure will be financed from available cash resources and funds generated from operations.

14. Subsequent events

The Scheme has introduced a new option, Gold Select, in the 2007 financial year.

15. Non-compliance with the Medical Schemes Act 131 of 1998 and its Regulations

15.1 Required solvency margin not achieved by the Scheme - Regulation 29 (2) of the Regulations to the Medical Schemes Act

Although the Scheme budgeted for a solvency margin of 21.37% at the end of 2006, higher claims than expected were experienced, especially on the Gold option, where a number of very high cost hospital cases were recorded. This resulted in a solvency margin of 15.18% at the end of 2006. A business plan indicating how the Scheme will reach the desired solvency level and what corrective actions the Trustees will take was submitted to the Council for Medical Schemes.

15.2 Financial soundness of benefit options - Section 33 (2) of the Medical Schemes Act

The Silver, Gold and Platinum benefit options were not self supporting in terms of financial performance due to higher than expected claiming patterns. As a result of extraordinary impairment losses of R6,8m, the Bronze option also recorded an operational deficit. Corrective action will take place as per 15.1 above.

15.3 Managed health care service providers with expired accreditation

The accreditations of the following health care providers have expired. Their current applications are pending with the Council for Medical Schemes:

- Access Health South Africa (Pty) Ltd
- Prime Cure Health (Pty) Ltd
- National Healthcare Risk Managers (Pty) Ltd

15.4 Limitation on assets - Regulation 30 of the Regulations to the Medical Schemes Act

The value of the owner occupied Scheme property exceeded the maximum 2.5% of total assets as prescribed by the Regulation.

16. Complete set of financial statements

A complete set of financial statements for the year ended 31 December 2006 can be obtained from the Scheme's offices at 4 Third Street, Marlands, Germiston.

Property, plant and equipment

	Land R	Buildings R	Motor vehicles R	Furniture & fittings R
Year ended 31 December 2006				
Gross carrying amount				
At beginning of year	195,000	7,543,795	50,115	958,364
Additions	-	-	256,831	739,608
At year end	195,000	7,543,795	306,946	1,697,972
Accumulated depreciation				
At beginning of year	-	(588,147)	(50,114)	(880,005)
Depreciation charges	-	(166,471)	(40,111)	(36,950)
At year end	-	(754,618)	(90,225)	(916,955)
Net carrying amount at year end	195,000	6,789,177	216,721	781,017
Year ended 31 December 2005				
Gross carrying amount				
At beginning of year	195,000	7,543,795	50,115	956,887
Additions	-	-	-	1,477
At year end	195,000	7,543,795	50,115	958,364
Accumulated depreciation				
At beginning of year	-	(422,266)	(50,114)	(805,805)
Depreciation charges	-	(165,881)	-	(74,200)
At year end	-	(588,147)	(50,114)	(880,005)
Net carrying amount at year end	195,000	6,955,648	1	78,359

Computer equipment R	Office equipment R	Total R
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373,615	721,349	9,842,238
659,826	5,924	1,662,189

<u>1,033,441</u>	<u>727,273</u>	<u>11,504,427</u>
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(141,426)	(577,136)	(2,236,828)
(288,775)	(50,249)	(582,556)

(430,201)	(627,385)	(2,819,384)
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<u>603,240</u>	<u>99,888</u>	<u>8,685,043</u>
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86,677	658,208	9,490,682
286,938	63,141	351,556

<u>373,615</u>	<u>721,349</u>	<u>9,842,238</u>
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(54,954)	(514,964)	(1,848,103)
(86,472)	(62,172)	(388,725)

(141,426)	(577,136)	(2,236,828)
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<u>232,189</u>	<u>144,213</u>	<u>7,605,410</u>
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Assets carried at revalued amount

Independent valuers (MC Veldsman, a member of the South African Institute of Valuers and an associated valuer registered in terms of the Valuer's Act No. 23 of 1982) revalued the Scheme's land and buildings on 1 January 2004. Valuations were made on the open market value basis and any surpluses were credited to the Revaluation Reserve.

Assets carried at historical cost basis

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2006 R	2005 R
Cost	5,187,897	5,187,897
Accumulated depreciation	(564,982)	(450,958)
Net book amount	<u>4,622,915</u>	<u>4,736,939</u>

Land and buildings comprise Erf 66, situated in the township of Marlands, municipal area of Germiston and improvements thereon.

The value of the owner occupied Scheme property exceeded the maximum of 2.5% of total assets as prescribed by the Regulation.

