

**ANGLO MEDICAL SCHEME
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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The reports and statements set out below comprise the annual financial statements presented to members:

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ANGLO MEDICAL SCHEME
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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 Anglo Medical Scheme. The Annual Financial Statements presented on pages 3 to 35 have been prepared in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Medical Schemes Act 131 of 1998, as amended (the "Act") and include amounts based on judgements and estimates.

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

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

The Trustees are responsible for ensuring that proper accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Scheme which enables the Trustees to ensure that the Annual Financial Statements comply with the relevant legislation.

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

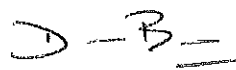
The Annual Financial Statements have been prepared using the going concern basis. The Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future, based on forecasts, actuarial calculations and available cash resources. These Annual Financial Statements support the viability of the Scheme.

Anglo Medical Scheme is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The code of Corporate Practices and Conduct has been applied as set out in King III on Corporate Governance. The Scheme's external auditors have audited the Annual Financial Statements in terms of International Standards on Auditing and their report is presented on page 2.

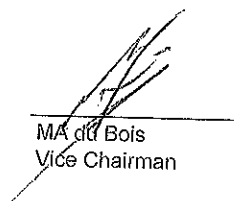
The Trustees meet regularly and monitor the performance of the administrators. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

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.

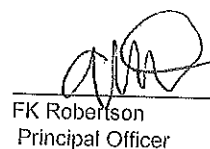
The Annual Financial Statements were approved by the Board of Trustees on 28 March 2012 and are signed on its behalf by:



DD Barber
Chairman



MA du Bois
Vice Chairman



FK Robertson
Principal Officer

REPORT OF THE INDEPENDENT AUDITORS

To the members of Anglo Medical Scheme

Report on the Financial Statements

We have audited the annual financial statements of Anglo Medical Scheme which comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 24. These financial statements are the responsibility of the Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

Trustees' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Anglo Medical Scheme as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Medical Schemes Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per K Singh CA (SA)
Partner

26 April 2012

National Executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit
DL Kennedy Risk Advisory & Legal Services NB Kader Tax I Geerling Consulting L Barn Corporate Finance
JK Mazzocco Talent & Transformation CR Beukman Finance TJ Brown Chairman of the Board
MJ Comber Deputy Chairman of the Board
Regional Leader: GC Brazier

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

ANGLO MEDICAL SCHEME
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	2011 R'000	2010 R'000
ASSETS			
Non-current assets			
Held-to-maturity investments	2	96,645	98,723
Current assets			
Held-for-trading investments		2,274,219	2,163,435
Trade and other receivables	3	1,411,418	1,364,137
Cash and cash equivalents	4	10,953	5,208
	5	851,848	794,090
Total assets		2,370,864	2,262,158
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds (refer page 5)		2,242,769	2,151,603
Current liabilities			
Savings plan liability		128,095	110,555
Trade and other payables	6	91,472	86,041
Outstanding claims provision	7	4,060	2,939
	8	32,563	21,575
Total funds and liabilities		2,370,864	2,262,158

ANGLO MEDICAL SCHEME
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 R'000	2010 R'000
Net contribution income	9	375,331	357,208
Relevant healthcare expenditure			
Net claims incurred	10	(398,107)	(381,262)
Claims incurred	10	(372,958)	(357,581)
Third party claim recoveries	10	(25,149)	(23,681)
Net recovery on risk transfer arrangements	11	603	1,108
Recovery on risk transfer arrangements	11	25,149	23,681
Risk transfer arrangement premiums paid	11	(24,546)	(22,573)
Gross healthcare result		(22,173)	(22,946)
Managed care: management services	12	(6,902)	(6,732)
Administration expenses	13	(26,076)	(25,534)
Net impairment losses on healthcare receivables	14	(178)	(83)
Net healthcare result		(55,329)	(55,295)
Other income		166,003	268,677
Investment income	15	160,172	263,579
Sundry income	16	5,831	5,098
Other expenditure		(19,508)	(19,382)
Interest paid on savings accounts	17	(2,730)	(3,428)
Unrealised losses on held-for-trading investments	15	(2,373)	(5,118)
Asset management fees		(14,405)	(10,836)
Net surplus for the year		91,166	194,000
Other comprehensive income		-	-
Total comprehensive income for the year		91,166	194,000

ANGLO MEDICAL SCHEME
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Accumulated funds R'000
Balance as at 1 January 2010	1,957,603
Total comprehensive income for the year ended 2010	194,000
Balance as at 31 December 2010	<u>2,151,603</u>
Total comprehensive income for the year ended 2011	91,166
Balance as at 31 December 2011	<u><u>2,242,769</u></u>

ANGLO MEDICAL SCHEME
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 R'000	2010 R'000
Cash flows from operating activities			
Operating deficit before working capital changes	18	(54,840)	(55,284)
Working capital changes			
- (Increase)/decrease in trade and other receivables		(5,745)	3,365
- Increase/(decrease) in trade and other payables		1,121	(334)
- Increase in savings plan liability		5,431	4,222
- Increase in outstanding claims provision		10,988	1,824
Cash used in operations		(43,045)	(46,207)
Interest paid on savings plan accounts	17	(2,730)	(3,428)
Interest income		685	862
Net cash used in operating activities		(45,090)	(48,773)
Cash flows from investing activities			
		102,848	61,284
Purchase of investments		(478,033)	(586,541)
Proceeds from sale of investments		467,797	577,487
Interest on investments		69,734	70,832
Exchange rate gain/(loss) on foreign portfolio		25,072	(19,703)
Dividends received		27,341	24,958
Asset management fees		(14,405)	(10,836)
Long term funding		5,342	5,087
Net increase in cash and cash equivalents		57,758	12,511
Cash and cash equivalents at the beginning of year		794,090	781,579
Cash and cash equivalents at the end of the year	5	851,848	794,090

1. PRINCIPAL ACCOUNTING POLICIES

These annual financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") and the disclosure as required by the Medical Schemes Act 131 of 1998. The following are the principal accounting policies used by the Scheme, which are consistent with those of the previous year.

1.1 Basis of preparation

The annual financial statements are prepared on the historical cost convention with the exception of investments classified as held-for-trading which are carried at fair value through profit or loss. Investments which are held-to-maturity are held at amortised cost.

1.2 Financial instruments

Financial assets and liabilities are recognised on the Scheme's statement of financial position when it becomes a party to the contractual provisions of the instrument.

Measurement

Financial instruments are initially measured at cost. Thereafter they are measured at fair value in the case of investments held-for-trading or, in the case of held-to-maturity investments, at amortised cost. The fair value of financial instruments is determined by reference to published indices on the Bond Exchange of South Africa and the Johannesburg Securities Exchange ("JSE") Ltd.

Impairment

Impairments of financial instruments are recognised through the statement of comprehensive income in the year in which the impairment arose. Where financial instruments are classified as held-for-trading, any impairment will form part of the fair-value adjustment recognised in profit or loss.

Investments

All purchases and sales of investments are recognised on the trade date, which is the date that the Scheme commits to purchase or sell the asset. Cost of purchases includes transaction costs. Held-for-trading investments are subsequently carried at fair value. Realised gains and losses arising from changes in the fair value of investments held at fair value through profit or loss are recognised in the period in which they arise. Held-to-maturity investments are carried at amortised cost using the effective yield method.

Trade and other receivables

Trade and other receivables originated by the Scheme are stated at cost less an appropriate allowance for estimated irrecoverable amounts. This is recognised through the statement of comprehensive income when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value and comprise current bank accounts, deposits held on call with banks, and other short-term liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in

Financial liabilities

Financial liabilities are recognised at amortised cost, namely original debt less principal payments and amortisations.

Gains and losses on disposal of investments

On disposal of an investment, the difference between the net disposal proceeds and carrying amount is recognised in the statement of comprehensive income.

Offset

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

1.3 Impairment

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of assets held at amortised cost is calculated as the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition of the financial asset. Receivables due within the same operating cycle are not discounted.

1.4 Savings plan liability

The savings plan liability represents funds held on behalf of members by the Scheme. The savings plan facility assists members in managing cash flows for costs to be borne by them during the year, meeting service provider expenses in excess of the Scheme's approved benefits and meeting or self funding member co-payments for provider services rendered.

Savings plan contributions are credited and withdrawals charged on a cash basis. Unexpended savings at the year-end are carried forward to meet future expenses for which the members are responsible. Balances standing to the credit of members are only refundable in terms of regulation 10 of the Medical Schemes Act 131 of 1998, as amended.

In accordance with the rules of the Scheme, the bad debt risk of savings plans advances is underwritten by the Scheme.

1.5 Provisions

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

The outstanding claims provision is a provision for the estimated cost of healthcare benefits that have occurred before the statement of financial position date, but have not been reported to the Scheme and paid by that date. This provision is determined as accurately as possible based on a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle, and variations in the nature and average cost incurred per claim. The outstanding claims provision is reduced by the estimated recoveries from members for co-payments, and savings plan accounts.

1.6 Investment Income

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Scheme. Dividends are recognised when the right to receive payment is established. Income from insurance policies are recognised when entitlement to revenue is established.

1.7 Contributions

Net contributions are received monthly in arrears. Net contributions represent gross contributions after deduction of savings plan contributions. The earned portion of net contributions received is recognised as revenue on the accruals basis. Net contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis.

1.8 Claims

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

Net claims incurred comprise:

- claims submitted and accrued for services rendered during the year, net of recoveries from members for co-payments, and savings plan accounts
- claims for services rendered during the previous year not included in the outstanding claims provision for that year, net of recoveries from members for co-payments, and savings plan accounts
- movement in the provision for outstanding claims
- claims settled in terms of risk transfer arrangements

Claims incurred relating to risk transfer arrangements are calculated on the basis of actual utilisation applied to the service provider's usual tariffs.

1.9 Road Accident Fund Recoveries

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

1.10 Risk transfer arrangements

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line basis. Risk transfer premiums and benefits reimbursed are presented in the statement of comprehensive income and statement of financial position 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.

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

ANGLO MEDICAL SCHEME
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011

1.11 Medical insurance contracts and liability adequacy test

Contracts under which the Scheme accepts significant medical insurance risk from its members by agreeing to compensate them or other beneficiaries if a specified uncertain future event giving rise to medical claims adversely affects the member or other beneficiaries are classified as medical insurance contracts.

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

1.12 Employer receipts

Receipts from participating employers in excess of normal contributions are intended to eliminate the excessive cross-subsidisation of pensioners by active members. Amounts received from participating employers are recognised as other income on a cash receipts basis as there is no legal obligation to refund the amounts to the employer.

1.13 Standards and interpretations not yet effective

At the date of authorisation of the annual financial statements, the following new accounting standards and interpretations are in issue, but not yet effective. None of these standards have been early adopted by the Scheme. The Trustees are in the process of evaluating the effects of these new standards and interpretations but they are not expected to have a significant impact on the Scheme's results and disclosures.

Standard	Subject	Effective date*
IFRS 1	Amendment- Severe Hyperinflation and removal of Fixed Dates for First Time Adopters	01-Jul-11
IFRS 7	Financial Instruments: Disclosures - Transfer transactions	01-Jul-11
IFRS 9	Financial Instruments: Recognition and measurement.	01-Jan-15
IFRS 10	Consolidated Financial Statements	01-Jan-13
IFRS 11	Joint arrangements	01-Jan-13
IFRS 12	Disclosure of Interests in Other Entities	01-Jan-13
IFRS 13	Fair value Measurement	01-Jan-13
IAS 1	Amendments- Presentation of Items of Other Comprehensive Income	01-Jul-12
IAS 19	Employee Benefits	01-Jan-13
IAS 27	Consolidated and Separate Financial Statements - amendments resulting from issue of IFRS 10,11 and 12	01-Jan-13
IAS 28	Investments in Associates and Joint Ventures - amendments resulting from issue of IFRS 10,11 and 12	01-Jan-13
IAS 32	Financial Instruments: Presentation - Amendments to rights of off-set	01-Jan-13
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	01-Jan-13

* Annual periods commencing on or after

1.14 Allocation of income and expenditure to benefit options

The following items are directly allocated to each option:

- Contribution income
- Claims incurred
- Net income on risk transfer arrangements
- Managed care: management services
- Fees paid to the administrator
- Net impairment losses on healthcare receivables

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

- Other administration expenses
- Investment income
- Sundry income
- Unrealised losses on held-for-trading investments
- Asset management fees

1.15 Comparatives

Where necessary, comparative figures are adjusted to conform with International Financial Reporting Standards and the disclosure requirements of the Council for Medical Schemes. No reclassifications took place during the year.

ANGLO MEDICAL SCHEME
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 R'000	2010 R'000
2. HELD-TO-MATURITY INVESTMENTS		
Amortised cost at the beginning of the year	98,723	100,801
Amortisation of premium (Note 15)	(2,078)	(2,078)
Amortised cost at the end of the year	<u>96,645</u>	<u>98,723</u>
Maturity date:	7 December 2023	
Coupon rate:	5.50%	5.50%
Effective rate of return as at year end:	2.72%	2.70%

The investments included above represent investments in bonds.

3. HELD-FOR-TRADING INVESTMENTS

Fair value at the beginning of the year		
Additions	1,364,137	1,171,493
Disposals	478,033	586,541
Movement on revaluation to market value	(381,759)	(496,680)
	(48,993)	102,783
Fair value at the end of the year	<u>1,411,418</u>	<u>1,364,137</u>
The investments included above represent investments in:		
Listed equities	1,105,718	1,045,945
Foreign equities	-	14,716
Bonds	290,114	285,886
Commodities	15,586	17,590
Fair value at the end of the year	<u>1,411,418</u>	<u>1,364,137</u>

Fair value at the end of the year includes unrealised gains of R166,205,123 (2010: unrealised gains of R213,075,240).

A register of investments is available for inspection at the offices of the Principal Officer.

4. TRADE AND OTHER RECEIVABLES

Insurance receivables

Net contributions outstanding		
Amounts owing by former members*	4,417	4,181
Amounts owing by current members	40	20
Amounts owing by suppliers	18	4
Savings plan account advances (Note 6)	67	9
Share of outstanding claims provision covered by risk transfer arrangements	599	459
	63	92
	5,204	4,765
Less: Allowance for impairment of trade and other receivables	(224)	(117)
Other receivables		
- Accrued interest	568	539
- Amounts owing for long term funding (Note 16)	5,342	-
- Other	63	21
	<u>10,953</u>	<u>5,208</u>

* - Amounts owing by former members relates to members that have left the Scheme and includes amounts owing for outstanding contributions, overdrawn savings and claims debts.

ANGLO MEDICAL SCHEME
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011

4. TRADE AND OTHER RECEIVABLES (continued)

The movement in the allowance for impairment during the year was as follows:

	Contribution Debt R'000	Member Debt R'000	Supplier Debt R'000	Savings advances R'000	Total R'000
2011					
Balance as at 1 January	(9)	(25)	(8)	(75)	(117)
Amount recognised in the statement of comprehensive income for the period (Note 14)	(18)	(34)	(58)	3	(107)
Additional provisions made in the period	(18)	(103)	(70)	-	(191)
Unused amounts reversed during the period	-	-	-	3	3
Amounts utilised during the period	-	69	12	-	81
Balance as at 31 December	(27)	(59)	(66)	(72)	(224)
2010					
Balance as at 1 January	(2)	(30)	(5)	(38)	(75)
Amount recognised in the statement of comprehensive income for the period (Note 14)	(7)	5	(3)	(37)	(42)
Additional provisions made in the period	(7)	(34)	(13)	(37)	(91)
Unused amounts reversed during the period	-	-	-	-	-
Amounts utilised during the period	-	39	10	-	49
Balance as at 31 December	(9)	(25)	(8)	(75)	(117)

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

5. CASH AND CASH EQUIVALENTS

	2011 R'000	2010 R'000
Current accounts	136,843	100,678
Call accounts	34,168	42,292
Money market instruments	680,837	651,120
	<u>851,848</u>	<u>794,090</u>

The weighted average effective interest rate on cash resources was 5.84% (2010: 5.25%). Call accounts have an average maturity of 1 day (2010: 1 day) as these are used as a clearing facility.

The carrying amounts of cash resources approximate the fair values due to the short-term maturities of these assets.

6. SAVINGS PLAN LIABILITY

Balance on savings plan liability at beginning of the year	86,041	81,819
Less: Prior year advances on savings plan accounts	(459)	(612)
Net balance on savings plan liability at the beginning of the year	<u>85,582</u>	<u>81,207</u>
Savings plan account contributions received	63,940	62,017
- for the current year (Note 9)	63,481	61,405
- allocated to settle prior year advances	459	612
Interest paid on savings plan account balances (Note 17)	2,730	3,428
Less:		
Transfers to other Schemes	(1,163)	(552)
Repayments on death or resignation	(3,204)	(3,038)
Claims paid on behalf of members (Note 10)	(57,012)	(57,480)
Net balance on savings liability at the end of the year	<u>90,873</u>	<u>85,582</u>
Add: Advances on savings plan accounts included in trade and other receivables	599	459
Amounts due to members on savings plan accounts at the end of the year	<u>91,472</u>	<u>86,041</u>

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

The savings plan liability contains a demand feature in terms of regulation 10 of the Medical Schemes Act 131 of 1998 that any credit on a member's personal medical savings account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option and then enrolls in another benefit option or medical scheme without a personal medical savings account or does not enrol in another medical scheme.

ANGLO MEDICAL SCHEME
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 R'000	2010 R'000
7. TRADE AND OTHER PAYABLES		
Credit balances in trade and other receivables	719	744
Sundry accounts payable	1,404	1,081
Outstanding cheques	1,937	1,114
	<u>4,060</u>	<u>2,939</u>
8. OUTSTANDING CLAIMS PROVISION		
Not covered by risk transfer arrangements		
Provision for outstanding claims	<u>32,500</u>	<u>21,483</u>
Analysis of movements in outstanding claims		
Balance at beginning of year	21,483	19,565
Payments in respect of prior year	(21,256)	(19,618)
Over/(under) provision in prior year (Note 10)	227	(52)
Raised for the current year (Note 10)	32,273	21,535
Balance at end of year	<u>32,500</u>	<u>21,483</u>
Net exposure in respect of outstanding claims		
Gross outstanding claims	36,003	23,931
Less: Estimated recoveries from savings plan accounts	(3,503)	(2,448)
Balance at end of year	<u>32,500</u>	<u>21,483</u>
Covered by risk transfer arrangements		
Analysis of movements in provision arising from risk transfer arrangements		
Balance at beginning of year	92	185
Payments in respect of prior year	(92)	(185)
Over provision in prior year	-	-
Raised for the current year	63	92
Balance at end of year	<u>63</u>	<u>92</u>
Total outstanding claims provision at year end	<u>32,563</u>	<u>21,575</u>

Basis for determination of the outstanding claims provision

The outstanding claims provision is a provision for the estimated cost of healthcare benefits that have occurred before the statement of financial position date but have not been reported to the Scheme by that date. The provision is determined as accurately as possible based on a number of assumptions which are outlined below.

Process used to determine the assumptions

The process used to determine the assumptions is intended to result in a realistic estimate of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies of historical claiming patterns to establish a "claims run-off" period per discipline. More emphasis is placed on recent information, particularly where current claims do not appear to follow prior year trends. Where, in prior years, there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

To the extent that historical claims development is used to determine the claims "run-off period", it is assumed that this pattern will occur again in future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons, inter alia, include:

- changes in processes that affect the development or recording of claims paid and incurred (such as changes in claims submission mechanisms);
- changes in membership profile of the Scheme;
- random fluctuations and;
- legislative changes (e.g. expansion of the definition of a Prescribed Minimum Benefit ("PMB")/Chronic Disease Listing ("CDL") condition)

Notified claims are assessed with due regard to the claim circumstances, medical discipline, anticipated development, expected seasonal fluctuations, and information available from managed care: management services (specifically hospital pre-authorisation). The provisions are best estimates based on the most recent information available and may be affected by the differing claims run-off periods between the various medical disciplines. Estimates calculated on the "run-off" period of disciplines with lower utilisations may be subject to a higher degree of volatility due to the relatively small claims history. This is largely negated by the medical disciplines where the majority of the claims are incurred and which therefore constitute the bulk of the provision.

8. OUTSTANDING CLAIMS PROVISION (continued)

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the claims "run-off periods" for the most recent benefit years (split by discipline), in particular the in-hospital category. The run-off factor relates to the emergence and settlement patterns of claims and is expressed as the percentage of claims settled in respect of total claims expected to emerge in a specific service month. This factor is then used to project the remainder of the outstanding claims relating to the specified service month. A "seasonality factor" is further incorporated into the calculation, also based on past claims experience. Consistent assumptions have been used for assessing the outstanding claims provisions for the 2010 and 2011 benefit years.

Changes in assumptions

The table below outlines the sensitivity of insured liability estimates to particular movements in assumptions used in the estimation process. It should be noted that this is a deterministic approach with no correlations between the key variables. Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, assessment of changes to that variable in the future may be required.

An analysis of sensitivity around various scenarios for the general medical insurance business provides an indication of the adequacy of the estimation process. The Trustees believe that the liability for claims reported in the statement of financial position is adequate. However, they recognise that the process of estimation is based upon certain variables and assumptions which could differ when claims arise. Consequently, if for example the estimates of the unreceived portion of claims costs for the year was 5% inaccurate, the impact on the net surplus of the Scheme would be as follows:

Impact on reported profits due to changes in key variables	Change in variables	Change in liability 2011 R'000	Change in liability 2010 R'000
- Hospitalisation	5%	(66)	(62)
- Chronic medication	5%	(5)	(5)
- Day-to-day benefits	5%	(2)	(2)

This analysis has been prepared for a change in run-off factors with other assumptions remaining constant. The change in liability also represents the absolute change in net surplus for the period. It should be noted that increase in liabilities will result in decreases in surplus and vice versa.

Day-to-day claims have been calculated for the Standard Care Plan and the Managed Care Plan's portion that relates to prescribed minimum benefits. Managed Care Plan claims paid from savings are not included. Inflation is not a factor as retrospective inflation is known.

The sensitivity of the estimation process is reduced by the value of the claims paid subsequent to the year end related to the period ended 31 December 2011, as detailed in the table below:

	2011 R'000	2010 R'000
Outstanding claims provision	32,563	21,575
Portion of outstanding claims provision paid to 17 February 2012 (2010: 11 February 2011)	(29,872)	(20,199)
Residual estimate of claims incurred but not paid	<u>2,691</u>	<u>1,376</u>

9. NET CONTRIBUTION INCOME

Gross contributions	438,812	418,613
Less: Savings contributions (Note 6)	(63,481)	(61,405)
Net contribution income	<u>375,331</u>	<u>357,208</u>

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	2011 R'000	2010 R'000
10. NET CLAIMS INCURRED		
Claims incurred excluding claims in respect of related risk transfer arrangements		
Current year claims	397,697	393,526
Movement in outstanding claims provision	32,273	21,535
- (Over)/under provision in prior year (Note 8)	(227)	52
- Current year provision	32,500	21,483
Less: Claims paid from savings accounts (Note 6)	(57,012)	(57,480)
	<u>372,958</u>	<u>357,581</u>
Claims incurred in respect of related risk transfer arrangements		
Netcare 911		
Current year claims	2,034	2,121
Movement in outstanding claims provision	(11)	(32)
Prime Cure		
Current year claims	1,814	1,803
Movement in outstanding claims provision	(19)	(61)
Centre for Diabetes and Endocrinology		
Current year claims	21,331	19,850
	<u>25,149</u>	<u>23,681</u>
Claims incurred per the statement of comprehensive income	<u>398,107</u>	<u>381,262</u>
11. NET RECOVERY ON RISK TRANSFER ARRANGEMENTS		
Capitation fees paid to third party providers	(24,546)	(22,573)
Total recoveries on risk transfer arrangements	25,149	23,681
Net recovery	<u>603</u>	<u>1,108</u>
Made up as follows:		
Netcare 911		
Capitation fees paid	(1,763)	(1,677)
Recovery from supplier of service	2,023	2,089
	<u>260</u>	<u>412</u>
Prime Cure		
Capitation fees paid	(2,380)	(2,083)
Recovery from supplier of service	1,795	1,742
	<u>(585)</u>	<u>(341)</u>
Centre for Diabetes and Endocrinology		
Capitation fees paid	(20,403)	(18,813)
Recovery from supplier of service	21,331	19,850
	<u>928</u>	<u>1,037</u>

Netcare 911 - Ambulance service provider. Contract provides for the capitation of all costs associated with the ambulance services (air and land) provided to members of the Scheme.

Prime Cure - Contract provides for the provision of an agreed structure of day to day benefits, including the treatment of chronic conditions, for members registered on the Value Care Plan, provided that the services are received from a contracted network service provider. The contract excludes the provision of treatment for hospital admissions above R120,000.

Centre for Diabetes and Endocrinology- Diabetic management programme service provider. Contract provides for the capitation of all costs associated with the management and treatment of members registered with Diabetes Mellitus 1 and 2, and for all the costs of hospital admissions for members registered on the programme where the diagnosis is directly related to the condition.

The Scheme has entered into selective risk transfer arrangements with third party providers in order to reduce their exposure to claims risk and receive specialist case management. These arrangements form a relatively small component of the total claims cost of the Scheme.

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	2011 R'000	2010 R'000
12. MANAGED CARE: MANAGEMENT SERVICES		
Disease management - HIV	323	263
General - Administrator	6,579	6,469
	<u>6,902</u>	<u>6,732</u>
<p>Optipharm - HIV management programme contracted to the Scheme to ensure the clinically appropriate use of HIV benefits.</p> <p>Momentum Medical Scheme Administrators (Pty) Ltd (MMSA) - The administrators contracted to the Scheme to provide managed care management services for hospital, pharmacy and disease management.</p>		
13. ADMINISTRATION EXPENSES		
Total trustees' remuneration and consideration expenses (Note 30)	670	849
Trustees fees - services as trustees	577	672
Trustees fees - expenses disbursements	93	177
Administrator's fees	19,274	19,019
Principal Officer remuneration and related expenses	1,453	1,377
Head office rental and management fees	126	128
Association fees	111	89
Audit fees - current year	238	233
Bank charges	9	5
Computer expenses	3	6
Conference fees	23	22
Consulting fees	1,578	1,166
Publications	749	708
Printing and Stationery	62	100
Legal fees	36	3
Registrars fees, including levies	250	220
Staff costs	1,333	1,395
Travel and entertainment	159	208
General expenses	2	6
	<u>26,076</u>	<u>25,534</u>
14. NET IMPAIRMENT LOSSES ON HEALTHCARE RECEIVABLES		
Insurance receivables		
Contributions that are not collectable	(18)	(7)
Movement in provision (Note 4)	(18)	(7)
Written off	-	-
Members' portions	(103)	(34)
Movement in provision (Note 4)	(34)	5
Written off	(69)	(39)
Service providers' portions	(70)	(13)
Movement in provision (Note 4)	(58)	(3)
Written off	(12)	(10)
Advances from savings plan accounts	3	(37)
Movement in provision (Note 4)	3	(37)
Written off	-	-
Less: Previous impairment losses recovered	10	8
	<u>(178)</u>	<u>(83)</u>

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	2011 R'000	2010 R'000
15. INVESTMENT INCOME		
Income from held-for-trading investments		
- interest income	61,464	63,270
- dividends received	27,341	24,958
- Net gains on fair value (Note 15.1)	39,418	188,708
Held-to-maturity interest income	8,270	7,562
Current account interest income	685	862
Amortisation of premium on held-to-maturity investment (Note 2)	(2,078)	(2,078)
Exchange rate gain/(loss) on foreign portfolio	25,072	(19,703)
Investment income	<u>160,172</u>	<u>263,579</u>
Net losses on held-for-trading investments (Note 15.1)	(2,373)	(5,118)
Net investment income	<u>157,799</u>	<u>258,461</u>
15.1 Net gains and losses on fair value		
Net gains on fair value		
- Equity securities	39,418	188,708
Unrealised losses on fair value		
- Equity securities	(2,373)	(5,118)
	<u>37,045</u>	<u>183,590</u>
16. SUNDRY INCOME		
Unallocated amounts written back as prescribed	489	11
Long term funding (Note 4)	5,342	5,087
	<u>5,831</u>	<u>5,098</u>
Long term funding relates to the receipts from participating employers intended to eliminate the excessive cross subsidisation of pensioners by active members. The amounts received have been taken to income as there is no legal obligation to refund the amounts to the employers.		
17. INTEREST PAID ON SAVINGS ACCOUNTS		
Interest paid on savings plan accounts (Note 6)	<u>(2,730)</u>	<u>(3,428)</u>
18. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES		
<i>Reconciliation of net surplus for the year to operating deficit before working capital changes</i>		
Net surplus for the year	91,166	194,000
Adjustments for:		
- Investment income (Note 15)	(160,172)	(263,579)
- Unrealised losses on fair value (Note 15)	2,373	5,118
- Interest paid on savings plan accounts (Note 17)	2,730	3,428
- Asset management fees	14,405	10,836
- Long term funding (Note 16)	(5,342)	(5,087)
	<u>(54,840)</u>	<u>(55,284)</u>
19. FIDELITY COVER		
The Scheme participates in fidelity guarantee and Trustees professional indemnity insurance arranged by Anglo American South Africa Ltd amounting to USD 35 million.		

20. RELATED PARTY TRANSACTIONS

As the Scheme's administrators, Momentum Medical Scheme Administrators (Pty) Ltd participates in and influences the financial and operating policy decisions of the Scheme. Momentum Medical Scheme Administrators (Pty) Ltd receives from the Scheme a market-related administration fee for administration and managed care services provided. In the current year these amounted to R25,853,255 (2010: R25,488,224). Amount owing by the administrator at year end was R60,284 (2010: R18,232).

Anglo American South Africa Ltd receives from the Scheme market related reimbursement for head office rental and management services provided of R126,267 (2010: R128,284). The amount owing to Anglo American South Africa at year end was R18,260 (2010: R46,220).

Anglo Medical Scheme is a restricted scheme. The composition of the Board of Trustees includes employer-appointed trustees. The participating employers' payroll system is primarily utilised in collecting both the members' and the employers' proportionate share of the contributions. In addition to this, included in the pooled investment portfolios disclosed in Note 3, are shares and bonds held in participating employer groups.

Contributions of R1,360,974 (2010: R1,183,630) were received and claims of R1,466,689 (2010: R1,250,528) were paid in respect of those Trustees who are also members of the Scheme. Such claims are paid in accordance with the Rules of the Scheme. Other payments made to the Trustees are reflected under Note 29. The Trustees had savings account balances of R283,182 (2010: R229,519) at the end of the year.

Key management personnel received remuneration of R2,122,806 (2010: R2,226,372) for the attendance of meetings, holding office and disbursements.

21. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Scheme's accounting policies, the Board of Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions of estimates are recognised in the period in which the estimate is revised if the revision affects only that period.

The following judgements have the most significant effect on the amounts recognised in the annual financial statements:

Valuation of Financial Instruments

The value of financial instruments fluctuates on a daily basis and the actual amount realised may differ materially from the fair value at the statement of financial position date.

Outstanding Claims provision

Details of assumptions and judgements used in determining the outstanding claims provision are outlined under note 8.

There are no key areas of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

22. INSURANCE RISK MANAGEMENT

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Scheme assumes the risk of financial loss from members and their dependants that are directly subject to the risk. These risks relate to the cost of providing health care services to the Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and investment activities.

The Board of Trustees maintains a schedule of identified risks to the Scheme and have evaluated both the likelihood and impact of these risks. This list is reviewed on an on-going basis and action is taken as and when is necessary.

The Scheme further manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, contracting with providers, service provider profiling, centralised management of risk transfer arrangements as well as the close 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 and sensitivity analyses. 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.

22. INSURANCE RISK MANAGEMENT (continued)

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

2011	Hospital (major medical)		Chronic		Day-to-day	Total
	PMB	Non-PMB	PMB	Non-PMB		
	R'000	R'000	R'000	R'000		
Age grouping (in years)						
< 26 - Gross	15,320	8,915	1,262	387	18,455	44,339
- Net	15,316	8,898	1,260	387	10,367	36,228
26 - 35 - Gross	8,858	4,936	522	81	9,663	24,060
- Net	8,858	4,935	522	81	6,969	21,365
36 - 50 - Gross	23,916	11,722	3,782	345	20,888	60,653
- Net	23,900	11,714	3,778	345	11,223	50,960
51 - 65 - Gross	41,560	16,638	10,405	545	23,815	92,963
- Net	41,528	16,612	10,396	545	9,498	78,579
> 65 - Gross	93,136	32,172	16,941	1,066	29,857	173,172
- Net	93,044	32,090	16,904	1,066	10,355	153,459
Gross Total	182,790	74,383	32,912	2,424	102,678	395,187
Net Total	182,646	74,249	32,860	2,424	48,412	340,591

2010	Hospital (major medical)		Chronic		Day-to-day	Total
	PMB	Non-PMB	PMB	Non-PMB		
	R'000	R'000	R'000	R'000		
Age grouping (in years)						
< 26 - Gross	16,186	8,861	1,376	431	19,400	46,254
- Net	16,170	8,857	1,375	431	11,222	38,055
26 - 35 - Gross	9,592	4,853	759	77	10,515	25,796
- Net	9,585	4,843	759	77	7,397	22,661
36 - 50 - Gross	22,173	12,539	4,632	381	22,434	62,159
- Net	22,158	12,522	4,631	381	12,407	52,099
51 - 65 - Gross	39,353	17,751	12,037	608	24,878	94,627
- Net	39,304	17,733	12,024	608	10,296	79,965
> 65 - Gross	83,277	30,035	18,508	1,179	29,260	162,259
- Net	83,187	29,927	18,478	1,179	10,732	143,503
Gross Total	170,581	74,039	37,312	2,676	106,487	391,095
Net Total	170,404	73,882	37,267	2,676	52,054	336,283

Reconciliation of net claims to current year claims paid in note 10

	2011 R'000	2010 R'000
Total net claims as reported in note 10	372,958	357,581
Claims adjustments and discounts received	(634)	(838)
Road Accident Fund recoveries	540	1,075
Increase in claims provision from the prior year	(11,017)	(1,917)
Benefits paid in respect of the prior year (Note 8)	(21,256)	(19,618)
	<u>340,591</u>	<u>336,283</u>

In-hospital benefits cover all costs incurred by members, while they are in hospital to receive pre-authorised treatment for certain medical conditions.

Chronic benefits cover the cost of certain prescribed medicines consumed by members for chronic conditions/diseases, such as high blood pressure, cholesterol and asthma.

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

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

22. INSURANCE RISK MANAGEMENT (continued)

All the contracts are annual in nature and are valid for a calendar year. The Scheme has the right to change the terms and conditions of the contract at renewal, at the start of each year. Management information including contribution income and claims ratios by option, target market and demographic split, is reviewed monthly. There is also a review program that regularly reviews contractual premium and benefit data to ensure adherence to the Scheme's objectives.

Risk transfer arrangements

The Scheme also entered into capitation agreements with various suppliers of services. The capitation agreements are, in-substance, the same as a non-proportional reinsurance treaty which aims to reduce the net exposure of the Scheme to insurance risk.

Risk in terms of risk transfer arrangements

The Scheme cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks and defined blocks of business, on a co-insurance, yearly renewable term. These risk transfer arrangements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Scheme's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. According to the terms of the capitation agreements, the suppliers provide certain minimum benefits to Scheme members on various benefit options, as and when required by the members. The Scheme does, however, remain liable to its members with respect to ceded insurance if any capitation provider fails to meet the obligations it assumes. When selecting a capitation supplier of service the Scheme considers their relative security from public rating information and from internal investigations.

Claims development

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

23. FINANCIAL RISK MANAGEMENT

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

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Scheme operates in South Africa and therefore its cash flows are denominated in South African Rand (ZAR). In terms of the diversified investment strategy operated by the investment committee, the Scheme has a relatively small number of investments off-shore. The Scheme is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US Dollar (USD). In the current year, 10% of total investments and cash were invested in foreign investments in comparison to the 9% in the previous year.

The following table illustrates the concentration of currency risk to which the Scheme is currently exposed.

	ZAR R' 000	USD R' 000	TOTAL R' 000
Held-for-trading investments	1,411,418	-	1,411,418
Held-to-maturity investments	96,645	-	96,645
Cash and cash equivalents	623,866	227,982	851,848
As at 31 December 2011	2,131,929	227,982	2,359,911
Held-for-trading investments	1,364,137	-	1,364,137
Held-to-maturity investments	98,723	-	98,723
Cash and cash equivalents	596,071	198,019	794,090
As at 31 December 2010	2,058,931	198,019	2,256,950
Closing rate		2011 8.073	2010 6.647
Average rate		7.229	7.344

There has been significant movement in the ZAR against major currencies during the year, however, year on year has not seen such a significant change. Holding all other variables constant, and adjusting currencies by their average movements for the year, the net surplus of the Scheme would be impacted as follows:

	% ZAR movement	2011 R'000	2010 R'000
USD	10%	9,119	7,921

23. FINANCIAL RISK MANAGEMENT (continued)

Equity Risk

Equity risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market place.

Equities are reflected at market values, which are susceptible to fluctuations. The Scheme manages its equity risk by employing the following procedures:

- mandating a specialist fund manager to invest in equities, where there is an active market and where access is gained to a broad spectrum of financial information relating to the companies invested in;
- diversifying across many securities to reduce risk. Diversification is guided by the Medical Schemes Act;
- considering the risk-reward profile of holding equities and bearing the risk in order to obtain higher expected returns on assets.

If the South African equities market were to move by 10%, assuming all other variables remain constant, and the recent past is predictive of the future, the below table would illustrate the impact to the return on investment and the resulting impact on the net surplus of the Scheme:

	% SA market movement	2011 R'000	2010 R'000
Held-for-trading investments: Equities	(10%)	(89,817)	(58,151)

Interest Rate Risk

Interest rate risk is the exposure that the Scheme has to changes in interest rates. As the Scheme holds no debt for the exception of the members' saving liability on which interest is paid, the main exposure to the Scheme would be a reduction in interest income on investments if interest was to decrease. In order to reduce the impact of any potential interest rate changes, the Scheme holds a diversified portfolio of investments both long and short term.

The following table below summarises the effective interest rate by major currencies for interest bearing financial instruments:

	ZAR (%)	USD (%)
As at 31 December 2011		
Held-for-trading investments	8.2%	
Held-to-maturity investments	2.7%	
Cash and cash equivalents	5.8%	3.3%
As at 31 December 2010		
Held-for-trading investments	6.3%	
Held-to-maturity investments	2.7%	
Cash and cash equivalents	6.2%	3.4%

If interest rates moved by 1%, assuming all other variables remain constant, and the recent past is predictive of the future, the below table would illustrate the impact to the return on investment and the resulting impact on the net surplus of the Scheme:

	% interest rate movement	2011 R'000	2010 R'000
Bonds	1%	(11,571)	(12,209)
Cash and cash equivalents		8,230	7,878
		<u>(3,341)</u>	<u>(4,331)</u>

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23. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk

Credit risk is the risk of loss arising from the inability of a third party to service their debt obligations.

The Scheme's principle financial assets are cash and cash equivalents, trade and other receivables and investments. The Scheme's credit risk is attributable primarily to its trade and other receivables. The amounts presented in the statement of financial position are net of impairment loss on receivables. An allowance for impairment is made where there is an identified event which, based on previous experience is evidence of a reduction in the recoverability of the cash flows. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Scheme has a policy of limiting the amount of credit exposure to any one financial institution. The Scheme has no significant concentration of credit risk, with exposure spread over a large number of counterparties and members.

	2011 R'000	2010 R'000
Fully performing		
Past due but not impaired - 30 days	10,953	5,175
Past due and impaired	-	33
	224	117
Provision for impairment of trade and other receivables	11,177	5,325
Trade and other receivables (Note 4)	(224)	(117)
	10,953	5,208

Trade and other receivables are impaired once they have exceeded 120 days past due.

In order to further mitigate this risk, there is a formal policy in place for the treatment of any debt that becomes past due. If this fails, long outstanding debt is handed over to a debt collection agency for recovery.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Scheme has the ability to fund its day-to-day operations. Liquidity is further managed by monitoring forecast cash flows on an annual as well as monthly basis to ensure that the Scheme has adequate cash resources to meet its short term commitments. Trustees, by way of the Investment Committee, ensure that elements of the investment portfolio are readily liquid should the need arise.

The table below analyses the assets and liabilities of the Scheme into relevant maturity groupings based on the remaining period at statement of financial position date to the contractual maturity date:

	Up to 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	Total R'000
As at 31 December 2011				
Current assets				
Held-for-trading investments	2,274,219	-	-	2,274,219
Trade and other receivables	1,411,418	-	-	1,411,418
Cash and cash equivalents	10,953	-	-	10,953
	851,848	-	-	851,848
Current liabilities				
Savings plan liability	35,803	16,434	75,858	128,095
Trade and other payables	6,367	11,951	73,154	91,472
Outstanding claims provision	3,414	633	13	4,060
	26,022	3,850	2,691	32,563
Net liquidity	2,238,416	(16,434)	(75,858)	2,146,125
As at 31 December 2010				
Current assets				
Held-for-trading investments	2,163,402	33	-	2,163,435
Trade and other receivables	1,364,137	-	-	1,364,137
Cash and cash equivalents	5,175	33	-	5,208
	794,090	-	-	794,090
Current liabilities				
Savings plan liability	23,508	17,005	70,042	110,555
Trade and other payables	5,811	11,561	68,669	86,041
Outstanding claims provision	2,246	693	-	2,939
	15,451	4,751	1,373	21,575
Net liquidity	2,139,894	(16,972)	(70,042)	2,052,880

23. FINANCIAL RISK MANAGEMENT (continued)

Fair Value Estimation and Hierarchy

The fair value of publicly traded financial instruments held as held-for-trading, is based on quoted market prices at the statement of financial position date. Instruments classified as held-to-maturity are reflected at amortised cost in the statement of financial position. As such, all financial assets are considered level 1 assets.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

Capital adequacy risk

This represents the risk that there are insufficient reserves to provide for adverse variations on future investment and claims.

The Scheme has R2,243 million (2010: R2,152 million) of members' funds at 31 December 2011, which translated to an accumulated funds ratio per the Council for Medical Schemes method of calculation of 465% (2010: 460%). The level of accumulated funds would have covered 5.6 years (2010: 5.6 years) of claims costs incurred for the year. The Trustees believe that this cover exceeds the Scheme's present needs.

24. COMMITMENTS

There were no capital commitments as at 31 December 2011.

25. CONTINGENT LIABILITIES

No contingent liabilities existed at 31 December 2011.

26. GUARANTEES

No guarantees either from or to a third party existed at 31 December 2011.

27. SUBSEQUENT EVENTS

No adjusting events were identified post statement of financial position date.

28. COMPLIANCE WITH THE MEDICAL SCHEMES ACT

The Trustees are of the opinion that there are no material deviations from the Act.

However, the Scheme has agreements in place with participating employers to settle their monthly contributions after three days of it becoming due. Balances after thirty days are due to reconciling discrepancies between the participating employers and the Scheme. The risk of default on payments due to the Scheme is small because of the restricted nature of the Scheme and employer base. Suspension policies are in place and applied where contributions are outstanding beyond the participating employers' available credit terms.

Claims are generally paid within 30 days of receipt but due to certain procedures such as clinical auditing, there are exceptions where certain claims are only paid after 30 days of receipt.

Section 35(8) (a) of the Medical Schemes Act 131 of 1998 states that a medical scheme shall not invest any of its assets in a participating employer. The Scheme invests in pooled investment vehicles which allow investment managers 100% discretion to invest in a combination of shares and bonds that will best achieve their stipulated benchmark. Given this approach, the Scheme was exposed to participating employer shares which constituted approximately 2.37% of total assets. The Scheme has applied to the Council for Medical Schemes and received an exemption from this section of the Medical Schemes Act.

Section 35(8) (c) of the Medical Schemes Act 131 of 1998 states that a medical scheme shall not invest any of its assets in any administrator. The Scheme invests in pooled investment vehicles which allow investment managers 100% discretion to invest in a combination of shares and bonds that will best achieve their stipulated benchmark. Given this approach, the Scheme may be exposed to shares in an administrator at any stage during the year. The Scheme has made application to the Council for Medical Schemes for an exemption from this section of the Medical Schemes Act.

All options incurred a net healthcare deficit, whereas the Act requires that all benefit options are self-supporting and financially sound. This was however budgeted for due to the Scheme's long term funding position.

ANGLO MEDICAL SCHEME
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2011

29.

Trustees	Fees for Attendance at Meetings		Disbursements		Accommodation, travelling and meals		Conference fees		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Barber DD	55	28	-	-	-	-	-	-	55	28
Brink BA*	4	76	-	-	3	22	-	5	7	103
Du Bois MA*	103	127	-	-	4	5	-	-	107	132
Elliott, CC*	24	7	-	-	-	-	-	-	24	7
Eustace PJ	8	59	1	3	6	24	-	-	15	86
Farell MR*	80	76	-	-	11	15	4	-	95	91
Fox FH*	76	32	-	-	12	3	4	-	92	35
Ghavalas D*	18	-	-	-	3	-	-	-	21	-
Graham MD*	64	79	-	-	9	21	-	5	73	105
Hosking RJ	-	-	-	-	1	2	-	-	1	2
Howell GA	4	-	-	-	-	-	-	-	4	-
Laubscher PA*	22	14	-	-	-	-	-	-	22	14
Lloyd L	30	14	2	4	24	14	-	-	56	32
Lloyd RH *	-	74	-	-	-	21	-	-	-	95
Lötter CJ*	-	3	-	-	-	-	-	-	-	3
Masarira A*	-	-	-	-	-	-	-	-	-	-
Mayet S*	17	21	-	-	-	-	-	-	17	21
McKie-Thomson C	11	-	-	-	-	-	-	-	11	-
Msimang BM*	-	-	-	-	-	-	-	-	-	-
Samad MA *	25	10	-	-	-	-	-	-	25	10
Shezi S*	-	-	-	-	-	-	-	-	1	1
Troskie J*	36	52	-	-	9	27	-	5	45	84
TOTAL	577	672	3	7	82	154	8	16	670	849

* Trustees fees ceded to employers

ANGLO MEDICAL SCHEME
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

30. NET HEALTHCARE RESULT PER BENEFIT OPTION

Managed Care Plan: This option comprises three elements:

- comprehensive cover for hospitalisation and most non-discretionary healthcare services,
- a savings portion that works like a bank account, and
- professional services rendered in hospital and is paid up to 200% of the Scheme's Reimbursement Rate (SRR).

Most benefits are payable at the Scheme's Reimbursement Rate.

Standard Care Plan: A traditional medical plan with defined benefit and annual limits. There is a hospital benefit limit and all related expenses incurred while in hospital are allocated to this limit. Most benefits are payable at the Scheme's Reimbursement Rate.

Value Care Plan: This is a low-cost option, which provides primary healthcare through a national network of Prime Cure facilities. In return for receiving quality basic healthcare at a low cost, members on this plan may only obtain healthcare services from a Prime Cure facility or network provider. Most benefits are payable at the rate as negotiated by Prime Cure and their network providers.

2011	MANAGED CARE PLAN R'000	STANDARD CARE PLAN R'000	VALUE CARE PLAN R'000	TOTAL R'000
Net contribution income	240,131	132,528	2,672	375,331
Relevant healthcare expenditure				
Net claims incurred	(264,282)	(132,029)	(1,796)	(398,107)
Net (expense)/recovery on risk transfer arrangements	(291)	1,479	(585)	603
Recovery on risk transfer arrangements	14,850	8,504	1,795	25,149
Risk transfer arrangement premiums paid	(15,141)	(7,025)	(2,380)	(24,546)
Gross healthcare result	(24,442)	1,978	291	(22,173)
Managed care: management services	(3,751)	(3,151)	-	(6,902)
Administration expenses	(16,556)	(9,154)	(366)	(26,076)
Net impairment losses on healthcare receivables	(110)	(68)	-	(178)
Net healthcare result	(44,859)	(10,395)	(75)	(55,329)
Other income	89,753	72,196	4,054	166,003
Other expenditure	(11,801)	(7,297)	(410)	(19,508)
Net surplus for the year	<u>33,093</u>	<u>54,504</u>	<u>3,569</u>	<u>91,166</u>
Number of members	6,155	4,951	278	11,384

2010	MANAGED CARE PLAN R'000	STANDARD CARE PLAN R'000	VALUE CARE PLAN R'000	TOTAL R'000
Net contribution income	234,312	120,567	2,329	357,208
Relevant healthcare expenditure				
Net claims incurred	(256,055)	(123,465)	(1,742)	(381,262)
Net recovery/(expense) on risk transfer arrangements	(95)	1,544	(341)	1,108
Recovery on risk transfer arrangements	14,269	7,670	1,742	23,681
Risk transfer arrangement premiums paid	(14,364)	(6,126)	(2,083)	(22,573)
Gross healthcare result	(21,838)	(1,354)	246	(22,946)
Managed care: management services	(3,745)	(2,987)	-	(6,732)
Administration expenses	(16,475)	(8,733)	(326)	(25,534)
Net impairment losses on healthcare receivables	(61)	(22)	-	(83)
Net healthcare result	(42,119)	(13,097)	(80)	(55,296)
Other income	148,279	114,407	5,991	268,677
Other expenditure	(12,232)	(6,794)	(356)	(19,382)
Net surplus for the year	<u>93,928</u>	<u>94,517</u>	<u>5,555</u>	<u>194,000</u>
Number of members	6,435	4,965	260	11,660

Other income and other expenditure has been allocated based on membership.

The Board of Trustees hereby presents its report for the year ended 31 December 2011

1 DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

The Anglo Medical Scheme is a not for profit restricted medical scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), Registration number 1012.

1.2 Benefit options within Anglo Medical Scheme

The Scheme offers three benefit options to members of participating employers. These are:

- The Managed Care Plan;
- The Standard Care Plan;
- The Value Care Plan.

1.3 Savings plan

In order to provide a facility for the Managed Care Plan to set aside funds to meet future discretionary healthcare costs not covered in the benefit option, the Trustees have made the savings plan option available to members. Members who belong to the Managed Care Plan pay an agreed sum equal to 21% of the gross contribution, into a savings account to help pay the members' portion of healthcare costs, up to a prescribed threshold.

Unexpended savings amounts are accumulated for the long-term benefit of the member and interest is paid on balances at a rate equal to the Scheme's current account rate, less 1% to cover administration and other costs. The Scheme's rate is the rate at which interest is earned on funds deposited by the Scheme on overnight call.

The liability to the members in respect of the savings plan is reflected as a current liability in the annual financial statements, repayable in terms of Regulation 10 of the Act. In terms of the Rules of the Anglo Medical Scheme, the Scheme carries the risk.

Savings contributions are refundable when a member leaves the Scheme or transfers to an option within the Scheme which does not have a savings option. The money will be transferred to the member within four months of the date of the change and the interest earned on the savings refunds are subject to tax.

The savings account balances are reflected in the Statement of Financial Position as the savings plan liability which stands at R91,472 million. In compliance with a directive from the Council for Medical Schemes issued on 28 September 2011, as of February 2012 this balance is now held in a separate bank account with interest accruing to members proportionately.

1.4 Risk transfer arrangements

The Scheme entered into the following capitation arrangements to provide services for the year:

Organisation	Services capitated	Scheme's Plan
Prime Cure (Pty) Ltd	Healthcare company which provides primary healthcare services at Healthcare centres and contracted network service providers, including a limited hospital benefit.	Value Care Plan
Netcare 911 (Pty) Ltd	Provides emergency transport services and other ambulance services.	Managed Care Plan Standard Care Plan
Centre for Diabetes & Endocrinology (CDE)	Diabetes related medical services including diabetes related expenses for hospitalisation.	Managed Care Plan Standard Care Plan

2. MANAGEMENT

2.1 Board of Trustees in office during 2011:

Barber DD (Chairman)	Member elected
du Bois MA (Vice-Chairman)	Employer appointed
Brink, Dr BA	Employer appointed (1 January 2011 – 9 March 2011)
Elliott CC	Employer appointed
Ghavalas D	Employer appointed (1 January – 31 December 2011)
Fox, Dr FH	Employer appointed (9 March 2011 – 31 December 2011)
Howell GAE	Employer appointed (1 November 2011 – 31 December 2011)
Mayet S	Employer appointed
Samad MA	Employer appointed (1 January – 31 August 2011)
Eustace PJ	Member elected (1 January 2011 – 13 April 2011)
Farrell MR	Member elected
Graham MD	Member elected
Laubscher PA	Member elected
Lloyd L	Member elected
McKie Thomson CC	Member elected (15 May 2011 – 31 December 2011)

2.2 Alternate Trustees in office during 2011:

Brink, Dr BA	Employer appointed (9 March 2011 – 31 December 2011)
Fox, Dr FH	Employer appointed (1 January 2011 – 9 March 2011)
Govender M	Employer appointed
Masarira A	Employer appointed
Shezi S	Employer appointed (1 January 2011 – 31 October 2011)
Troskie J	Employer appointed
Vatsha P	Employer appointed
Gauld CW	Member elected (1 January 2011 – 24 February 2011)
Hosking RJ	Member elected
Hosking S	Member elected
McKie Thomson CC	Member elected (1 January 2011 – 15 May 2011)
Preston G	Member elected
Rouse C	Member elected (9 March 2011 – 31 December 2011)
Sanford L	Member elected (9 March 2011 – 31 December 2011)
Winkworth L	Member elected (1 January – 4 February 2011)

2.3 Management Committee in office during the year under review:

MA du Bois (Chairman); Dr BA Brink (1 January 2011 – 9 March 2011, thereafter Alternate to Dr FH Fox); Dr FH Fox (1 January 2011 – 13 March 2011 Alternate to Dr BA Brink thereafter Committee member); PJ Eustace (1 January 2011 – 13 April 2011); MR Farrell; CC Elliott (Alternate to MR Farrell); D Ghavalas; MD Graham; J Troskie; DD Barber (ex-officio).

2.4 Health Risk Management sub-committee of the Management Committee in office during the year under review:

Dr FH Fox (Chairman); MA du Bois (ex-officio).

2.5 Audit Committee in office during the year under review:

M Brown (Chairman, Independent); DD Barber; AC Geake (Independent); S Mayet; EJ Rood (Independent).

2.6 Appeals Committee in office during the year under review:

Dr BA Brink (Chairman 1 January 2011 – 9 March 2011, thereafter alternate to Dr FH Fox); MR Farrell; Dr FH Fox (Chairman 9 March – 31 December 2011); MD Graham; PA Laubscher (1 October 2011 – 31 December 2011).

2.7 Investment Committee in office during the year under review:

DD Barber (Chairman) ; CJ Colebank (External consultant); MA du Bois; H Thompson; (External consultant); CWP Yates (External consultant).

2.8 Communications Committee unconstituted for the period under review.

2.9 Disputes Committee in office during the year under review:

C Demetriou (member elected) (13 April 2011 – 31 December 2011); C Dixon (member elected); S Gillman (member elected) (1 January 2011- 13 April 2011); S Nielsen (member elected) (1 January 2011- 13 April 2011); M van Staden (member elected) (13 April 2011 – 31 December 2011).

2.10 Principal Officer and staff in office during the year under review:

Robertson FK (Principal Officer)	Scheme employed
Gröpp-Els E (Medical Manager)	Scheme employed
Randles A (Scheme Secretary)	Scheme employed

2.11 Registered Office:

45 Main Street	PO Box 62524
Johannesburg 2001	Marshalltown 2107

2.12 Scheme Administrator in office during the year under review:

Momentum Medical Scheme Administrators (Pty) Ltd	
1-3 Canegate	PO Box 2338
La Lucia Ridge	Durban 4000
Durban 4019	

2.13 Investment Managers and Custodian in office during the year under review:

Allan Gray South Africa (Pty) Ltd
Granger Bay Court; Beach Road; V&A Waterfront
Cape Town; 8001

Coronation Asset Management (Pty) Ltd
Mont Clare Place; 7th Floor; Cnr Campground and Main Roads
Claremont 7700

Investec Asset Management (Pty) Ltd
36 Hans Strydom Ave; Foreshore,
Cape Town 8001

Standard Bank of South Africa Limited
Investor Services; 2nd Floor; 25 Sauer Street;
Johannesburg, 2001

2.14 Investment Advisor in office during the year under review:

Towers Watson, formally Fifth Quadrant Actuaries and Consultants (Pty) Ltd
1st Floor, 44 Melrose Boulevard;
Melrose Arch 2076

2.15 Scheme Actuaries in office during the year under review:

NMG Consultants and Actuaries (Pty) Ltd
NMG House; 411 Main Avenue;
Randburg 2125

2.16 Scheme Auditor during the year under review, as approved by the Annual General Meeting:

Deloitte and Touche
Deloitte Place, Pencarrow Park, La Lucia Ridge,
Durban, 4052

3. CORPORATE RESPONSIBILITY AND SUSTAINABILITY

The vision of the Anglo Medical Scheme is to address the lifelong healthcare needs of its members, through offering high-quality products and services that are market competitive, cost-effective and consumer focused. These efforts are supported by sound financial and risk management, administrative efficiency and the active participation of the members and employers reflects the Scheme's commitment to a culture of Social Corporate Responsibility.

The vision is further supported by the Board Charter wherein the Board commits to act in good faith with utmost due care, diligence and skill. Each Trustee is required to aspire to the core ethical principles of fairness, transparency, honesty, non-discrimination, accountability and respect for human dignity and rights.

The Board delegates the duty of delivery and operation of the functions to the duly constituted Committees while remaining fully responsible for the performance of the Scheme and accountable to the membership. The principles of good governance and sound business ethics are firmly adhered to through the adoption of the King III guidelines, a culture of rigorous risk and financial management and a stringent auditing process.

The Scheme complies with International Financial Reporting Standards and all the relevant legislative requirements. In the recognition of good corporate citizenship, the Scheme conducts its business with duly licensed and registered providers and partners who are fully committed to broad based black empowerment. The Scheme has supported aspects of the participating employers' social responsibility initiatives by adopting a progressive stand in the fight against HIV/Aids and diseases such as diabetes and cancer.

The commitment to the long-term sustainability of the Scheme and its members remains the guiding principle of the business. This has been strongly supported by the employers participating in the Scheme. To this end provision has been made to prefund the liability of the aging population of the Scheme to ensure premiums remain market-related and competitive.

4. INVESTMENT STRATEGY OF THE SCHEME

The Anglo Medical Scheme has a significantly higher pensioner ratio (18,64%) than the industry average (6,8% - CMS report June 2011) which increases the overall liability of providing adequate healthcare benefits at market related rates to our members. The Scheme revised its strategy to ensure the long-term sustainability of the fund for the continued benefit of the members in 2002. In line with this thinking the investment strategy has been, and remains, aimed at maximising the annual return at an acceptable level of risk within the confines of the Medical Schemes Act. The investment objective is to earn a net investment return, after fees, which exceeds the Consumer Price Inflation by at least 4.5% p.a. over a five year period.

For the five year period 1 January 2007 to 31 December 2011, the Scheme's total investment portfolio achieved an annualized performance 10,1% p.a. (gross of fees) and the Consumer Price Index rose by 6.8% p.a. over the same period. The Schemes consultants and actuaries have calculated that the average increase in contributions over this five year period has been 9.4% p.a. The average estimated increase in contributions, had there not been additional funding provided from the reserves, would have been 11.2% p.a. indicating the value of this strategy.

Regulation 30 of the Act, read in conjunction with Annexure B, imposes certain restrictions on the exposure to different asset classes. The most important limitations of Annexure B are: a maximum exposure to SA equities of 40%; SA property of 10%; and offshore assets of 15% which is further limited to exposure to global bonds and cash (investment in global equity is precluded). Annexure B applies to the assets which cover the aggregate liabilities (including savings accounts) within the solvency requirements. Anglo Medical Scheme complies with Annexure B of the Medical Schemes Act in this regard.

The Investment Committee reviews the strategy regularly in accordance with the mandate set by the Board of Trustees and advises on the structure of the portfolio as well as risk mitigation measures such as diversification to

ensure sustainability of the Scheme's long-term cross subsidy liability funding requirement. The Trustees review the asset allocation of the Scheme's investments during the year to ensure regulatory compliance.

At the end of 2011, the Scheme, via its appointed investment managers namely Allan Gray Limited, Coronation Fund Managers and Investec Asset Management, had an effective investment exposure of approximately 35% in equities, 8% in nominal bonds, 11% in inflation-linked bonds, 36% in the money market, 9% in foreign fixed interest instruments and the balance in commodities including gold. The value of the Scheme's total assets as at 31 December 2011 was R2.37 billion which compares favorably against the gross long-term funding valuation prepared by the Scheme's consultants and actuaries of R2.229 billion.

The investment policy is reviewed regularly, taking into consideration compliance with the Medical Schemes Act, the expected risk and returns of the various investment instruments and the financial position of the Scheme. The Trustees are confident that the overall long-term objectives of the Scheme are being met and will continue to be met in the foreseeable future.

5. MANAGEMENT OF HEALTH RISK

As defined in the medical Schemes Act, the business of a scheme is to undertake liability in return for a premium or contribution and to grant assistance in defraying expenditure incurred in obtaining any relevant health service. This assumes that the Scheme accepts the primary insurance activity in providing benefits to its members and their dependents in the treatment of disease or trauma as provided by registered suppliers of healthcare services. The Scheme is exposed to the uncertainty of disease episodes, the nature of the treatments purchased, the cost of all related services in addition to the uncertainty of the timing and severity of claims received. This collectively is referred to as the Scheme's risk exposure.

The Scheme manages this risk through defined benefits, pricing guidelines and limitations including formularies, risk-sharing agreements such as capitation agreements and designated or preferred provider agreements as well as protocol and disease management programmes. Administrative risk management measures are employed to ensure the good governance of the access to benefits; these include, but are not limited to pre-authorisation, case management, service provider profiling, billing audits and interventions in respect of fraud.

The Scheme uses several methods to assess and monitor risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses and scenario analyses all of which are subject to strict audit criteria.

6. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

6.1 Results of operations

The results of operations are set out in the annual financial statements.

	2011 R'000	2010 R'000
Net healthcare result	(55,329)	(55,295)
Less: Set off amount from reserves:	48,664	48,910
Managed Care Plan	37,919	39,794
Standard Care Plan	10,745	9,116
Value Care Plan	Nil	Nil
Effective deficit from operations including the set off amount from Reserves	(6,665)	(6,385)

ANGLO MEDICAL SCHEME
 REPORT OF THE BOARD OF TRUSTEES
 FOR THE YEAR ENDED 31 DECEMBER 2011

6.2 Operational statistics

The detailed statistics per plan are reflected in the table below:

Operations stats comparison:	Managed Care		% inc/dec	Standard Care		% inc/dec	Value Care		% inc/dec	Total	Total	% inc/dec
	2011	2010	-	2011	2010	-	2011	2010	-	2011	2010	-
Number of members at the end of the accounting period	6,155	6,435	-4.35%	4,951	4,965	-0.28%	278	260	6.92%	11,384	11,660	-2.37%
Average number of members for the accounting period	6,213	6,524	-4.78%	4,909	4,958	-0.98%	263	249	5.70%	11,385	11,731	-2.95%
Beneficiaries at the end of the accounting period	12,864	13,680	-5.96%	12,327	12,339	-0.10%	689	641	7.49%	25,880	26,660	-2.93%
Beneficiaries per member at the end of the accounting period	2.09	2.13	-1.69%	2.49	2.49	0.19%	2.48	2.47	0.53%	2.27	2.29	-0.57%
Average age of beneficiaries for the accounting period	47.40	47.18	0.46%	30.44	31.02	-1.87%	24.91	25.49	-2.29%	38.72	39.25	-1.35%
Pensioner ratio (beneficiaries > 65 years)	30.88%	28.95%	6.67%	6.85%	6.64%	3.28%	1.16%	1.56%	-25.57%	18.64%	17.96%	3.79%
Average gross contributions per member per month	R 4,073	R 3,777	7.82%	R 2,250	R 2,026	11.01%	R 848	R 781	8.53%	R 3,212	R 2,974	8.00%
Average gross contributions per beneficiary per month	R 1,945	R 1,776	9.54%	R 907	R 816	11.15%	R 339	R 310	9.43%	R 1,415	R 1,310	8.02%
Average gross claims incurred per member per month	R 4,310	R 4,005	7.61%	R 2,241	R 2,076	7.95%	R 570	R 584	-2.47%	R 3,331	R 3,117	6.89%
Average gross claims incurred per beneficiary per month	R 2,059	R 1,884	9.30%	R 903	R 835	8.13%	R 228	R 232	-1.66%	R 1,468	R 1,364	7.64%
Average administration costs per member per month	R 222	R 210	5.53%	R 155	R 147	5.86%	R 116	R 109	6.40%	R 191	R 181	5.23%
Average administration costs per beneficiary per month	R 106	R 99	7.19%	R 63	R 59	6.00%	R 47	R 43	7.29%	R 84	R 79	5.97%
Average managed care: Management services per member per month	R 50.31	R 47.84	5.17%	R 53.49	R 50.20	6.56%	R 0.00	R 0.00	0.00%	R 50.52	R 47.82	5.65%
Gross claims as a % of gross contributions	106%	134%	-20.92%	100%	102%	-2.71%	67%	75%	-10.14%	104%	123%	-15.56%
Managed care: Management services as % of gross contributions	1.24%	1.27%	-2.73%	2.38%	2.48%	-4.01%	0.00%	0.00%	0.00%	1.57%	1.66%	-5.25%
Administration expenses as a % of gross contributions	5.45%	5.57%	-2.10%	6.91%	7.24%	-4.64%	13.71%	13.99%	-1.96%	5.94%	6.10%	-2.58%

	2011 R'000	2010 R'000
6.3 Accumulated funds ratio		
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per balance sheet	2,242,769	2,151,603
Total accumulated funds (excluding unrealised gains)	2,039,317	1,926,597
Unrealised gains	203,452	225,006
Gross contributions	438,812	418,613
Accumulated funds ratio /Gross annual contribution income x 100%		
• including unrealised gains	511%	514%
• excluding unrealised gains	464%	460%

Refer to Note 7.1 below for the reasons for this level of funding

6.4 Accumulated funds

Movements in the accumulated funds are set out in the Statement of Changes in Accumulated Funds as reflected in the annual financial statements.

6.5 Outstanding claims

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

7. ACTUARIAL SERVICES

The Scheme's actuaries are contracted to identify and monitor health related risks, establish claiming patterns and determine of contribution and benefit levels. They also participate in the annual calculation of the outstanding claims incurred, but not yet reported and paid by the Scheme (IBNR). The Scheme's long-term funding valuation is calculated and annually reviewed by the actuaries.

7.1 LONG TERM FUNDING POSITION

The Scheme's strategy over the last decade has been to ensure that members have their lifelong healthcare needs adequately addressed and that their contributions remain market related. In order to achieve this, the Scheme required prefunding of the expected liability arising from the advanced age of the membership.

The Scheme has entered into arrangements with the participating employer groups for grants to be made from time to time, at the employer's discretion, to meet the ongoing cost of providing benefits for the large number of pensioner members. Annual actuarial valuations are performed in order to calculate the funding needed to provide members with benefits over their expected future lifetimes.

In performing the actuarial valuation the actuary makes long-term assumptions which may differ from those used during the Scheme's annual short-term budget process and as disclosed elsewhere in the notes to these annual financial statements. The following table demonstrates the financial impact of this strategy on the level of reserves held by the Scheme.

	2011 R'000	2010 R'000
Actuarially calculated balance of funding assets at the beginning of the year	2,208,928	2,014,792
Movement during the year	90,983	194,136
Actuarially calculated projection to year end based on December management accounts	2,299,911	2,208,928

8. GUARANTEES RECEIVED BY THE SCHEME FROM A THIRD PARTY - None

9. SUBSEQUENT EVENTS

9.1 Circular 38 released by the Council for Medical Schemes on the treatment of Personal Savings Accounts.

The Medical Schemes Act stipulates that positive member savings balances do not form part of a scheme's assets and may not be used for paying scheme expenses or risk claims.

The Council for Medical Schemes has determined that these balances are held in trust by a scheme and must be ring-fenced to protect them from creditors. A detailed notice to this effect was released on 28 September 2011 by way of Circular 38. Schemes are now required to deposit their members' positive savings balances into a separate bank account and interest earned on the account must accrue to the members proportionately. Schemes were required to comply with the directive by the end of December 2011 or apply to the Council for an extension to the date of implementation.

Anglo Medical Scheme has complied with the spirit of Circular 38 and, in February, transferred the 2011 positive savings balances into a separate account. As the administrative changes and the detail of the financial reporting requirements remain unsettled, the Scheme applied for, and was granted, an extension until 31 December 2011 to fully comply with the directive.

10. EVENTS IMPACTING THE SCHEME IN 2011

10.1 There were no significant events to impact the Scheme in 2011.

11. INVESTMENTS IN AND LOANS TO EMPLOYERS OF MEMBERS OF THE SCHEME AND TO OTHER RELATED PARTIES

Refer to related parties disclosure in Note 20 of the annual financial statements.

12. RELATED PARTY TRANSACTIONS

Refer to related parties disclosure in Note 20 of the annual financial statements. Trustee remuneration is disclosed in Note 29 of the annual financial statements.

13. SUB COMMITTEES OF THE BOARD OF TRUSTEES:

13.1 AUDIT COMMITTEE

The Audit Committee is established in accordance with the provisions of the Act and is mandated by the Board of Trustees by 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 Committee, including the chairperson, is independent and does not serve on the Board of the Scheme or act on behalf of the administrator.

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

The Committee met regularly during the year and the external and internal auditors were invited to attend all Committee meetings. They had unrestricted access to the Chairman of the Committee at all times. The Audit Committee is satisfied that the External Auditor is independent of the Scheme.

The Audit Committee is pleased to report that:

- It has carried out its duties in terms of the Medical Schemes Act and the Board of Trustees written Audit Committee charter;
- The external auditors have confirmed their independence;
- The assurances provided by management, the external auditors and the internal auditors have satisfied the committee that the controls are adequate and effective;
- It has ensured the co-ordination of the approaches of the internal and external auditors and has had oversight of the financial reporting process;
- It has evaluated the effectiveness of the risk management and governance and has received the assurance from the external auditors that nothing had come to their attention disputing the effectiveness of the controls;
- It has reviewed the approach taken to the application of King III and has found no material weakness.

The Audit Committee has reviewed the Scheme's annual financial statements, reviewed the accounting policies, obtained assurances from the external auditors and recommended the adoption of the AFS by the Board of Trustees for presentation to members.

13.2 INVESTMENT COMMITTEE

The Investment Committee is a duly constituted sub-committee of the Board of Trustees and has the responsibility to assist the Board and the Trustees in carrying out their duties relating to the Scheme's investment policy and strategy. It is mandated by means of a written term of reference as to its membership, authority and duties.

The Investment Committee consists of four members of the Board of Trustees and two independent external investment specialists. The Scheme appointed Towers Watson, formally Fifth Quadrant Actuaries and Consultants, as independent investment consultants to assist the Committee. The current investment managers of the Scheme are Investec Asset Management Limited, Coronation Fund Managers Limited and Allan Gray South Africa (Pty) Ltd. The recent review of the investment strategy is discussed in more detail in Section 3 of this report.

The Committee met regularly during the year and the investment consultant attended all Committee meetings with the investment managers attending at least one meeting per annum. Unrestricted access to the Chairman of the Committee was available at all times.

13.3 MANAGEMENT COMMITTEE

The Management Committee is mandated by the Board of Trustees to manage the day-to-day administrative, health risk management, remuneration and financial functions of the Scheme, by means of written terms of reference as to its membership, authority and duties.

This Committee is chaired by the Vice Chairman of the Scheme and comprises six trustees and one alternate trustee who meet eight times a year to review key indicators and make formal proposals and recommendations to the Board of Trustees. The Chairman of the Scheme is invited to attend the meetings ex-officio.

13.4 HEALTH RISK MANAGEMENT SUB-COMMITTEE

The Health Risk Management sub-committee is mandated by the Board of Trustees and is a sub-committee of the Management Committee. It is answerable to the Management Committee and its primary function is to assist the trustees with the identification and management of the medical scheme member's Health Risks.

13.5 APPEALS COMMITTEE

The Appeals Committee is mandated by the Board of Trustees to hear and adjudicate member appeals against existing benefit limitations and to grant ex-gratia benefits as deemed appropriate according to the individual merits of the case. These awards will be granted on the basis of exceptional circumstances of the case and/or financial hardship of the individual member.

It is governed by means of written terms of reference as to its membership, authority and duties. This Committee meets monthly and is chaired by a Trustee who is a medical practitioner and assisted by three trustees.

13.6 COMMUNICATIONS COMMITTEE

The overall objective of the Communications Committee is to advise and educate members and employers on benefits and also to create an understanding of the complexities of the healthcare industry. The Committee is chaired and assisted by Trustees, a pensioner representative and the Scheme's publisher and meets as and when required.

13.7 DISPUTES COMMITTEE

The Disputes Committee is an independent Committee and comprises three members who are appointed by members at the Annual General Meeting. The appointed members may not be administrators or officers of the Scheme.

The main function of this Committee is to deal with members' disputes where the member is dissatisfied with the outcome of a complaint lodged with either the administrator, Principal Officer or the Appeals Committee. No disputes were raised in 2011, therefore no meetings were held during the year.

13.8 REGIONAL COMMITTEES

Regions are established based on the number of members represented in a specific region. Business units are defined and designated by participating employers in each region.

There are currently three regions, namely; Central Region (Gauteng, Limpopo and Mpumalanga), Eastern Region (Kwa Zulu Natal) and the Southern Region (Western Cape, Eastern Cape, Northern Cape).

Each Regional Committee comprises a chairperson, trustee, employer and member representative and meets quarterly. The main function of these Committees is to provide feedback from the Board of Trustees meetings to the participating employers of the Scheme; and in turn provide feedback to all their respective active and retired members.

14. TRUSTEE AND NON-TRUSTEE MEMBERS ATTENDANCE AT COMMITTEE MEETINGS

Trustee / Non- Trustee members	Board of Trustees		Audit Committee		Investment Committee		Management Committee		Ex-gratia Appeals Committee		Health Risk Management Sub-Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Trustees												
Barber D	5	4	3	3	4	4						
Brink BA	0	0					1	1	1	0		
Du Bois MA	5	4			4	4	8	8			2	2*
Elliott CC	5	5			1	1						
Eustace PJ	1	1					1	1				
Farrell MR	5	5					8	8	9	8		
Fox FH	5	4					8	5	9	9	2	2
Ghavalas D	5	5										
Graham MD	5	4					8	5	9	8		
Howell GAE	1	1										
Laubscher PA	5	5										
Lloyd L	5	5					8	2*				
Mayet S	5	3	3	2								
Mckie Thomson CC	3	3										
Samad M	3	2			3	2						
Alternate Trustees/ Non -Trustee members												
Brown M			3	3								
Colebank C					4	4						
Geake AC			3	3								
Troskie J	5	2*					8	7				
Rood E J			3	3								
Thompson, H					4	2						
Yates C					4	4						
Total fees payable excluding travel disbursements	198,342		92,038		120,813		183,608		95,498		7,346	

A =maximum possible attendance; B =actual attendance; * Voluntary attendance.

15. COMPLIANCE WITH THE ACT

The Scheme has agreements in place with participating employers to settle their monthly contributions after three days of them becoming due. Balances after thirty days are due to reconciling discrepancies between the participating employers and the Scheme.


The risk of default on payments due to the Scheme is small because of the restricted nature of the Scheme and employer base. Suspension policies are in place and applied where contributions are outstanding beyond the participating employers' available credit terms.

Section 35(8) (a) and (c) of the Medical Schemes Act 131 of 1998 states that a medical scheme shall not invest any of its assets in either a participating employer or any administrator respectively. Section 35(8) (a) and (c) of

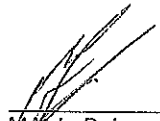
the Medical Schemes Act 131 of 1998 states that a medical scheme shall not invest any of its assets in either a participating employer or any administrator respectively. The Scheme invests in pooled investment vehicles which allow investment managers 100% discretion to invest in a combination of shares and bonds that will best achieve their stipulated benchmark.

Given this approach, the Scheme may be exposed to shares in a participating employer or an administrator at any stage during the year. The Scheme has made application to the Council for Medical Schemes and received an exemption from these sections of the Medical Schemes Act.

All options incurred a net healthcare deficit, whereas the Act requires that all benefit options are self-supporting and financially sound. This was however budgeted for due to the Scheme's long term funding position.



DD Barber
Chairman



M du Bois
Vice Chairman



FK Robertson
Principal Officer