

**NAMPAK SA MEDICAL SCHEME**  
**REGISTRATION NUMBER: 1154**  
**ANNUAL FINANCIAL STATEMENTS**  
**31 DECEMBER 2010**

**NAMPAK SA MEDICAL SCHEME**

**ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2010

The reports and statements set out below comprise the Board of Trustees' report and the annual financial statements presented to members:

<b>Contents</b>	<b>Pages</b>
Report of the Board of Trustees	1 - 6
Statement of responsibility by the Board of Trustees	7
Statement of corporate governance by the Board of Trustees	8 - 9
Independent auditor's report	10
Statement of financial position	11
Statement of comprehensive income	12
Statement of changes in funds and reserves	13
Statement of cash flows	14
Notes to the annual financial statements	15 - 30

## **NAMPAK SA MEDICAL SCHEME**

### **REPORT OF THE BOARD OF TRUSTEES**

for the year ended 31 December 2010

#### **DESCRIPTION OF THE MEDICAL SCHEME**

The Nampak SA Medical Scheme ("the Scheme") is a not for profit restricted membership Medical Scheme, registered in terms of the South African Medical Schemes Act 131 of 1998 ("the Act"), as amended.

The Scheme provides benefits to its members under two options, the Standard Option and the Extended Option.

#### **BOARD OF TRUSTEES IN OFFICE DURING THE YEAR UNDER REVIEW**

F Tshiqi	(Chairperson)
Z Dingezweni	
N Goulding	
A Hanson	
L Haripersad	
G Janse van Vuuren	
C Lemao	
J Mol	
J Morrow	
A Potgieter	

#### **AUDIT AND RISK COMMITTEE DURING THE YEAR UNDER REVIEW**

M Bottyan	(Chairperson - appointed 1 February 2010)
G Janse van Vuuren	
L Kidd	
S Meisel	(resigned 26 November 2010)
J Morrow	
E Smuts	(resigned 26 November 2010)
H Nel	(appointed 26 November 2010)

#### **INVESTMENT COMMITTEE DURING THE YEAR UNDER REVIEW**

J Mol	(Chairperson)
L Kidd	
J Morrow	
S Steyn	

## **NAMPAK SA MEDICAL SCHEME**

### **REPORT OF THE BOARD OF TRUSTEES (continued)**

for the year ended 31 December 2010

#### **PRINCIPAL OFFICER**

AS Steyn  
114 Dennis Road  
Atholl Gardens  
Sandton  
2010

PO Box 784324  
Sandton  
2146

#### **Street Address**

1 - 3 Canegate Road  
La Lucia Ridge  
4019

#### **Postal Address**

PO Box 2338  
Durban  
4000

#### **ADMINISTRATOR**

Momentum Medical Scheme Administrators Proprietary Limited, a wholly-owned subsidiary of the Momentum Group Limited

1 - 3 Canegate Road  
La Lucia Ridge  
4019

#### **INVESTMENT MANAGERS**

Coronation Life Assurance Company Limited  
Boundary Terraces  
1 Mariendahl Lane  
Newlands  
7700

Allan Gray Life Limited  
Beach Road  
V & A Waterfront  
Cape Town  
8081

Fifth Quadrant Actuaries and Consultants Proprietary Limited  
30 Melrose Boulevard  
Melrose Arch  
2196

#### **CONSULTANT**

Fifth Quadrant Actuaries and Consultants Proprietary Limited  
30 Melrose Boulevard  
Melrose Arch  
2196

#### **AUDITORS**

Deloitte & Touche  
2 Pencarrow Crescent  
Pencarrow Park  
La Lucia Ridge  
4019

## NAMPAK SA MEDICAL SCHEME

### REPORT OF THE BOARD OF TRUSTEES (continued)

for the year ended 31 December 2010

#### INVESTMENT STRATEGY OF THE MEDICAL SCHEME

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

The investment committee met three times during 2010. The mandate of the committee is to ensure that:

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

The Board of Trustees continued to invest excess funds in line with the requirements of the Act.

Investments of the Scheme are maintained in a money market account and two investment portfolios : Allan Gray Life - Domestic Stable Medical Scheme Portfolio and Coronation Life - Coronation Medical Aid Portfolio.

#### ACCUMULATED FUNDS

Movements in the accumulated funds are set out in the statement of changes in funds and reserves in the annual financial statements. There have been no unusual movements that the Board of Trustees believe should be brought to the attention of the members. The accumulated funds ratio at 31 December 2010 was 53.8% (2009: 64.7%) excluding cumulative unrealised gains on investments held at fair value through the statement of comprehensive income of R58 890 323 (2009: R46 823 910).

	2010 R	2009 R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per statement of financial position	150,275,669	149,205,816
Less: Cumulative unrealised gains on investments held at fair value *	<u>(58,890,323)</u>	<u>(46,823,910)</u>
Accumulated funds per Regulation 29 of the Act	<u>91,385,346</u>	<u>102,381,906</u>
Gross contributions (note 8)	169,987,755	158,212,791
Accumulated funds ratio (Accumulated funds per Regulation 29 of the Act / Gross contributions x 100%)	<u>53.8%</u>	<u>64.7%</u>
* This amount is made up as follows:		
Opening balance of cumulative unrealised gains on investments held at fair value	46,823,910	34,252,202
Net unrealised gains on investments held at fair value for the year (note 15)	<u>12,066,413</u>	<u>12,571,708</u>
Total	<u>58,890,323</u>	<u>46,823,910</u>

#### REVIEW OF THE YEAR'S ACTIVITIES

Nampak SA Medical Scheme enjoyed another year of sound financial performance, ending the year with a accumulated funds ratio as at December 2010 of 53.8% (2009: 64.7%).

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

**NAMPAK SA MEDICAL SCHEME**

**REPORT OF THE BOARD OF TRUSTEES (continued)**

for the year ended 31 December 2010

**BOARD OF TRUSTEES, SUB-COMMITTEES AND MEETING ATTENDANCES**

The following schedule sets out the composition of the Board of Trustees and sub-committees, and their respective meeting attendances.

	Board Meetings		Audit & Risk Committee Meetings		Investment Committee Meetings	
	A	B	A	B	A	B
F Tshiqi	5	5				
Z Dingenzweni	5	2				
N Goulding	5	5				
A Hanson	5	5				
L Haripersad	5	4				
G Janse van Vuuren	5	5	4	4		
L Kidd			4	2	3	2
C Lemao	5	3				
J Mol	5	2			3	2
J Morrow	5	5	4	4	3	3
A Potgieter	5	2				
D Thomas						
T Jacobs						
MA Bottyan			4	4		
H Nel			1	1		
S Meisel			3	2		
E Smuts			3	1		
S Steyn	5	5	4	4	3	3

A - total possible number of meetings could have attended

B - actual number of meetings attended

**NAMPAK SA MEDICAL SCHEME**

**REPORT OF THE BOARD OF TRUSTEES (continued)**  
for the year ended 31 December 2010

**OPERATIONAL STATISTICS**

	2010		
	Standard Option	Extended Option	Total Scheme
Number of members at the end of the accounting period	2,677	2,522	5,199
Number of beneficiaries at the end of the accounting period	6,597	5,662	12,259
Average number of members for the accounting period	2,662	2,565	5,227
Average number of beneficiaries for the accounting period	6,575	5,779	12,354
Average net contribution per beneficiary per month (pbpm)	R808	R1,338	R1,056
Pensioner ratio (beneficiaries age > 65)	3.2%	18.3%	10.2%
Average age per beneficiary	28.96	42.71	35.31
Relevant healthcare expenditure per average beneficiary	R704	R1,501	R1,077
Non healthcare expenditure per average beneficiary	R101	R108	R105
Average accumulated funds per member at the end of the accounting period			R28,905
Dependants per member at the end of the accounting period	1.46	1.25	1.36
Return on investments as a % of investments			12%
Relevant healthcare expenditure as a percentage of gross contributions	87%	98%	94%

	2009		
	Standard Option	Extended Option	Total Scheme
Number of members at the end of the accounting period	2,651	2,599	5,250
Number of beneficiaries at the end of the accounting period	6,601	5,903	12,504
Average number of members for the accounting period	2,603	2,617	5,220
Average number of beneficiaries for the accounting period	6,501	5,950	12,451
Average net contribution per beneficiary per month (pbpm)	R738	R1,230	R973
Pensioner ratio (beneficiaries age > 65)	3.1%	16.4%	9.4%
Average age per beneficiary	29.32	42.25	35.43
Relevant healthcare expenditure per average beneficiary	R614	R1,334	R958
Non healthcare expenditure per average beneficiary	R93	R99	R96
Average accumulated funds per member at the end of the accounting period			R28,420
Dependants per member at the end of the accounting period	1.49	1.27	1.38
Return on investments as a % of investments			12%
Relevant healthcare expenditure as a percentage of gross contributions	83%	95%	91%

# - ratio not presented per policy

## **NAMPAK SA MEDICAL SCHEME**

### **REPORT OF THE BOARD OF TRUSTEES (continued)**

for the year ended 31 December 2010

#### **OUTSTANDING CLAIMS**

Movements in the outstanding claims provision are set out in Note 7 to the annual financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members.

#### **AUDIT COMMITTEE**

An Audit Committee was established in accordance with provisions of the Act. The committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The committee consists of five members of which two are members of the board of trustees. The majority of the members, including the chairperson, are not officers of the Scheme or its third party 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 audit activities. The audit committee met on four occasions during the course of the year, as follows:

24 February 2010  
16 April 2010  
13 August 2010  
26 November 2010

The Principal Officer, the financial manager of the administrator, the external auditors and the internal auditors attend all audit committee meetings by invitation and have unrestricted access to the Chairman of the audit committee.

#### **SUBSEQUENT EVENTS**

No events were identified subsequent to year end that would require adjustment to or disclosure in the annual financial statements.

#### **NON-COMPLIANCE MATTERS**

The Trustees are of the opinion that there are no material deviations from the Act. However, not all premiums are received within 3 days as prescribed by the Act but there are sufficient credit control policies to minimise the risk of non-recoverability. This risk is considered insignificant.

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. The Scheme has acknowledged that since it only applies to a small percentage of claims where such procedures are necessary to validate claims, this risk is considered insignificant.

The Extended benefit option incurred an operational deficit for the 2010 year, whereas the Act requires that all benefit options are self-supporting and financially sound. The Trustees have considered this in their 2011 budget and all options will be closely monitored in 2011. The risk is mitigated by the Scheme's substantial reserves.

As a result of the unbundling of Remgro and Richemont in 2008, the Scheme now holds shares in British American Tobacco. As these shares are categorised as "shares held in territories outside of the Republic" in terms of Annexure B of the Act, this is an unintentional contravention of the Act. As the shares form part of a pooled portfolio of investments, the Scheme is unable to dispose of its holding immediately. The Scheme has received dispensation from the Council of Medical Schemes for a grace period until 31 October 2012 to sell the British American Tobacco shares. At year-end, the Scheme held British American Tobacco shares which constituted approximately 1.4% of total assets.

The Scheme has invested in two investment portfolios during the year: Coronation Life Assurance Company Limited and Allan Gray Life Limited. Certain of the money invested in these policies is invested in Nampak Limited. The investment of the moneys of a scheme in the business of an employer who participates in the scheme is prohibited by Section 35(8) of the Act. This is an unintentional contravention of the Act, as the Scheme has no control over the manner in which these two investment managers invest the assets within the policies. The Scheme has been granted an exemption from Section 35(8) of the Act from the Council for Medical Schemes. At year-end, the Scheme held Nampak Limited shares which constituted approximately 0.75% of total assets.

As at 31 December 2010, the Scheme has an investment holding in Capital and Counties Properties (CCO). This investment was obtained subsequent to Liberty International's intention to separate into two businesses, Capital Shopping Centres Plc (CSO) and Capital and Counties Plc (CCO). The South African Reserve Bank and the Council for Medical Schemes considered these shares to be "foreign shares" due to its status as an inward listed security on the JSE, which is precluded in terms of Regulation 30 of the Medical Schemes Act. The Scheme applied for exemption from the Council for Medical Schemes, however this has not been granted to date. At year-end, the Scheme held CCO shares which constituted approximately 0.15% of total assets. All CCO shares have been sold as at 31 January 2011.

#### **GENERAL**

Although a lower profit was made in the current year than in the prior year, the Scheme's reserves are sound. The trustees will focus on ways to reduce healthcare costs in 2011. There have been no incidents of litigation or other negative matters occurring during the year under review. Trustees were briefed on all relevant aspects of the terms of reference of corporate governance during the course of the year. The Chairperson of the Board of Trustees would like to thank the Trustees and the members of the audit committee for the positive and meaningful contributions during the year.

**NAMPAK SA MEDICAL SCHEME**

**ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2010

**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 Nampak Medical Scheme. The annual financial statements presented on pages 11 to 30 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 relevant legislation.

The 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.

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

The Scheme's external auditor, Deloitte & Touche, are responsible for auditing the annual financial statements in terms of International Standards on Auditing and their audit report is presented on page 10.

The annual financial statements were approved by the Board of Trustees on 5 April 2011 and are signed on its behalf by:



F Tshiqi  
Chairman



G Janse van Vuuren  
Trustee



A Steyn  
Principal Officer

## **NAMPAK SA MEDICAL SCHEME**

### **ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2010

### **STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES**

The Scheme is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Trustees are proposed and elected by the members of the Scheme and their employers.

#### **BOARD OF TRUSTEES**

The Trustees meet regularly and monitor the performance of the Scheme and 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.

#### **INTERNAL CONTROL**

The administrators of the Scheme maintain internal controls and systems designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

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

#### **AUDIT AND RISK MANAGEMENT**

##### **Structure**

The Nampak SA Medical Scheme's Audit and Risk Committee was formed in the 2004 year as a sub-committee of the Scheme's Board of Trustees. The Committee is chaired by a non-executive chairperson who is independent of the Board of Trustees.

##### **Accountability**

The focus of risk management is on identifying, assessing, managing, monitoring and reporting material forms of risk across the Nampak SA Medical Scheme. The Board of Trustees are accountable for the total process of risk management and internal control, and its policy on risk management encompasses all significant business risks to the Scheme including strategic, financial, operational, technology and compliance risks.

The risk environment in which the Scheme operates is ever-changing. The Board of Trustees are responsible for regular appraisals of the risk environment in which they operate, and to ensure that significant risks are identified, assessed, managed and reported on.

**NAMPAK SA MEDICAL SCHEME**

**ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2010

**STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES (continued)**

AUDIT AND RISK MANAGEMENT (continued)

Risk Assessment

The Audit and Risk Committee used a structured methodology to assess the Scheme's risks. In addition to the financial risks expanded on under Note 20 to the annual financial statements, the main risks identified by this process as at 31 December 2010 are:

- inadequate member contribution versus claim modelling due to members shifting between scheme options;
- administrator's computer systems and disaster recovery procedures;
- cost escalations in pharmacy, hospital benefits and medical contributions;
- lack of continuity of trustee members;
- scheme's dependancy on the administrator;
- changes in the Medical Aid legislation that forces the Scheme to change the way it does business;
- administrator's ability to protect the scheme resources and interest;
- potential impact of the Risk Equalisation Fund (REF) on the Scheme;
- potential volatility of the Scheme's investment strategy; and
- influence of the parent company of the administrator.

Risk Response

An appropriate system of internal control has been established by the Scheme's administrator to manage the Scheme's significant risks. This provides reasonable assurance that the Scheme's business objectives will be met, even in the event of a disastrous incident impacting on activities.

Risks are further controlled and managed by policies limiting exposure in specific areas such as finance, administration, claims handling and payments, information systems, treasury, and human resources, as well as external and internal insurance programmes.

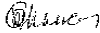
The Scheme's administrator seeks to have a sound system of internal control, based on its policies and guidelines, in all material associates and contractors. Where this is not possible, the responsible directors of the Scheme's administrator seek assurance that significant risks are being managed in an acceptable manner, and provide bi-annual confirmation to the Scheme's Board of Trustees that such significant risks are being effectively managed.



\_\_\_\_\_  
F Tshiqi  
Chairman



\_\_\_\_\_  
A Steyn  
Principal Officer



\_\_\_\_\_  
G Janse van Vuuren  
Trustee

5 April 2011

## **INDEPENDENT AUDITOR'S REPORT**

To the members of Nampak SA Medical Scheme

### **Report on the Financial Statements**

We have audited the annual financial statements of Nampak SA Medical Scheme, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in funds and reserves and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 30.

### **Trustees' Responsibility for the Annual Financial Statements**

The Scheme's Trustees are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act 131 of 1998, as amended (the "Act"), and for such internal control as the Trustees determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

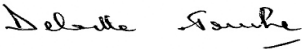
Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation and fair presentation of the annual 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 Scheme's internal control. 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 annual 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 annual financial statements present fairly, in all material respects, the financial position of the Scheme as at 31 December 2010, 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 Act.



**Deloitte & Touche**  
Registered Auditor

Per: K Singh  
Partner  
5 April 2011

**NAMPAK SA MEDICAL SCHEME****STATEMENT OF FINANCIAL POSITION**

at 31 December 2010

	Notes	2010 R	2009 R
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	2	417,650	1,463,244
Investments held at fair value through the profit and loss	3	170,952,886	151,784,513
Cash and cash equivalents	4	18,048,830	33,862,117
<b>Total assets</b>		<b>189,419,366</b>	<b>187,109,874</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Accumulated funds</b>			
Accumulated funds		150,275,669	149,205,816
<b>Current liabilities</b>			
Savings plan liability	5	28,043,728	27,970,085
Trade and other payables	6	2,163,218	1,526,652
Outstanding claims provision	7	8,936,751	8,407,321
<b>Total funds and liabilities</b>		<b>189,419,366</b>	<b>187,109,874</b>

**NAMPAK SA MEDICAL SCHEME**

**STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 December 2010

	Notes	2010 R	2009 R
<b>Net contribution income</b>	8	156,535,697	145,347,866
<b>Relevant healthcare expenditure</b>		(159,677,045)	(143,185,371)
Net claims incurred	9	(159,652,591)	(143,354,191)
Claims incurred		(159,939,748)	(143,691,829)
Third party claim recoveries		287,157	337,638
Net (expense)/income on risk transfer arrangements	10	(24,454)	168,820
Risk transfer arrangement expenses		(530,687)	(488,584)
Claim recoveries from risk transfer arrangements		506,233	657,404
<b>Gross healthcare result</b>		(3,141,348)	2,162,495
Managed care: management services	11	(2,849,150)	(2,634,596)
Administration expenses	12	(12,648,157)	(11,679,726)
Net impairment (losses)/gains on healthcare receivables	13	(11,210)	13,099
<b>Net healthcare result</b>		(18,649,865)	(12,138,728)
<b>Other income</b>		22,066,078	22,904,465
Sundry income		7,959	200
Investment income	14	9,991,706	10,332,557
Unrealised gains on financial instruments	15	12,066,413	12,571,708
<b>Other expenditure</b>		(2,346,360)	(2,585,097)
Investment management fees		(1,467,959)	(1,206,301)
Interest paid on savings plan account balances	5	(878,401)	(1,378,796)
<b>Net surplus for the year</b>		1,069,853	8,180,640
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		1,069,853	8,180,640
<b>Accumulated Funds (including unrealised gains)</b>		<b>88.4%</b>	<b>94.3%</b>
<b>Accumulated Funds (excluding unrealised gains)</b>		<b>53.8%</b>	<b>64.7%</b>

**NAMPAK SA MEDICAL SCHEME**

**STATEMENT OF CHANGES IN FUNDS AND RESERVES**  
for the year ended 31 December 2010

	<b>Accumulated funds R</b>
<b>Balance as at 1 January 2009</b>	141,025,176
Total comprehensive income for the year	8,180,640
<b>Balance as at 31 December 2009</b>	<u>149,205,816</u>
Total comprehensive income for the year	1,069,853
<b>Balance as at 31 December 2010</b>	<u><u>150,275,669</u></u>

**NAMPAK SA MEDICAL SCHEME****STATEMENT OF CASH FLOWS**

for the year ended 31 December 2010

	<b>Note</b>	<b>2010 R</b>	<b>2009 R</b>
<b>CASH USED IN OPERATING ACTIVITIES</b>			
Cash used in operations before working capital changes	16	(18,112,476)	(10,726,385)
Working capital changes			
- Decrease in trade and other receivables		1,045,594	983,178
- Increase in savings plan liability		73,643	275,925
- Increase in trade and other payables		636,566	26,285
		<hr/>	<hr/>
<b>Cash flows used in operations</b>		(16,356,673)	(9,440,997)
Investment income		9,991,706	10,332,557
Interest paid on savings plan account balances		(878,401)	(1,378,796)
Investment management fees		(1,467,959)	(1,206,301)
		<hr/>	<hr/>
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>		(8,711,327)	(1,693,537)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Purchase of investments	3	(7,101,960)	(2,558,316)
		<hr/>	<hr/>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(15,813,287)	(4,251,853)
Cash and cash equivalents at beginning of the year		33,862,117	38,113,970
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	4	18,048,830	33,862,117

## NAMPAK SA MEDICAL SCHEME

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2010

#### 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, except for investments held at fair value through profit and loss, available for sale instruments and liabilities arising from the liability adequacy test, which are carried at fair value.

##### 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 plus, in the case of financial assets and liabilities not at fair value through profit and loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or liability. Subsequent to initial recognition, these instruments are measured as set out below.

###### *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. Financial assets held at fair value through profit and loss and available-for-sale investments are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of investments held at fair value through profit and loss are included in profit and loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of the available-for-sale investments are included in the available-for-sale reserve and are taken to the statement of comprehensive income. Once an available-for-sale investment is sold, the realised fair value gain or loss on the changes in the fair value of the available-for-sale investments is included in profit and loss.

###### *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 profit and loss 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 value and bank overdrafts.

###### *Financial liabilities*

Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

###### *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 Savings plan liability

The savings plan liability is measured at cost because it has a demand feature. Savings plan contributions are credited on the accrual basis and withdrawals are debited on a cash basis, i.e. no provision is made for outstanding savings claims at the year-end. Interest is credited on a monthly basis on outstanding balances at market related interest rates.

## NAMPAK SA MEDICAL SCHEME

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2010

#### 1.4 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 represents the Trustees' estimate of the ultimate cost of settling all healthcare benefits costs that have occurred before the statement of financial position date, but have not been reported to the Scheme by that date. The outstanding claims provision is reduced by the estimated recoveries from members for co-payments, and savings plan accounts.

#### 1.5 Medical insurance contracts and liability adequacy test

Contracts under which the scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary are classified as insurance contracts.

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

#### 1.6 Contribution income

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

#### 1.7 Managed care: management services

These expenses represent amounts paid or payable to third party administrators, related parties and other third parties for managing the utilisation, costs and quality of healthcare services to the Scheme.

#### 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 the 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; and
- 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 Risk transfer arrangements

Risk transfer premiums are recognised as an expense over the indemnity period on a straight-line 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.

## NAMPAK SA MEDICAL SCHEME

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2010

#### 1.10 Impairment gains and losses

The carrying amounts 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. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss in the period in which the adjustment is made to the estimate of the carrying amount.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in members' funds and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in members' funds is recognised in the profit and loss even though the financial asset has not been derecognised. The amount of the loss that is recognised in profit and loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit and loss.

Calculation of recoverable amount

The recoverable amount of the Scheme's trade and other receivables balances carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

Reversals of impairment

An impairment loss in respect of trade and other receivables balance carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit and loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit and loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of amortisation if no impairment loss had been recognised.

#### 1.11 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 they become payable to the scheme.

#### 1.12 IFRS standards and interpretations not yet effective

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. Trustees are in the process of assessing the impact thereof on the Scheme.

Standard	Effective date *
IFRS 1: Limited exemption from comparative IFRS 7 disclosures for first-time adopters.	01-Jul-10
IFRS 1: Amendments resulting from May 2010 annual improvements to IFRS.	01-Jan-11
IFRS 2: Share-based payments – Amendments relating to group cash settled share based payment transactions.	01-Jul-10
IFRS 3: Business combinations- Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS.	01-Jul-10
IFRS 7: Financial Instruments: Disclosures - Amendments resulting from May 2010 annual improvements to IFRS.	01-Jan-11
IFRS 9: Classification and measurement of financial instruments.	01-Jan-13
IAS 1: Clarification of statement of changes in equity.	01-Jan-11
IAS 24: Related party disclosures - Clarification of the definition of a related party.	01-Jan-11
IAS 27: Consolidated and Separate Financial Statements - Amendments resulting from May 2010 annual improvements to IFRS.	01-Jul-10
IAS 32: Financial instruments: presentation - amendments relating to classification of rights issues.	01-Feb-10
IAS 34: Interim Financial Reporting - Clarification of disclosure requirements around significant events and transactions including financial instruments.	01-Jan-11
IAS 39: Financial Instruments: Recognition and measurement.	01-Jan-13
IFRIC 13: Customer Loyalty Programmes - Clarification on the intended meaning of the term "fair value" in respect of award credits.	01-Jan-11
IFRIC 14: November 2009 amendments with respect to voluntary prepaid contributions.	01-Jan-11
IFRIC 19: Extinguishing financial liabilities with equity instruments	01-Jul-10

\* Annual periods commencing on or after

#### 1.13 Comparatives

Where necessary, comparative figures have been adjusted to conform with International Financial Reporting Standards. No reclassifications took place during the year.

**NAMPAK SA MEDICAL SCHEME**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 December 2010

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>2 TRADE AND OTHER RECEIVABLES</b>		
Contributions outstanding	10,471	1,034,672
Recoveries due from members and suppliers	89,123	143,982
Savings plan account advances (refer note 5)	372,516	348,052
	<u>472,110</u>	<u>1,526,706</u>
Less: Provision for impairment losses	(97,953)	(86,743)
	<u>374,157</u>	<u>1,439,963</u>
Accrued interest	23,642	12,349
Other	19,851	10,932
	<u>417,650</u>	<u>1,463,244</u>

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

2010	Contribution debt	Member and supplier debt	Savings account advances	Total
Balance as at 1 January	14,311	57,094	15,338	86,743
Amount recognised in the profit and loss for the period (Note 13)	(3,840)	12,596	2,454	11,210
Additional provisions made/(reduced) in the period	(3,840)	12,596	2,454	11,210
Amounts utilised during the period	-	-	-	-
Balance as at 31 December	<u>10,471</u>	<u>69,690</u>	<u>17,792</u>	<u>97,953</u>

2009	Contribution debt	Member and supplier debt	Savings account advances	Total
Balance as at 1 January	54,265	29,622	15,955	99,842
Amount recognised in profit and loss for the period (Note 13)	(39,954)	27,472	(617)	(13,099)
Additional provisions made in the period	(39,954)	27,472	(617)	(13,099)
Amounts utilised during the period	-	-	-	-
Balance as at 31 December	<u>14,311</u>	<u>57,094</u>	<u>15,338</u>	<u>86,743</u>

At year-end the carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets.

**NAMPAK SA MEDICAL SCHEME****NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2010

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>3 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS</b>		
Fair value at the beginning of the year	151,784,513	136,654,489
Additions	7,101,960	2,558,316
Unrealised gain on revaluation of investments	12,066,413	12,571,708
	<hr/>	<hr/>
Fair value at the end of the year	170,952,886	151,784,513
	<hr/>	<hr/>
The investments included above represent investments in:		
Bonds	50,060,931	30,979,912
Cash and deposits	58,303,031	67,262,651
Equity funds	54,609,986	53,092,747
Other (Property and derivatives)	7,978,938	449,203
	<hr/>	<hr/>
Fair value at the end of the year	170,952,886	151,784,513
	<hr/>	<hr/>

A register of investments is available for inspection at the registered office of the Scheme. The investment managers actively trade the underlying portfolios with reference to the market values of the underlying investments.

The overall weighted average effective return on the above investments was 12.63% for the year ended 31 December 2010 (2009: 13.96%).

**4 CASH AND CASH EQUIVALENTS**

Money market instruments	17,407,525	32,847,244
Current accounts	641,305	1,014,873
	<hr/>	<hr/>
	18,048,830	33,862,117
	<hr/>	<hr/>

The weighted average effective interest rate on money market instruments was 7.13% for the year ended 31 December 2010 (2009: 9.8%).

The overall weighted average effective interest rate on the current account was 5.15% for the year ended 31 December 2010 (2009: 7.2%).

At year-end the carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

**NAMPAK SA MEDICAL SCHEME**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 December 2010

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>5 SAVINGS PLAN LIABILITY</b>		
Balance on savings plan liability at beginning of the year	27,970,085	27,694,160
Less: Advances on savings plan accounts	(348,052)	(297,236)
Net balance on savings plan liability at the beginning of the year	27,622,033	27,396,924
Add:		
Savings plan account contributions received or receivable	13,800,110	13,162,161
- for the current year (refer note 8)	13,452,058	12,864,925
- allocated to settle prior year advances	348,052	297,236
Interest paid on savings plan account balances	878,401	1,378,796
Less:		
Transfers to other Schemes	(117,256)	(267,996)
Repayments on death or resignation	(819,504)	(1,151,758)
Claims paid on behalf of members (refer note 9)	(13,692,572)	(12,896,094)
Add:		
Advances on savings plan accounts included in trade and other receivables (refer note 2)	372,516	348,052
Net balance on savings plan liability at end of the year	<u>28,043,728</u>	<u>27,970,085</u>

It is estimated that claims to be paid out of members' savings accounts in respect of claims incurred in 2010 but not recorded will amount to R945 798 (2009: R726 755) (refer note 7).

The savings plan liability represents funds held on behalf of members by the Scheme. The savings plan facility assists members in managing the cash flows for costs to be borne by them during the year, meeting provider service expenses not covered in the Scheme's approved benefits and meeting or self funding member co-payments for provider services rendered.

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

**6 TRADE AND OTHER PAYABLES**

Credit balances in trade and other receivables	60,416	52,413
Amounts payable to members	894,090	621,176
Sundry trade and other payables	1,208,712	853,063
	<u>2,163,218</u>	<u>1,526,652</u>

At the year end the carrying value of trade and other payables approximate their fair values due to the short-term maturities of these liabilities.

**NAMPAK SA MEDICAL SCHEME**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2010

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>7 OUTSTANDING CLAIMS PROVISION</b>		
Provision for outstanding claims	8,936,751	8,407,321
	<u>8,936,751</u>	<u>8,407,321</u>
<b>Analysis of movements in outstanding claims</b>		
Balance at beginning of year	8,407,321	6,995,178
<b>Analysed as follows</b>		
Estimated gross claims	9,134,076	8,314,093
Less: Estimated recoveries from savings plan accounts	(726,755)	(1,318,915)
	<u>(8,303,512)</u>	<u>(7,234,027)</u>
Payments in respect of prior year	103,809	(238,848)
Over/(under) provision in prior year (refer note 9)	8,832,942	8,646,169
Increase in provision for the current year	<u>8,936,751</u>	<u>8,407,321</u>
Balance at end of year	<u>8,936,751</u>	<u>8,407,321</u>
<b>Analysed as follows</b>		
Estimated gross claims	9,882,549	9,134,076
Less: Estimated recoveries from savings plan accounts	(945,798)	(726,755)
	<u>8,936,751</u>	<u>8,407,321</u>
Balance at end of year	<u>8,936,751</u>	<u>8,407,321</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 neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out on a regular basis. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

The actual method or blend of methods used varies by category of claims and observed historical claims development. To the extent that the historical claims development method is used, we assume that the historical pattern will occur again in the 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 include:

- changes in processes that affect the development or recording of claims paid and incurred (such as changes in claims submission mechanisms);
- changes in composition of members and their dependents;
- changes to legislation;
- variations in the nature and average cost incurred per claim; and
- random fluctuations.

Notified claims are assessed with due regard to the claim circumstances, category, anticipated development, expected seasonal fluctuations, and information available from managed care: management services. The provisions are best estimates based on the most recent information available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provision estimation difficulties also differ by category of claims (i.e. hospital (major medical benefit), chronic, and day-to-day) due to differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

**Assumptions**

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the claim "run-off periods" for the most recent benefit years (split by discipline). The run-off factor is the expected percentage of claims paid out of total claims incurred in a specific 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. These assumptions have been used for assessing the outstanding claims provisions for the 2009 and 2010 benefit years.

**NAMPAK SA MEDICAL SCHEME**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2010

**7 OUTSTANDING CLAIMS PROVISION (continued)**

**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 scheme's estimation process. The scheme believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based 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**

	<b>Change in variable</b>	<b>Change in * liability 2010</b>	<b>Change in * liability 2009</b>
	%	R	R
Hospital (major medical benefit) claims ratio	5%	11,203	16,198
Chronic claims ratio	5%	1,014	1,713
Day-to-day claims ratio	5%	668	1,305

This analysis has been prepared for a change in a specified variable with other assumptions remaining constant.

\* Impact on statement of comprehensive income and accumulated funds and reserves.

The sensitivity is reduced by the value of the claims paid subsequent to the year end related to the year ended 31 December, as detailed below:

	<b>2010</b>	<b>2009</b>
	R	R
Outstanding claims provision	8,936,751	8,407,321
Portion of outstanding claims provision paid to date	8,279,539	8,025,957
Residual estimate of claims incurred but not paid	657,212	381,364

**8 NET CONTRIBUTION INCOME**

Gross contributions	169,987,755	158,212,791
Less: Savings contributions (refer note 5)	(13,452,058)	(12,864,925)
Net contribution income	156,535,697	145,347,866

**9 NET CLAIMS INCURRED**

Current year claims	172,309,500	154,180,738
Movement in outstanding claims provision	529,430	1,412,143
- Over/(under) provision in prior year (refer note 7)	103,809	(238,848)
- Adjustment for current year	425,621	1,650,991
Less:		
- Claims paid from savings accounts (refer note 5)	(13,692,572)	(12,896,094)
Claims incurred in respect of risk transfer arrangements: Netcare 911 (Pty) Ltd	506,233	657,404
	159,652,591	143,354,191

**NAMPAK SA MEDICAL SCHEME**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2010

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>10 NET (EXPENSE)/INCOME ON RISK TRANSFER ARRANGEMENTS</b>		
<b>Netcare 911 (Pty) Ltd</b>		
Recoveries under risk transfer arrangement	506,233	657,404
Premiums paid in respect of risk transfer arrangement	(530,687)	(488,584)
	<u>(24,454)</u>	<u>168,820</u>

Netcare 911 (Pty) Ltd provides capitated emergency rescue and ambulance services to members of the Scheme.

<b>11 MANAGED CARE: MANAGEMENT SERVICES</b>		
Hospital Benefit Management	1,282,119	1,185,569
Pharmacy Benefit Management	854,745	790,379
Disease Management	569,830	526,919
Operational Risk Management	142,456	131,729
	<u>2,849,150</u>	<u>2,634,596</u>

Momentum Medical Scheme Administrators (Pty) Ltd provides managed care services to the Scheme. The amount represents in its entirety a percentage-based apportionment of the administration fees paid for the year to Momentum Medical Scheme Administrators (Pty) Ltd for performing these services.

<b>12 ADMINISTRATION EXPENSES</b>		
Actuarial fees	-	17,330
Administrator's fees	10,786,252	9,972,755
Auditor's remuneration -current year	158,808	147,039
Board of Healthcare Funders (BHF) subscriptions	45,180	36,629
Consultants fees	396,720	369,360
Insurance	22,111	17,954
Publication costs	114,570	109,440
Management fees	927,846	858,420
Registrar's levies	96,923	79,652
Trustees expenses	60,176	42,012
Travel - general	20,425	16,324
Travel for auditors	13,373	4,723
Other	5,773	8,088
	<u>12,648,157</u>	<u>11,679,726</u>

<b>13 NET IMPAIRMENT LOSSES/(GAINS) ON HEALTHCARE RECEIVABLES</b>		
Outstanding member contributions - movement in provision	(3,840)	(39,954)
Members' and service providers' portions	12,596	27,472
Movement in provision	<u>12,596</u>	<u>27,472</u>
Advances from savings plan accounts - movement in provision	2,454	(617)
	<u>11,210</u>	<u>(13,099)</u>

**NAMPAK SA MEDICAL SCHEME**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2010

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>14 INVESTMENT INCOME</b>		
Interest income	8,658,127	9,544,289
Dividends received	1,333,579	788,268
	<u>9,991,706</u>	<u>10,332,557</u>
<b>15 UNREALISED GAINS ON FINANCIAL INSTRUMENTS</b>		
Total unrealised gains on revaluation of investments carried at fair value through profit and loss	<u>12,066,413</u>	<u>12,571,708</u>
<b>16 CASH USED IN OPERATIONS BEFORE WORKING CAPITAL CHANGES</b>		
<b>Reconciliation of net surplus for the year to cash flows from operations before working capital changes</b>		
Net surplus for the year	1,069,853	8,180,640
Adjustments for:		
- Investment income	(9,991,706)	(10,332,557)
- Investment management fees	1,467,959	1,206,301
- Increase in outstanding claims provision	529,430	1,412,143
- Interest paid on savings plan account balances	878,401	1,378,796
- Unrealised gains on financial instruments	(12,066,413)	(12,571,708)
Cash used in operations before working capital changes	<u>(18,112,476)</u>	<u>(10,726,385)</u>
<b>17 RELATED PARTY TRANSACTIONS</b>		
Momentum Medical Scheme Administrators (Pty) Ltd, a wholly owned subsidiary of Momentum Group Ltd, as a third party administrator is deemed a related party, and received market related administration and managed care fees detailed as follows (refer notes 11 and 12):		
Administration fees	10,786,252	9,972,755
Managed care fees	2,849,150	2,634,596
	<u>13,635,402</u>	<u>12,607,351</u>
Amount receivable / (payable) at year end	<u>7,857</u>	<u>(9,045)</u>
Nampak Group (employer) was reimbursed for administration and management services provided (refer note 12).		
Management fees	<u>927,846</u>	<u>858,420</u>

Contributions billed to, contributions received from, and claims paid in respect of Trustees and the Principal Officer of the Scheme during the year, were done so in accordance with the rules of the Scheme and the provisions of the Medical Schemes Act. Accordingly, all Trustees and the Principal Officer were treated in the same manner by the Scheme as would any member have been, at arms length.

Net contribution income received from the Trustees and Principal Officer for the year was R397 488 (2009: R412 396). Net claims paid was R256 709 (2009: R319 330). There were no amounts owing to the Scheme by the Trustees and Principal Officer at 31 December 2010. The Trustees and Principal Officer had positive savings balances of R123 567 (2009: R137 484) and negative savings balances of R1 856 (2009: R907).

## NAMPAK SA MEDICAL SCHEME

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2010

#### 18 CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Scheme's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the annual financial statements:

##### **Net impairment losses - outstanding contributions that are not recoverable**

A historical experience basis has been applied to the current contribution billings to determine a reasonable estimate of potential future reversals of premiums already billed. In addition, outstanding contribution debtors have been assessed on an individual basis for possible impairment, and specific impairment provisions raised where applicable.

##### **Net impairment losses - members' and service providers' portions**

Accounts receivable from off benefit members are impaired fully. Accounts receivable from on benefit (i.e. current) members are not impaired. Service providers with accounts outstanding longer than 60 days are fully impaired on a case by case basis.

##### **Net impairment losses - advances from savings plan accounts**

Advances from savings plan accounts for off benefit members are impaired where the account is outstanding longer than 60 days. There is no impairment of advances from savings plan accounts for on benefit members.

##### **Provision for outstanding claims**

The provision for outstanding claims is an estimate of the potential liability at statement of financial position date for claims that have been incurred by members but not yet received by the Scheme. The full details of the provision for outstanding claims are disclosed in note 7.

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.

#### 19 INSURANCE RISK MANAGEMENT

##### **Risk management objectives and policies for mitigating medical insurance risk**

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

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

The Scheme uses several methods to assess and monitor medical insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of medical insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected.

The Scheme's strategy seeks 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.

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

Medical insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated.

The Scheme cedes medical insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks and defined blocks of risk, 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 medical insurance if any capitation provider fails to meet the obligations it assumes. When selecting a capitation provider the Scheme considers its stability from public rating information and from internal investigations.

The following table summarises the concentration of medical insurance risk on a beneficiary level, with reference to the net carrying amount of the medical insurance claims incurred in respect of the 2010 financial year, by age group and in relation to the type of risk covered or benefits provided. Where appropriate prescribed minimum benefits (PMB) and non-PMB claims have been split.

**NAMPAK SA MEDICAL SCHEME**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2010

**19 INSURANCE RISK MANAGEMENT (continued)**

	Hospital (major medical)		Chronic		Day to day	Total
	PMB	Non PMB	PMB	Non PMB		
	R	R	R	R		
<b>2010</b>						
<b>Age grouping (in years)</b>						<b>R</b>
< 26	8,441,112	9,089,890	653,832	239,379	2,345,758	20,769,971
26 - 35	5,946,275	5,816,732	492,443	67,464	1,022,381	13,345,295
36 - 50	14,297,598	12,062,998	3,117,748	638,069	3,644,541	33,760,954
51 - 65	24,629,452	9,819,458	6,142,528	1,181,475	5,740,437	47,513,350
> 65	19,657,541	5,870,505	4,454,725	928,936	3,991,132	34,902,839
<b>Total amount</b>	<b>72,971,978</b>	<b>42,659,583</b>	<b>14,861,276</b>	<b>3,055,323</b>	<b>16,744,249</b>	<b>150,292,409</b>

	Hospital (major medical)		Chronic		Day to day	Total
	PMB	Non PMB	PMB	Non PMB		
	R	R	R	R		
<b>2009</b>						
<b>Age grouping (in years)</b>						<b>R</b>
< 26	6,894,374	8,565,580	671,804	190,211	2,284,881	18,606,850
26 - 35	4,464,214	4,506,401	355,834	103,504	939,760	10,369,713
36 - 50	14,020,971	11,628,171	3,259,539	451,791	3,729,296	33,089,768
51 - 65	20,134,703	8,812,217	5,774,609	1,133,144	5,424,187	41,278,860
> 65	17,213,498	5,088,399	4,240,221	808,572	3,459,506	30,810,196
<b>Total amount</b>	<b>62,727,760</b>	<b>38,600,768</b>	<b>14,302,007</b>	<b>2,687,222</b>	<b>15,837,630</b>	<b>134,155,387</b>

**Reconciliation of net claims to current year claims paid in Note 9:**

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
Total net claims as above	150,292,409	134,155,387
Prior year claims paid	8,303,512	7,234,027
RAF claims recoveries and adjustments	21,007	(104,770)
Claims paid from savings plan accounts	13,692,572	12,896,094
	<u>172,309,500</u>	<u>154,180,738</u>

Hospital (major medical) benefits cover all costs incurred by members whilst they are in hospital receiving preauthorised 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.

**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.

**20 FINANCIAL RISK MANAGEMENT**

**Interest Rate Risk**

Interest rate risk is the exposure that the Scheme has to changes in interest rates. This is not a significant risk to the Scheme as it holds no debt for the exception of the member's saving liability on which interest is paid. The main exposure to the Scheme would be a reduction in interest income on investments if interest rates were 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.

**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). The Scheme is not directly exposed to currency risk in relation to investments as all are denominated in South African Rand, and the diversified investment strategy currently precludes any foreign investments. As a result of the unbundling of Remgro and Richemont, the Scheme now holds shares in British American Tobacco and these shares are held in a foreign currency. The Scheme also has a foreign investment holding in Capital and Counties Properties (CCO). This investment was obtained subsequent to Liberty International's intention to separate into two businesses, Capital Shopping Centres Plc (CSO) and Capital and Counties Plc (CCO). The combined result of this is that only 1.6% of the Scheme's investments are denominated in foreign currency and the Scheme's exposure to currency risk is considered immaterial. Refer to note 23 for details of this non-compliance.

**NAMPAK SA MEDICAL SCHEME**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2010

**20 FINANCIAL RISK MANAGEMENT (continued)**

The table below summarises the Scheme's exposure to interest rate risks. Included in the table are the Scheme's investments in interest bearing instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month R	1 - 3 months R	Total R
<b>As at 31 December 2010</b>			
Cash and cash equivalents	18,048,830	-	18,048,830
Investments held at fair value through profit and loss	-	108,363,962	108,363,962
<b>Total</b>	<b>18,048,830</b>	<b>108,363,962</b>	<b>126,412,792</b>
<b>As at 31 December 2009</b>			
Cash and cash equivalents	33,862,117	-	33,862,117
Investments held at fair value through profit and loss	-	98,242,564	98,242,564
<b>Total</b>	<b>33,862,117</b>	<b>98,242,564</b>	<b>132,104,681</b>

If interest rates increased by 1%, assuming all other variables remain constant, and the recent past is predictive of the future, the impact on return on investment and the resulting impact on the surplus of the Scheme is as follows:

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
Increase in investment income	1,253,085	809,866

**Credit Risk**

The Scheme has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and members.

The Scheme's credit risk is primarily attributable to trade and other receivables. The amounts presented in the statement of financial position are net of allowances for possible impairment losses, estimated by the Scheme's management based on prior experience and the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

**Trade and other receivables**

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
Fully performing	326,912	1,364,543
Past due but not impaired	90,738	98,701
Past due and impaired	97,953	86,743
	<u>515,603</u>	<u>1,549,987</u>
Provision for impairment of trade and other receivables	(97,953)	(86,743)
Trade and other receivables (Note 2)	<u>417,650</u>	<u>1,463,244</u>

For detailed explanation of impairment procedures for the scheme, refer Note 18.

**Analysis of past due but not impaired**

< 30 days	40,693	83,152
Between 30 and 60 days	44,001	15,549
Between 60 and 90 days	4,295	-
> 90 days	1,749	-
	<u>90,738</u>	<u>98,701</u>

**Market Risk**

Market 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:

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

- 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; and
- considering the risk-reward profile of holding equities and bearing the risk in order to obtain higher expected returns on assets.

Should the South African bond and equities markets rise by 4% (2009 : 4%), assuming all other variables remain constant, and the recent past is predictive of the future, the impact on the market value of the Scheme would be as follows:

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
Bonds	748,316	686,074
Equity	1,542,645	1,433,517

**NAMPAK SA MEDICAL SCHEME**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 December 2010

**20 FINANCIAL RISK MANAGEMENT (continued)**

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents by monitoring the availability of funding through liquid-holding cash positions with various financial institutions. This ensures that the Scheme has the ability to fund its day-to-day operations.

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	1 - 3 months R	3 - 12 months R	Interest Adjustment R	Total R
--------------------	-------------------	--------------------	--------------------------	------------

**As at 31 December 2010**

	18,466,480	108,363,962	62,588,923	-	189,419,365
<b>Current assets</b>					
Trade and other receivables	417,650	-	-	-	417,650
Investments held at fair value through profit and loss	-	108,363,962	62,588,923	-	170,952,885
Cash and cash equivalents	18,048,830	-	-	-	18,048,830
<b>Current liabilities</b>	10,488,165	2,115,418	27,265,113	(724,998)	39,143,697
Trade and other payables	2,163,218	-	-	-	2,163,218
Savings plan liability	949,541	811,790	27,007,396	(724,998)	28,043,728
Outstanding claims provision	7,375,406	1,303,628	257,717	-	8,936,751
Net positive liquidity	7,978,315	106,248,544	35,323,810	724,998	150,275,668

**As at 31 December 2009**

	35,325,361	98,242,564	53,541,948	-	187,109,874
<b>Current assets</b>					
Trade and other receivables	1,463,244	-	-	-	1,463,244
Investments held at fair value through profit and loss	-	98,242,564	53,541,948	-	151,784,513
Cash and cash equivalents	33,862,117	-	-	-	33,862,117
<b>Current liabilities</b>	9,008,819	2,434,937	27,392,326	(932,024)	37,904,058
Trade and other payables	1,526,652	-	-	-	1,526,652
Savings plan liability	824,804	1,066,343	27,010,962	(932,024)	27,970,085
Outstanding claims provision	6,657,363	1,368,594	381,364	-	8,407,321
Net positive liquidity	26,316,542	95,807,627	26,149,622	932,024	149,205,816

**Fair value estimation**

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.

2010		2009	
Carrying R	Fair Value R	Carrying R	Fair Value R

Investments held at fair value through profit and loss	170,952,886	170,952,886	151,784,513	151,784,513
Cash and cash equivalents	18,048,830	18,048,830	33,862,117	33,862,117
Trade and other receivables	417,650	417,650	1,463,244	1,463,244
Savings plan liability	28,043,728	28,043,728	27,970,085	27,970,085
Trade and other payables	2,163,218	2,163,218	1,526,652	1,526,652

At year-end the carrying amounts approximate their fair values due to the short-term maturities of these assets and liabilities.

**Fair value of financial assets and liabilities by hierarchy level:**

The fair value of publicly traded financial instruments held as investments held at fair value through profit or loss, is based on quoted market prices at the statement of financial position date. Instruments classified as held at fair value through profit or loss in the statement of financial position are held at fair value. All financial assets whose fair value is determined directly by reference to published price quotations in an active market are held at fair value and are categorised as level 1 in the fair value hierarchy.

Financial Assets	2010 R	2009 R
<b>Level 1*</b>		
Investments held at fair value through profit or loss		
Bonds	50,060,931	30,979,912
Cash and deposits	58,303,031	67,262,651
Equity funds	54,609,986	53,092,747
Other	7,978,938	449,203
	<u>170,952,887</u>	<u>151,784,513</u>

\* Level 1 - Financial assets whose fair value is determined directly by reference to published price quotations in an active market.

## NAMPAK SA MEDICAL SCHEME

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2010

#### 20 FINANCIAL RISK MANAGEMENT (continued)

##### Capital Adequacy Risk

This represents the risk that there are insufficient reserves to provide for adverse variations on actual and future experience. The Scheme defines its capital as accumulated funds as detailed in the statement of changes in funds and reserves. The Scheme manages its capital to ensure that it will be able to continue as a going concern as well as meet the solvency ratio of 25%, as regulated by the Medical Schemes Act of 1998. The Scheme had R150.3 million (2009: R149 million) of accumulated funds at 31 December 2010, which translated to an accumulated funds ratio of 53.8% (2009: 64.7%).

#### 21 FIDELITY COVER

The Scheme participated in fidelity insurance and professional indemnity cover provided by Momentum Medical Scheme Administrators (Pty) Ltd, on behalf of all the schemes it administered, amounting to R200 million (2009: R200 million).

#### 22 CONTINGENT ASSETS

Recoveries from the Road Accident Fund are recognised on a receipt basis and are netted off against claims expenditure. The Scheme has approximately R1.8 million (2009: R3 million) in recoveries outstanding from the Road Accident Fund (RAF) for claims paid on behalf of members. The general likelihood of recovery of these amounts is uncertain, and the Trustees have elected not to recognise a debtor on the statement of financial position as any future recoveries are highly contingent on a multitude of factors. The Trustees consider, based on past experience and the current financial stability of the RAF, that the debtor, were it to be recognised would be fully impaired.

#### 23 NON-COMPLIANCE MATTERS

The Trustees are of the opinion that there are no material deviations from the Act. However, not all premiums are received within 3 days as prescribed by the Act but there are sufficient credit control policies to minimise the risk of non-recoverability. This risk is considered insignificant.

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. The Scheme has acknowledged that since it only applies to a small percentage of claims where such procedures are necessary to validate claims, this risk is considered insignificant.

The Extended benefit option incurred an operational deficit for the 2010 year, whereas the Act requires that all benefit options are self-supporting and financially sound. The Trustees have considered this in their 2011 budget and all options will be closely monitored in 2011. The risk is mitigated by the Scheme's substantial reserves.

As a result of the unbundling of Remgro and Richemont in 2008, the Scheme now holds shares in British American Tobacco. As these shares are categorised as "shares held in territories outside of the Republic" in terms of Annexure B of the Act, this is an unintentional contravention of the Act. As the shares form part of a pooled portfolio of investments, the Scheme is unable to dispose of its holding immediately. The Scheme has received dispensation from the Council of Medical Schemes for a grace period until 31 October 2012 to sell the British American Tobacco shares. At year-end, the Scheme held British American Tobacco shares which constituted approximately 1.4% of total assets.

The Scheme has invested in two investment portfolios during the year: Coronation Life Assurance Company Limited and Allan Gray Life Limited. Certain of the money invested in these policies is invested in Nampak Limited. The investment of the moneys of a scheme in the business of an employer who participates in the scheme is prohibited by Section 35(8) of the Act. This is an unintentional contravention of the Act, as the Scheme has no control over the manner in which these two investment managers invest the assets within the policies. The Scheme has been granted an exemption from Section 35(8) of the Act from the Council for Medical Schemes. At year-end, the Scheme held Nampak Limited shares which constituted approximately 0.75% of total assets.

As at 31 December 2010, the Scheme has an investment holding in Capital and Counties Properties (CCO). This investment was obtained subsequent to Liberty International's intention to separate into two businesses, Capital Shopping Centres Plc (CSO) and Capital and Counties Plc (CCO). The South African Reserve Bank and the Council for Medical Schemes considered these shares to be "foreign shares" due to its status as an inward listed security on the JSE, which is precluded in terms of Regulation 30 of the Medical Schemes Act. The Scheme applied for exemption from the Council for Medical Schemes, however this has not been granted to date. At year-end, the Scheme held CCO shares which constituted approximately 0.15% of total assets. All CCO shares have been sold as at 31 January 2011.

#### 24 TRUSTEE EXPENSES

	Travel R	Fees for meetings R	Total R
<b>2010</b>			
A Hanson	17,006		17,006
Z Dingezweni	4,897		4,897
J Morrow	3,058	28,750	31,808
A Potgieter	6,465		6,465
	<u>31,426</u>	<u>28,750</u>	<u>60,176</u>
<b>2009</b>			
A Hanson	11,208		11,208
Z Dingezweni	5,560		5,560
D Thomas	4,783		4,783
J Morrow		14,000	14,000
A Potgieter	6,461		6,461
	<u>28,012</u>	<u>14,000</u>	<u>42,012</u>

**NAMPAK SA MEDICAL SCHEME**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 December 2010

**25 SURPLUS/(DEFICIT)FROM OPERATIONS PER BENEFIT OPTION**

<b>2010</b>	<b>STANDARD OPTION R</b>	<b>EXTENDED OPTION R</b>	<b>TOTAL SCHEME R</b>
Net contributions	63,755,247	92,780,450	156,535,697
<b>Relevant healthcare expenditure</b>			
Net claims incurred	(55,541,579)	(104,111,012)	(159,652,591)
Net expense on risk transfer arrangements	(28,612)	4,158	(24,454)
Risk transfer arrangement expenses	(270,440)	(260,247)	(530,687)
Recoveries from risk transfer arrangements	241,828	264,405	506,233
<b>Gross healthcare result</b>	8,185,056	(11,326,404)	(3,141,348)
Managed care: management services	(1,467,046)	(1,382,104)	(2,849,150)
Administration expenses	(6,512,621)	(6,135,536)	(12,648,157)
Net impairment losses on healthcare receivables	(5,772)	(5,438)	(11,210)
<b>Net healthcare result</b>	199,617	(18,849,482)	(18,649,865)
Other income	7,393,569	14,672,509	22,066,078
Other expenditure	(513,786)	(1,832,574)	(2,346,360)
<b>Net surplus for the year</b>	7,079,400	(6,009,547)	1,069,853
<b>Number of members</b>	2,677	2,522	5,199

<b>2009</b>	<b>STANDARD OPTION R</b>	<b>EXTENDED OPTION R</b>	<b>TOTAL SCHEME R</b>
Net contributions	57,560,342	87,787,524	145,347,866
<b>Relevant healthcare expenditure</b>			
Net claims incurred	(48,012,707)	(95,341,484)	(143,354,191)
Net expense on risk transfer arrangements	74,929	93,891	168,820
Risk transfer arrangement expenses	(243,617)	(244,967)	(488,584)
Recoveries from risk transfer arrangements	318,546	338,858	657,404
<b>Gross healthcare result</b>	9,622,564	(7,460,069)	2,162,495
Managed care: management services	(1,330,345)	(1,304,251)	(2,634,596)
Administration expenses	(5,897,706)	(5,782,020)	(11,679,726)
Net impairment losses on healthcare receivables	6,614	6,485	13,099
<b>Net healthcare result</b>	2,401,127	(14,539,855)	(12,138,728)
Other income	7,558,407	15,346,058	22,904,465
Other expenditure	(482,521)	(2,102,576)	(2,585,097)
<b>Net surplus for the year</b>	9,477,013	(1,296,373)	8,180,640
<b>Number of members</b>	2,651	2,599	5,250