



**BMW Employees Medical Aid Society
“BEMAS”**

Annual General Meeting

10 June 2018 at 9:30

BMW EMPLOYEES MEDICAL AID SOCIETY

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Third Annual General Meeting of the BMW Employees Medical Aid Society will be held at BMW Plant Rosslyn, on Sunday, 10 June 2018 at 09:30

A G E N D A

1. Chairman's welcome to members
2. Confirmation of the Minutes of Thirty Second Annual General Meeting
3. Election of Trustees
4. Adoption of the Annual Financial Statements ("AFS") and Board of Trustees report for the year ended 31 December 2017
5. Appointment of the External Auditors for the ensuing financial year
6. General
 - 6.1 Notices of motions to be placed before the Annual General Meeting must reach the Principal Officer, Mr. A Kelbrick by no later than close of business on 1 June 2018.
 - 6.2 Nomination for Employee Representatives must reach the Principal Officer, Mr. A Kelbrick by no later than close of business on 1 June 2018. A nomination form is attached.
 - 6.3 If a member cannot attend the meeting, then he/she is entitled to appoint a proxy to speak, and to vote in his/her behalf. Proxies must be lodged with the Principal Officer, Mr. A Kelbrick by not later than close of business on 1 June 2018. A proxy form is attached.

BY ORDER OF THE BOARD OF TRUSTEES BMW Employees Medical Aid Society

BMW (SA)(Pty) Limited
6 Frans Du Toit Street
Rosslyn 0200

E-mail: anthony.kelbrick@bmw.co.za
Facsimile 086 678 1892

A member is entitled to appoint a proxy TO VOTE on his/her behalf at the meeting. A form of proxy is enclosed on the last page (perforated page).

May 2018

BMW EMPLOYEES MEDICAL AID SOCIETY

MINUTES OF THE THIRTY SECOND ANNUAL GENERAL MEETING OF THE BMW EMPLOYEES MEDICAL AID SOCIETY HELD ON 4 JUNE 2017 AT 09H30, IN THE MAIN CANTEEN, BMW SA (PTY) LIMITED, ROSSLYN

PRESENT

Ms C Hector (In the Chair)
17 members as per the attendance register
39 proxies received

IN ATTENDANCE

Ms R Felstead Fund Manager, Discovery Health
Ms Z Chaudhry Fund Coordinator, Discovery Health

APOLOGIES

The following apology was noted:

Mr D Radebe Employer Elected Trustee

Action

1. CHAIRPERSON'S WELCOME

The Chairperson welcomed all present to the thirty second Annual General Meeting (AGM) of the BMW Employees Medical Aid Society. It was confirmed that there were 17 members present and 39 represented by proxy. The necessary quorum being present, the meeting was declared duly constituted.

The Chairperson noted that an attendance register was available and requested that all members present sign the register.

The chairperson confirmed that there was one motion that was received by a member to be added to the agenda.

2. CONFIRMATION OF THE MINUTES OF THE THIRTY FIRST ANNUAL GENERAL MEETING HELD ON 5 JUNE 2016

The minutes of the Thirty First Annual General Meeting held on 5 June 2016 having been circulated with the notice of the meeting as part of the AGM Agenda Pack were taken as READ. The Chairperson enquired whether there were any questions regarding the minutes of the previous meeting. The Chairperson moved to accept the minutes of the Annual General Meeting ("AGM") held on 5 June 2016 which was approved by Mr D Lee and seconded by Ms Moonia subject to the changes below:

Under point 3, "Dave Lee-Elected 19 June 2012 (1st Term) was corrected to "Dave Lee-Elected 19 June 2012 (2nd Term).

The Chairperson declared the motion CARRIED.

3. ELECTION OF TRUSTEES

The Chairperson confirmed that in terms of Rule 18 of the Society, the Society would be managed according to the Rules by a Board consisting of nine persons who are fit and proper to be Trustees and of whom four should be appointed by the Employer, and five should be elected by members in general meetings. All Trustees would hold office for three years from the date that he/she was appointed or elected and would retire automatically every three years. A retiring Trustee would be eligible for re-election, provided that with effect from 1 January 2008, no person would serve more than two consecutive terms and no more than a total of three terms.

The Chairperson confirmed the employer appointed and member elected Trustees that were currently serving in 2016/17 are:

:

Ms C Hector (Chairperson)	Appointed 9 June 2014 (1 st Term)
Ms N Moonia	Appointed 4 June 2015 (1 st Term)
Mr D Radebe	Appointed 9 June 2014 (1 st Term)
Ms W Scott	Alternate: to Mr D Radebe – Appointed 21 August 2012 (1 st Term) - Resigned-31 December 2016
Ms K Lebelo	Appointed 22 November 2016 (1 st Term)

The member elected Trustees serving in 2016/2017 are:

Mr S Sohan	Elected 5 June 2016 (1 st term)
Mr C Louw	Elected 5 June 2016 (1 st term)
Mr D Lee	Elected 4 June 2015 (2 nd term)
Mr K Madumo	Elected 4 June 2015 (2 nd term)
Mr E Hlophane	Alternate - Mr. K Madumo since 5 June 2016
Mr J Meiring	Pensioner representative re- elected 9 June 2014 (2 nd Term)
Dr J Fegbeutel	Alternate to J Meiring-Appointed 21 August 2014

The co-opted Trustees serving in 2016/2017 were:

Mr S Roodt	Co-opted 25 February 2013
Dr Vuyelwa Vatsha-Mahlaba	Co-opted 9 June 2014

The Chairperson advised that she will be putting a proposal for an employer trustee forward as well as alternate trustees at the next Management Meeting for the purpose of development.

The Chairperson noted that in terms of Rule 18.7, a member of the Board would have the right to nominate a member of the Society to act as his alternate on the Board. The office of an alternate would become vacant in the same manner as that of a member of the Board, in addition to which he would cease to be an alternate if the member he represented ceased to be a member of the Board.

The Chairperson confirmed that it has been determined that Mr J Meiring will stand down at this meeting due to the fact that he has served two consecutive terms. She advised that the pensioners have voted and Dr J Fegbeutel has been appointed as the pensioner representative and Mr Meiring will serve as his alternate.

APPOINTMENT OF A DISPUTES COMMITTEE

The Chairperson confirmed that in terms of the Rules of the Society, a Disputes Committee consisting of three persons were required to be appointed by the Board of Trustees annually. The Chairperson confirmed that the current appointees are Mr C Barnardo, Ms P Ndlazi and Ms S Rambharos.

4. ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS (“AFS”) AND BOARD OF TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Chairperson confirmed that in terms of Rule 26.1.2 of the Society, the Notice of the AGM, Agenda, Board of Trustees Report, highlights of the Annual Financial Statements and external auditor’s report would be provided to the employer’s registered office, and to the members of the Society at least 14 days prior to the date of the meeting.

The full set of the Annual Financial Statements, together with the unqualified audit report issued by KPMG (the Society auditors) was made available at the Administrator’s office and was distributed to those members who requested a copy thereof. The chairperson confirmed that the Annual Financial Statements had been reviewed closely by the Board of Trustees as well as by the Audit and Risk Committee.

The Chairperson noted that an abbreviated set of Annual Financial Statements, together with the unqualified audit report were also included in the AGM Pack and circulated to all members of the Society.

Dr Fegbeutel raised a concern about an error in the statement below which reflected under the annual financial statements highlights report:

“On the basis of the recommendations of the actuaries, contributions were increased on 1 January 2015 by 8.7% and by 10% for 2016 and for 2017”.

The above statement was corrected to:

“On the basis of the recommendations of the actuaries, contributions were increased on 1 January 2015 by 8.7%, 10% for 2016 and 7% for 2017”.

The Chairperson motioned for the adoption of the Annual Financial Statements and the Board of Trustees report for the year ended 31 December 2016. Dr Fegbeutel approved the motion and Ms Moonia seconded the motion and the Chairperson declared the motion carried to accept the Annual Financial Statements and the Report of the Board of Trustees effective 31 December 2016 CARRIED unanimously.

Ms Hector provided a broad financial overview of the financial results in 2016 as compared to 2015 and focussed on the following:

- Claims ratio (claims as % of contributions) decreased from 94.1% to 76.8%.
- Non-healthcare expenditure ratio (NHE as % of contributions) increased from 5.6% to 6.0%
- Return on investments for 2016 was 6.4% and 10.7% per annum over the three and five year period respectively
- Surplus increased from R6.7m in 2015 to R30.4m in 2016. This equates to a 352% increase in the year on year surplus
- Solvency ratio increased from 54.7% to 70.7%

The Chairperson confirmed that the Scheme spent money on the disciplines below during the year 2016:

- Hospital - 33%
- Doctors - 19%
- Medicine -17%
- Allied Health and Auxillary -14%
- Dental-5%
- Radiology-6%
- Pathology-6%

The Chairperson highlighted that the top three health disciplines on which the Scheme was spending money were hospitals, doctors and medicines.

She reported that as at April 2017, the Scheme earned a surplus of R8.7m which is better than that budgeted for.

She explained that the major contributors towards the Scheme's positive position has been:

- The monthly contributions are 20.7% more than budget
- The lower claims experience compared to what was budgeted

The Chairperson stressed that it was important to build up reserves and maintain a healthy solvency in the event of unexpected high cost claims.

A member asked whether the low claims ratio is due to healthier members on the Scheme. The Chairperson explained that the lower claims costs has contributed to the low claims ratio and advised that the Scheme has also not experienced high hospital cost cases and also confirmed that the highest in-hospital cost for 2016 was R4m compared to R10m in 2015. The Chairperson further explained the fraud campaigns carried out for the Scheme were highly effective as it has changed the behaviour of members and service providers colluding to fraud and this has had a positive financial impact on the Scheme.

She advised that the Board meets regularly to review and analyse the Scheme's solvency, operating results and the benefits as a basis for the following year. The Chairperson advised that the Board always aims to enhance benefits and have the members best interests at heart.

A member queried what was included in the services offered by network providers as there were some members who were experiencing co payments when visiting network providers. The Chairperson advised that network doctors should be charging the agreed rate. Ms Felstead requested for examples of network doctors charging more than the agreed rates to be reported to the Scheme via the onsite consultant so that they can be investigated. Dr Vatsha-Mahlaba explained that co-payments when visiting a network doctor could be due to non-formulary medicines being prescribed.

The Chairperson advised that in instances where doctors motivate why alternate medications on the formulary are not effective for a member, a clinical appeal process can be followed where the clinical information provided by the doctor, such as pathology results are reviewed by the Scheme for the medication to be considered and approved.

5 APPOINTMENT OF EXTERNAL AUDITORS FOR THE ENSUING FINANCIAL YEAR

The Chairperson stated that KPMG Inc. had made themselves available for re-appointment as the Society's Auditors for the ensuing year, to hold office until the conclusion of the next Annual General Meeting.

The Chairperson proposed that KPMG Inc. be re-appointed as the Society's external auditors. The motion was seconded by Ms Moonia and was CARRIED unanimously by the members who attended the meeting.

A member queried how auditors are elected and whether their fees were reasonable. The Chairperson advised that KPMG are also the auditors for the BMW Group and offer the company a competitive group rate. Dr Fegbeutel proposed that the Scheme go out on tender and analyse whether KPMG is still offering the best group rate. Ms Moonia advised that this proposal can be considered during the next financial year.

A member queried on the composition of the Audit and Risk Committee. Ms Moonia clarified that this Committee Board comprises independent non board members.

6 Motions raised

The following matters were raised:

The Medical Savings Account:

The Chairperson advised that there was a member who queried why claims for co-payments are deducted from the funds in the Medical Savings Account.

She clarified that once a member's benefits are depleted then the claims are funded from the available funds in the Medical Savings Account. The Chairperson reported that the Council for Medical Schemes is not in favour of the Scheme offering a Medical Savings Account component on the Scheme. She explained that the Scheme has discontinued the Medical Savings Account component effective the 1 January 2017. Ms Felstead clarified that all members with a positive balance in their Medical Savings Account have started receiving refunds from the end of May 2017.

Mr Madumo queried what the value of the total refundable amount is. Ms Felstead will provide a report at the next Board meeting confirming the number of members who have received refunds as well as the lowest and highest value.

Dr Fegbeutel advised that there was a member who had a concern about co-payments being deducted from his Medical Savings Account. He advised that this process was not stipulated in the Rules and members were not aware of this process.

Dr Fegbeutel also highlighted that there was also no indication about the monthly chronic drug amounts in the rules. Ms Felstead advised that the rules pertaining to the monthly chronic drug amounts were stated in the rules.

Dr Fegbeutel advised that it was important for claims payments to be processed according to the Scheme rules. The Chairperson proposed for a Scheme Rules audit to be carried out and requested for this matter to be discussed at the next Board meeting. Ms Moonia also requested for the query complaints process to be discussed at the next Board meeting. Ms Felstead advised that these items would be added to the agenda for the next Board meeting.

7. GENERAL

There being no further business or questions raised, the Chairperson thanked those members present for their attendance and closed the meeting.

8. DATE OF THE NEXT MEETING

The next meeting to be confirmed.

SIGNED AS A CORRECT RECORD

CHAIRPERSON

DATE

TRUSTEE

DATE

BMW EMPLOYEES MEDICAL AID SOCIETY

MEMBERSHIP OF THE BOARD OF TRUSTEES

In terms of Rule 18 of the Society, which took effect 14 March 2012, the Society shall be managed according to the Rules by a Board consisting of nine persons who are fit and proper to be Trustees and of whom four shall be appointed by the Employer, and five shall be elected by members in general meetings. All Trustees shall hold office for three years from the date that he/she was appointed or elected and will automatically retire every three years. A retiring Trustee shall be eligible for re-election provided that with effect from 1 January 2008, no person shall serve more than two consecutive terms and no more than a total of three terms.

The employer appointed Trustees serving in 2017/18 are:

Ms C Hector - Chairperson	Appointed 04 June 2017 (2nd Term)
Ms N Moonia	Appointed 4 June 2015 (1st Term)
Mr D Radebe	Appointed 04 June 2017 (2nd ^t Term)
Ms K Lebelo	Appointed 22 nd November 2016 (1 st Term) - Resigned 31 May 2017
Ms C McCrae-Phillips	Appointed 10 th August 2017 (replacing KN Lebelo)
Ms T Harakhchand	Appointed 10 th August 2017, Alternate; D Radebe
Ms K Kgomo	Appointed 10 th August 2017, Alternate
Mr J Selumane	Appointed 10 th August 2017, Alternate

The member elected Trustees serving in 2017/18 are:

Mr S Sohan	Elected 5 June 2016 (1st Term)
Mr C Louw	Elected 5 June 2016 (1st Term)
Mr D Lee	Elected 4 June 2015 (2nd Term) - Resigned 30 November 2017
Mr K Madumo	Elected 4 June 2015 (2 nd Term)
Mr E Hlophane	Alternate: Mr K Madumo from 5 June 2016
Mr J Meiring	Alternate to J Fegbeutel - re-elected 7 June 2017 (1st Term)
Dr JP Fegbeutel	Pensioner representative - elected 7 June 2017 (1 st Term)

The co-opted Trustees serving in 2017/2018 are:

Mr S Roodt	Co-opted 25 February 2013-Resigned 30 May 2017
Dr V Vatsha-Mahlaba	Co-opted 9 June 2014

In terms of the Rule 18.7 a member of the Board shall have the right to nominate a member of the Society to act as his alternate on the Board. The office of an alternate shall become vacant in the same manner as that of a member of the Board, in addition to which he shall cease to be an alternate if the member he represents ceases to be a member of the Board.

It has been determined the Mr K Madumo – Member Elected Trustee will stand down as he has served two consecutive three year terms. Mr Lee's vacancy also needs to be filled.

Nominations to fill the two vacancies for a member representative need to reach the Principal Officer by 1 June 2018.

EXTERNAL AUDIT REPORT

A decision was taken by the Board to distribute a more concise version of the financial results to make the information easier for members to understand and read. The audited AFS are available upon members' requests.

Please do not hesitate to contact the Administrator's office to obtain a copy of the external audit report together with the audited set of the AFS and/or any further information in this regard.

HIGHLIGHTS OF THE AUDITED ANNUAL FINANCIAL STATEMENTS (“AFS”) AND RESULTS OF THE BMW EMPLOYEES MEDICAL AID SOCIETY (“the Society”)

Dear Member

This communication serves to highlight the financial results of the Society, as extracted from and in agreement with the audited Annual Financial Statement (“AFS”), for the year ended 31 December 2017.

Included in this communication is the notice of the Annual General Meeting (“AGM”) to be held on 10 June 2018 together with the agenda for the meeting.

The report of the Board of Trustees, together with statements of the financial position, comprehensive income and cash flows of the Society for the year ended 31 December 2017 are also included.

Please do not hesitate to contact the office of the Principal Officer, Anthony Kelbrick, at the BMW Rosslyn Plant and/or Ms Zaibun Chaudry by e-mail, zaibunc@discovery.co.za should you require a full set of the AFS.

1. Membership

New registrations and resignations during the year had a net effect of increasing membership by 569 principal members to 3 287 as at 31 December 2017 whilst the total number of beneficiaries increased by 1 164 to 7 922. This change was largely due to the employment of members to the Flex Shift at plant Rosslyn during early 2017.

2. Statement of comprehensive income

The Society reported a positive net healthcare result of R 25 717 578 for the year ended 31 December 2017 in comparison to a positive net healthcare result of R 24 452 870 for 2016. Taking into consideration the investment and sundry income reported for the year, as well as other expenditure, including asset management fees and finance costs incurred, the Society reported a net surplus of R 28 849 270 during 2017 in comparison to a net surplus of R 30 407 997 for 2016.

As part of their fiduciary duties, the Trustees are required to review and consider the risk to the Society posed by any abnormal increase in claims and other unforeseen factors that may result in the Society no longer being able to meet its obligations. On the basis of the recommendations of the actuaries, contributions were increased on 1 January 2015 by 8.7%, 10.0% for 2016, 7.0% for 2017% and by 6.0% for 2018.

This contribution increase, together with the continued cost containment initiatives and management programmes implemented by the Board of Trustees, as well as the higher than expected actual claims results reported ensured that the Society remains financially viable.

As at the time of writing, the Society's results for the 2018 reported a net surplus of approximately R 1 638 000 as at end February 2018. However, the Board cannot become complacent and will continue to monitor the financial results of the Society.

Members are encouraged to utilise and support the cost containment initiatives and management programmes implemented by the Board of Trustees during the past few years, as well as seeking medical services at reasonable rates, where possible, in an effort to ensure that positive net healthcare results are achieved.

3. Statement of financial position

The Solvency Ratio of the Society reflected a positive change to 83.58% for the year ended 31 December 2017 compared with 70.71 % as at 31 December 2016.

The major assets of the Society are invested as follows:

Asset Class	R	%
Cash	58.1 million	41.0%
Bonds	37.4 million	26.4%
Equities	46.2 million	32.6%
Total	141.7 million	100%

The return objective for the longer-termed investments for the Society is CPI+4%. As at 31 December 2017, the investment strategy produced a net return of 9.2% for the year, and 5.4% per annum and 8.5% per annum over the 3 and 5 year period respectively. The strategy over-achieved the objective by 0.4% during 2017 but underperformed the 3 year objective by 4.08% per annum and the 5 year objective by 1.15% per annum.

The Board continues to monitor the investment performance of the Society with the aim to reflect on market results and movements.

4. Other matters

There were no changes in accounting policies during the year which had a material impact on the Society.

The Audited Annual Financial Statements of the Society for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards and applicable Circulars issued by the Council for Medical Schemes.

The auditors, KPMG Inc., issued an unqualified audit opinion in respect of the 2017 Annual Financial Statements.

The non-compliance matters that occurred during the course of the year are disclosed in the Report of the Board of Trustees and your attention is drawn to the corrective actions taken by the Board to ensure adherence going forward.

The Board of the Trustees is satisfied that the information contained in the Annual Financial Statements fairly present the results and the financial position of the Society at year-end and that the Society remains viable.

The Annual Financial Statements were approved by the Board of Trustees on 12 April 2018.

Yours sincerely

Ms C Hector
Chairperson

AR Kelbrick
Principal Officer

May 2018

BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

FINANCIAL STATEMENTS

for the year ended 31 December 2017

TRUSTEES			
	C Hector	Chairman - Employer Representative	
	N Moonia	Vice Chairman - Employer Representative	
	D Radebe	Employer Representative	
	E Hlophane	Employee Representative	
	C Louw	Employee Representative	
	S Sohan	Employee Representative	
	K Lebelo	Employer Representative	- resigned 31 May 2017
	D Lee	Employee Representative	- resigned 30 November 2017
	K Madumo	Employee Representative	
	J Meiring	Pensioner Alternative Representative	
	JP Fegbeutel	Pensioner Member Representative	
	S Roodt	Co-opted Employer Representative	- resigned 30 May 2017
	V Vatsha-Mahlaba	Co-opted Employer Representative	
	C McCrae-Phillips	Employer Representative	- appointed 10 August 2017
	T Harakhchand	Alternative Employer Representative	- appointed 10 August 2017
	K Kgomo	Alternative Employer Representative	- appointed 10 August 2017
	J Selumane	Alternative Employer Representative	- appointed 10 August 2017

PRINCIPAL OFFICER

AR Kelbrick

AUDITOR

KPMG Inc.

ADMINISTRATOR

Discovery Health Proprietary Limited
1 Discovery Place
Sandton
2146

REGISTERED OFFICE

Discovery Health Proprietary Limited
1 Discovery Place
Sandton
2146

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BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

FINANCIAL STATEMENTS

for the year ended 31 December 2017

TRUSTEES' RESPONSIBILITY AND APPROVAL

The Trustees are responsible for the preparation and fair presentation of the financial statements of BMW Employees Medical Aid Society, which comprise the statement of financial position at 31 December 2017, the statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act of South Africa. In addition, the Trustees are responsible for preparing the report of the Board of Trustees.

The Trustees are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Trustees have made an assessment of the ability of the Scheme to continue as a going concern and have no reason to believe the Scheme will not be a going concern in the year ahead.


The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements


The annual financial statements of BMW Employees Medical Aid Society, as identified in the first paragraph, were approved by the Trustees on 12 April 2018 and are signed on their behalf by:



CHAIRMAN
C HECTOR



TRUSTEE
N MOONIA



PRINCIPAL OFFICER
AR KELBRICK

BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

FINANCIAL STATEMENTS

for the year ended 31 December 2017

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

The BMW Employees Medical Aid Society (the Scheme) is committed to the principles and practice of responsibility, accountability, fairness and transparency with its dealings with all stakeholders and applies good governance principles.

The Scheme is committed to ensure compliance with recognised framework and conducting affairs in accordance with ethical values, to ensure the adoption of risk assessment, evaluation and management processes with regular monitoring of third party administrators and providers in accordance with the service level agreements. This includes evaluating the performance of the Board and of the Board sub-committees against agreed terms of reference and performance targets, establishment and management of internal controls by assessing the adequacy and effectiveness through the reports of the internal auditors and calling on expert and professional advice when required. The Trustees are either appointed by the respective employers or elected by the members of the Scheme.

BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the Administrator and other service providers. 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 consultants and, where appropriate, may seek independent professional advice at the expense of the Scheme.

INTERNAL CONTROL

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


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



CHAIRMAN
C HECTOR



TRUSTEE
N MOONIA



PRINCIPAL OFFICER
AR KELBRICK

12 April 2018



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**INDEPENDENT AUDITOR'S REPORT
 TO THE MEMBERS OF BMW EMPLOYEES MEDICAL AID SOCIETY**

Opinion

We have audited the financial statements of BMW Employees Medical Aid Society, set out on pages 8 to 44, which comprise the statement of financial position at 31 December 2017, and the statement of comprehensive income, the statement of changes in members' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of BMW Employees Medical Aid Society at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Risk claims incurred

Refer to Notes 1.9.1 and 9 to the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The most significant expense for the Scheme relates to risk claims paid to members. Risk claims paid is a key driver in determining the sustainability of the Scheme.</p> <p>Due to the significant volume of claims processed by the Scheme the payment of valid risk claims is dependent on integrity of the Scheme's administration system, as well as automated claims assessment controls.</p> <p>Risk claims incurred was considered a key audit matter due to the significant volume of claims processed during the year and the work effort required to be performed by the audit team.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - We assessed the accuracy of benefit limits and rules captured onto the administration system by comparing the approved benefit limits, and rules of the Scheme, to those captured onto the administration system. - We tested the IT controls in place to prevent unauthorised access or changes to the administration system. - We tested through the assistance of our own IT specialists, the automated claim assessment controls of the administration system to ensure only valid and accurate claims are being processed and paid.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BMW EMPLOYEES MEDICAL AID SOCIETY**

Risk claims incurred

Refer to Notes 1.9.1 and 9 to the financial statements.

The key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> - We inspected the reconciliation performed by the Scheme administrator, between the administration system and the general ledger to assess whether the risk claims paid are accurately captured into the Scheme's accounting systems.

Outstanding risk claims provision

Refer to Notes 1.6 and 5 to the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The outstanding claims provision (the provision) is the Scheme's estimate of the ultimate cost of settling all risk claims incurred but not yet reported (IBNR) at the reporting date.</p> <p>The provision is determined by the Scheme's actuary as described in note 5 and is estimated using a range of statistical methods.</p> <p>Determining the provision requires judgement with regard to the assumptions applied in respect of measuring the outstanding risk claims provision which could materially affect the financial statements.</p> <p>Due to the involvement of the actuary and the significant estimation involved in determining the provision this was considered a key audit matter.</p>	<p>Our audit procedures performed included the following:</p> <ul style="list-style-type: none"> - We used our own actuarial specialists and: <ul style="list-style-type: none"> * evaluated the appropriateness of the methodology used in calculating the provision. * challenged the appropriateness of the assumptions used in the Scheme's methodology for measuring the provision by evaluating the assumptions against best practice and the current economic environment. * assessed the accuracy of the actual data used in the provision. * assessed the competence, independence and integrity of the Scheme's actuary. * calculated our own estimation of the provision to confirm the reasonability of the Scheme's provision. - We assessed the adequacy of the provision by comparing actual claims paid after year-end that related to the current year to the provision at year-end. - We assessed whether the disclosures in the financial statements were appropriate.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BMW EMPLOYEES MEDICAL AID SOCIETY**

Other information

The Scheme's trustees are responsible for the other information. The other information comprises the Trustees Responsibility and Approval, the Statement of Corporate Governance by the Board of Trustees and the Report of the Board of Trustees. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Scheme's trustees for the financial statements

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

In preparing the financial statements, the Scheme's trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Scheme's trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's trustees.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BMW EMPLOYEES MEDICAL AID SOCIETY**

Conclude on the appropriateness of the Scheme's trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Scheme's trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Scheme's trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Non-compliance with the Medical Schemes Act of South Africa

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

- 1 Contravention of Section 26(7) of the Act, contributions not received within 3 days of becoming due.
- 2 Contravention of Section 35(8) of the Act, investing in entities associated with a medical scheme administrator and employer groups.

We draw your attention to note 23, instances of non-compliance with the Medical Schemes Act of South Africa for more detail.

KPMG Inc.

Per BPK Jajula
Chartered Accountant (SA)
Registered Auditor
Associate Director
12 April 2018

BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Notes	2017 R	2016 R
ASSETS			
Non-current assets			
Available-for-sale investments	2	110,037,922	76,584,614
Current assets			
Trade and other receivables	3	3,673,552	4,645,797
Cash and cash equivalents	4	42,401,726	36,670,951
Current, short term deposits and money market accounts		42,392,318	35,618,030
Personal medical savings account		9,408	1,052,921
Total assets		156,113,200	117,901,362
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		130,815,400	101,966,130
Available-for-sale reserve		18,525,858	10,681,998
Current liabilities			
Outstanding risk claims provision	5	3,000,000	1,700,000
Personal medical savings account liability	6	216,626	1,176,520
Trade and other payables	7	3,555,316	2,376,714
Total funds and liabilities		156,113,200	117,901,362

BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	2017 R	2016 R
Risk contribution income	8	155,624,921	142,801,946
Relevant healthcare expenditure		(121,290,170)	(109,712,742)
Risk claims incurred	9	(122,759,917)	(111,083,343)
Managed care: management services	12	(3,276,857)	(3,024,545)
Claims recoveries from third parties	10	4,174,635	3,802,475
Net income on risk transfer arrangement		571,969	592,671
Risk transfer arrangement fees	11	(275,934)	(242,772)
Recoveries from risk transfer arrangement	11	847,903	835,443
Gross healthcare results		34,334,751	33,089,204
Administration expenditure		(6,788,446)	(6,265,432)
Other operating expenses	13	(610,260)	(581,445)
Net impairment on healthcare receivables	14	(1,218,467)	(1,789,457)
Net healthcare results		25,717,578	24,452,870
Other income		3,728,276	6,549,258
Investment income	15	3,715,903	6,549,258
Scheme funds		3,678,127	6,466,744
Return on personal medical savings account		37,776	82,514
Sundry income	16	12,373	-
Other expenditure		(596,584)	(594,131)
Expenses for asset management services rendered		(558,808)	(511,617)
Interest paid on personal medical savings account		(37,776)	(82,514)
Net surplus for the year		28,849,270	30,407,997
Other comprehensive income		7,843,860	(1,394,395)
Fair value adjustment on available-for-sale investments		7,990,714	1,442,178
Realised gain on available-for-sale investments		(146,854)	(2,836,573)
Total comprehensive income		36,693,130	29,013,602

BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

STATEMENT OF CHANGES IN FUNDS AND RESERVES

for the year ended 31 December 2017

	Accumulated funds R	Available-for- sale reserve R	Members' funds R
Balance as at 1 January 2016	71,558,133	12,076,393	83,634,526
Total comprehensive income for the year	30,407,997	(1,394,395)	29,013,602
Net surplus for the year	30,407,997	-	30,407,997
Other comprehensive income	-	(1,394,395)	(1,394,395)
Changes in fair value of available-for-sale investments	-	1,442,178	1,442,178
Realised gains on disposal of available-for-sale investments	-	(2,836,573)	(2,836,573)
Balance as at 31 December 2016	101,966,130	10,681,998	112,648,128
Total comprehensive income for the year	28,849,270	7,843,860	36,693,130
Net surplus for the year	28,849,270	-	28,849,270
Other comprehensive income	-	7,843,860	7,843,860
Changes in fair value of available-for-sale investments	-	7,990,714	7,990,714
Realised gains on disposal of available-for-sale investments	-	(146,854)	(146,854)
Balance as at 31 December 2017	130,815,400	18,525,858	149,341,258

BMW EMPLOYEES MEDICAL AID SOCIETY**(Registration no. 1526)****STATEMENT OF CASH FLOWS**

for the year ended 31 December 2017

	Notes	2017 R	2016 R
Cash flows from operating activities			
Cash flows from operations before working capital changes	17	25,906,085	25,730,709
Working capital changes			
- Increase in trade and other receivables		291,758	(4,092,826)
- Increase in trade and other payables		1,178,601	151,127
- Increase/ (decrease) in outstanding risk claims provision		1,300,000	(800,000)
- Decrease in medical savings account liability		(959,895)	(351,612)
Cash utilised by operations		<u>27,716,550</u>	<u>20,637,398</u>
- Income from investments		3,514,593	3,627,058
- Interest paid		(37,776)	(82,514)
Net cash flows utilised from operating activities		<u>31,193,366</u>	<u>24,181,942</u>
Cash flows from investing activities			
Additions to available-for-sale investments	2	(25,941,752)	(26,292,285)
Proceeds on disposal of investments	2	479,158	10,351,751
Net cash outflow investing activities		<u>(25,462,594)</u>	<u>(15,940,534)</u>
Net increase in cash and cash equivalents		5,730,772	8,241,408
Cash and cash equivalents at beginning of the year		36,670,950	28,429,542
Cash and cash equivalents at end of the year	4	<u><u>42,401,722</u></u>	<u><u>36,670,950</u></u>
Current, short term deposits and money market accounts		42,392,318	35,618,030
Personal medical savings account		9,408	1,052,921