



**BMW EMPLOYEES MEDICAL AID SOCIETY**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED**

**31 DECEMBER 2016**

**ANNUAL GENERAL MEETING**

**4 JUNE 2017**

# **BMW EMPLOYEES MEDICAL AID SOCIETY**

## **NOTICE OF ANNUAL GENERAL MEETING**

**Notice is hereby given that the Thirty Second Annual General Meeting of the BMW Employees Medical Aid Society will be held at BMW Plant Rosslyn, on Sunday, 4 June 2017 at 09:30**

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### **A G E N D A**

1. Chairman's welcome to members
2. Confirmation of the Minutes of Thirty First Annual General Meeting
3. Announcement of Trustee Elections for a Pensioner Employee Representative
4. Adoption of the Annual Financial Statements ("AFS") and Board of Trustees report for the year ended 31 December 2016
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 26 May 2017.
  - 6.2 Nominations for the Pensioner Employee Representatives were received by the Principal Officer, Mr. A Kelbrick by 28 April 2017.
  - 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 26 May 2017. 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 2017

# **BMW EMPLOYEES MEDICAL AID SOCIETY**

## **MINUTES OF THE THIRTY FIRST ANNUAL GENERAL MEETING OF THE BMW EMPLOYEES MEDICAL AID SOCIETY HELD ON 5 JUNE 2016 AT 9H30, IN THE MAIN CANTEEN, BMW SA (PTY) LIMITED, ROSSLYN**

### **PRESENT**

Ms C Hector (In the Chair)  
18 members as per the attendance register  
22 proxies for voting received

### **IN ATTENDANCE**

Ms R Felstead	Fund Manager, Discovery Health
Ms Z Chaudhry	Fund Coordinator, Discovery Health
Mr M Maswasamy	Council for Medical Schemes, Observer

### **APOLOGIES**

The following apology was noted:

Dr J Fegbeutel	Pensioner Member Representative (Alternate)
Mr J Meiring	Pensioner Member Representative
Mr M Molefe	Member Elected Trustee (Alternate)

### **Action**

#### **1. CHAIRPERSON'S WELCOME**

The Chairperson welcomed all present to the thirty first Annual General Meeting (AGM) of the BMW Employees Medical Aid Society. It was confirmed that there were 18 members present and 22 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 were no additional motions received to be added to the agenda.

#### **2. CONFIRMATION OF THE MINUTES OF THE THIRTIETH ANNUAL GENERAL MEETING HELD ON 7 JUNE 2015**

The minutes of the Thirtieth Annual General Meeting held on 7 June 2015 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 7 June 2015 which was approved by Ms Moonia and seconded by Ms Bathauer. The Chairperson declared the motion CARRIED.

A member raised a concern that they were not aware of the process of forwarding issues to be discussed at the Annual General Meeting. The Chairperson advised that any issues can be discussed under "General". The Chairperson clarified that any issues raised which required a decision would need to be referred to the Board of Trustees.

**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 2015/16 are:

:

Ms C Hector (Chairperson)	Appointed 9 June 2014 (1 <sup>st</sup> Term)
Ms N Moonia	Appointed 4 June 2015 (1 <sup>st</sup> Term)
Mr D Radebe	Appointed 9 June 2014 (1 <sup>st</sup> Term)
Ms W Scott	Alternate: to Mr D Radebe – Appointed 21 August 2012 (1 <sup>st</sup> Term)
Mr F Viljoen	Appointed 4 June 2015 and 2012 (2 <sup>nd</sup> term)

The member elected Trustees serving in 2015/2016 are:

Mr C Bathauer ( Vice-Chairperson)	Elected 19 June 2013 (2 <sup>nd</sup> term)
Mr D Lee	Elected 19 June 2012 (1 <sup>st</sup> term)
Mr K Madumo	Elected 19 June 2012 (2 <sup>nd</sup> term)
Mr M Molefe	Alternate-Mr K Madumo since 21 August 2012
Mr A Kgoathe	Elected 19 June 2013 ( 1 <sup>st</sup> Term and due for re-election)
Mr J Meiring	Pensioner representative re- elected 9 June 2014 (2 <sup>nd</sup> Term)
Dr J Fegbeutel	Alternate to J Meiring-Appointed 21 August 2014

The co-opted Trustee serving in 2014/2015 was:

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

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 Ms Bathauer and Mr Kgoathe will stand down at this meeting, due to the fact that they have served three years. Mr Kgoathe has advised the Principal Officer that he is not available for re-election, and Ms Bathauer has completed her 2<sup>nd</sup> consecutive term.

The Chairperson advised that member nominations have therefore been presented to fill the vacancies vacated by:

Ms Carla Bathauer  
Mr Amon Kgoathe

The Chairperson advised that the following nominations have been received to fill the above vacancies:

- Ms Trushna Harakhchand
- Mr Charles Louw
- Mr Adolph Mabotja
- Mr Paul Mahlangu
- Mr Tumelo Nyamathe
- Mr Malegasa Sibiya
- Mr Sudash Sohan

The Chairperson advised that in addition, the nomination of Mr Esrom Hlophane to fill the position of Alternate trustee has been received from Mr Kenneth Madumo.

The Chairperson clarified that the nominees have already accepted their nominations. A member queried the number of members on the Scheme. Mr Kelbrick confirmed that there are approximately 3 200 members on the Scheme. The member requested that the quorum requirement to be reviewed in order to have more members attending the meeting. The Chairperson explained that the Annual General meeting is a statutory meeting where the minutes and the annual financial statements are reviewed. She advised that there are other forums where members can raise other concerns.

A member raised a concern about the Scheme's election process. He argued that members nominated should be present to accept their nominations. He wanted to know if the rules state that the members nominated can be absent from the Annual General meeting. He felt that members nominated who do not attend the meeting indicate no interest in being a trustee. The Chairperson advised that nominations are submitted a week before the Annual General meeting and there are various reasons why a nominee may not attend a meeting.

The member advised that a written apology from the nominee indicates that the nominee shows an interest in the Scheme. He expressed that this needs to be considered to make the Scheme more valuable. The Chairperson advised that the member's concern has been noted, however, for the meeting, she has to proceed with the nominations received as per the rules of the fund.

The voting process took place. A member indicated that it was important for the picture and designation of the nominee to be available so that the members were familiar with the candidates nominated.

#### **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 reported that Ms L Z Ftizsimons has resigned from the Disputes Committee. The Board of Trustees appointed 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 2013**

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 Trustee as well as the Auditors Committee.

The Chairperson noted that 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. Mr Kelbrick also confirmed that a full set of AFS was available on the BMW Intranet.

The Chairperson motioned for the adoption of the Annual Financial Statements and the Board of Trustees report for the year ended 31 December 2015. 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 2015 CARRIED unanimously.

Ms Hector provided a broad financial overview of the financial results in 2015 as compared to 2014 and focussed on the following:

- Claims ratio (claims as % of contributions) decreased from 98.75% to 94.1%
- Non-healthcare expenditure ratio (NHE as % of contributions) decreased from 5.8% to 5.6%
- Return on investments for 2015 was 0.3%. This is negative against the benchmark of 7.9%. This was due to the performance of global markets
- Surplus increased from R1,3m to R6.7 million.
- Solvency ratio decreased from 55.6% to 54.7%

A member asked what sort of assets are invested in. The Chairperson explained that the investments are in an assortment of assets and there are regulations which control how much money can be invested in different assets such as equities and property.

Ms Hector confirmed that the Scheme spent money on the disciplines below during the year 2014:

- Hospital - 33%
- Doctors - 29%
- Medicine -18%
- Allied Health -12%
- Auxillary - 2%

Ms Hector emphasised that it was very important to manage costs effectively for the Scheme to remain sustainable and affordable for all members. She advised that there was an increase of 52% during 2015 in the use of over the counter medication.

Ms Hector advised that during 2015, the Board took a decision that over the counter medication with schedules 0, 1 and 2 (which members can obtain without a script), would be funded from an over the counter limit of R500.00 per beneficiary who is registered on

the Scheme. This benefit was effective as from the 1 January 2016. However, she advised, that it was noted that in 2016 many members had exhausted their over the counter limit of R500-00 per beneficiary early during the year.

Ms Hector advised that this decision had been reviewed and the Board of Trustees decided to revert to the previous practice whereby these medicines would be funded from the day-to-day limit if supported by a prescription. A member expressed his concern that the Board did not take action speedily regarding the over the counter benefit at the expense of members. The Chairperson explained that statements must be made based on fact and that this decision had to be reviewed carefully. Ms Hector advised that as from the 1 July 2016, members will be able to obtain schedules 0, 1 and 2 medication that has been prescribed from any pharmacy nationwide. This will be funded from the acute medication benefit if the over the counter medication benefit has been depleted.

Ms Hector advised that the process did take time as the change in benefit resulted in the following:

- Submit the Rule Change to the Council for Medical Schemes
- Update the Systems at the administrator for the correct processing of the claims

A member raised his concern as to how problems relating to benefits will be addressed in future. Ms Hector explained that problems will always arise. She advised that benefits are reviewed annually to ensure that the Society is offering the best and most cost effective cover to members.

A member raised a concern about the co-payment that members need to pay for claims for visits to doctors. Ms Hector explained that if a doctor charges more than the Scheme rate, then members will be liable for the difference in cost. She further advised that members who use doctors on the Scheme's network will not incur a co-payment. Ms Hector advised that members can consult the onsite consultant for assistance to select a network doctor. A member raised a request for the Scheme to fund all claims from network and non-network doctors in full. Ms Hector advised that this will be reviewed during the 2017 benefit review.

A member raised a concern that not all members are able to interpret financial statements and requested a simple summary highlighting the main financial points of the Scheme. Ms Hector advised that there was a presentation done at the Annual General Meeting simplifying the annual financial statements. Ms Hector advised that the presentation will be available on request from the principal officer.

## **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 Bathauer and was CARRIED unanimously by the members who attended the meeting.

A member queried how auditors are elected. Ms Hector advised that KPMG are also the auditors for the BMW Group and offer the company a competitive rate. A member raised a concern that auditors need to be reviewed and transformation and the BEE status must be considered. Ms Hector advised that this would be considered when the next appointment takes place.

**GENERAL**

The following matters were raised under general:

**The Fraud Amnesty Period:**

The Chairperson advised that there was fraud detected on the Scheme. She explained that this fraud was carried out by means of an "ATM" scam involving colluding members and service providers. The Chairperson advised that the employer decided to run an amnesty period first before action was taken against any employees. There were three members that came forward with information. She advised that the fund needed to be protected against fraud to save the reserves to fund claims. The Chairperson advised that a campaign was done to educate members about fraud and there has been a change in the behaviour of service providers and this is reflected in the Scheme's surplus for the year ending December 2015. She highlighted that the Scheme's reserves have to remain in a healthy position to be able to fund claims and offer optimal benefits to members.

A member raised a concern about the shortage of pharmacies in the non-suburban areas and the refusal of pharmacies to accept medical aids administered by Discovery. He also expressed that the Board is not concerned about the best interest of the members but are more focussed on making the Scheme a profitable business. The member also advised that Discovery as an administrator did not have a positive profile in the market. The Chairperson advised that the Scheme is a BEMAS Scheme and not a Discovery Scheme.

Ms Moonia advised that it was important for members to have channels to submit complaints to the Board of Trustees. The Chairperson advised that the member communication channels will be discussed at the next Board meeting.

A member expressed his view that the Society is failing to communicate with employees. He advised that not all employees have access to emails. He also advised that meeting notices such as the Annual General Meeting packs are only made available at the offices of the shop stewards.

The Chairperson advised that the channels of communication will be reviewed by the Communications Committee.

Ms Moonia requested for specific examples about network doctor queries, list of towns that do not have access to pharmacies and preferred channels of communications to be sent to the principal officer so that the Board can investigate.

A member raised a concern about the levy he had to pay for medication purchased for his son. The Chairperson advised that levies are imposed by pharmacies and the Scheme does not have control over this. She also explained that the cost of medication has escalated due to various factors.

A member suggested a booklet be published by the Scheme explaining medical aid terminology and benefits so that all associates can have a better understanding of the Scheme. The Chairperson advised that the suggestion will be discussed at the Communications Committee Meeting.

A member advised that during the wage negotiations, the medical aid will be discussed. The Chairperson advised that the Board is not mandated to discuss this, however, there is a working committee that looks at the operation of the medical aid.

A member expressed his view that members should be allowed to express themselves at the Annual General Meeting. The Chairperson advised that queries to be discussed were to be sent to the Board before the meeting so that they can be effectively dealt with. She requested for any issues to be emailed to the principal officer by the 10 June 2016 to be reviewed by the Board of Trustees.

Members also raised a concern that they do not know who the principal officer of the Scheme is. The Chairperson advised that this will also be discussed at the Communications Committee meeting.

The Chairperson announced the results of the election and advised that the candidates below were successful in being nominated as the newly appointed trustees to the Board:

Charles Louw - 29 votes  
Sudash Sohan - 24 votes

**7. CONCLUSION**

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 2016/17 are:

Ms C Hector - Chairperson	Appointed 09 June 2014 (1st Term)
Ms N Moonia	Appointed 4 June 2015(1st Term)
Mr D Radebe	Appointed 09 June 2014 (1 <sup>st</sup> Term)
Ms W Scott	Alternate; D Radebe – Resigned 31 December 2016
Ms K Lebelo	Appointed 22 <sup>nd</sup> November 2016 (1 <sup>st</sup> Term)

The member elected Trustees serving in 2016/17 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)
Mr K Madumo	Elected 4 June 2015 (2 <sup>nd</sup> Term)
Mr E Hlophane	Alternate: Mr K Madumo from 5 June 2016
Mr J Meiring	Pensioner representative re-elected 9 June 2014 (2nd Term)
Dr JP Fegbeutel	Alternate to J Meiring – Appointed 21 August 2014

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

Mr S Roodt	Co-opted 25 February 2013
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 that Mr J Meiring – Pensioner representative will stand down at this meeting due to the fact that he has served two consecutive three-year terms.

Nominations to fill the vacancy of a pensioner representative were received by the Principal Officer by 28 April 2017.
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## **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 2016.

Included in this communication is the notice of the Annual General Meeting (“AGM”) to be held on 04 June 2017 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 2016 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](mailto: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 decreasing membership by 560 principal members to 2 718 as at 31 December 2016 and the total number of beneficiaries decreased by 955 to 6 758.

### **2. Statement of comprehensive income**

The Society reported a positive net healthcare result of R24 452 870 for the year ended 31 December 2016 in comparison to a positive net healthcare result of R318 767 for 2015. 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 R30 407 997 during 2016 in comparison with a net surplus of R6 724 120 for 2015.

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% and by 10.0% for 2016 and for 2017%.

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 2017 first quarter reported a net surplus of approximately R5 800 000 as at 31 March 2017. 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 remained stable at 70.71 % for the year ended 31 December 2016 compared with 54.65 % as at 31 December 2015.

The major assets of the Society are invested as follows:

<b>Asset Class</b>	<b>R</b>	<b>%</b>
Cash	51.4 million	45.8%
Bonds	25.8 million	23.0%
Equities	35.0 million	31.2%
<b>Total</b>	<b>112.2 million</b>	<b>100%</b>

The return objective for the longer-termed investments for the Society is CPI+4%. As at 31 December 2016, the investment strategy produced a net return of 6.4% per annum and 10.7% per annum over the 3 and 5 year period respectively. The strategy exceeded the 5 year objective by 0.9% per annum and underperformed the 3 year objective by 3.5% 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 2016 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 2016 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 21 April 2017.

Yours sincerely

Ms C Hector  
Chairperson

AR Kelbrick  
Principal Officer

**May 2017**

## BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

### FINANCIAL STATEMENTS

for the year ended 31 December 2016

TRUSTEES			
	C Hector	Chairman - Employer Representative	
	C Bathauer	Vice Chairman - Employee Representative	- term ended 05 June 2016
	N Moonia	Vice Chairman - Employee Representative	
	D Radebe	Employer Representative	
	W Scott	Employer Representative	- resigned 31 December 2016
	E Hlophane	Employer Representative	- appointed 05 June 2016
	C Louw	Employer Representative	- appointed 05 June 2016
	S Sohan	Employer Representative	- appointed 05 June 2016
	K Lebelo	Employer Representative	- appointed 22 November 2016
	F Viljoen	Employer Representative	- resigned 15 September 2016
	A Kgoathe	Employee Representative	- term ended 05 June 2016
	D Lee	Employee Representative	
	K Madumo	Employee Representative	
	M Molefe	Employee Alternative Representative	
	J Meiring	Pensioner Representative	
	JP Fegbeutel	Pensioner Alternative Representative	
	S Roodt	Co-opted Employer Representative	
	V Vatsha-Mahlaba	Co-opted Employer Representative	

### PRINCIPAL OFFICER

AR Kelbrick

### AUDITOR

KPMG Inc.

### ADMINISTRATOR

Discovery Health (Pty) Ltd  
16 Fredman Drive  
Sandton  
2146

### REGISTERED OFFICE

Discovery Health (Pty) Ltd  
16 Fredman Drive  
Sandton  
2146

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## **BMW EMPLOYEES MEDICAL AID SOCIETY**

### **FINANCIAL STATEMENTS**

for the year ended 31 December 2016

### **TRUSTEES' RESPONSIBILITY AND APPROVAL**

The Trustees are responsible for the preparation and fair presentation of the financial statements of BMW Employees Medical Aid Society, comprising the statement of financial position at 31 December 2016, the statements 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.

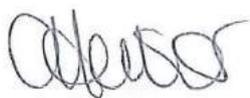
The Trustees are also responsible for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk 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 financial statements**

The financial statements of BMW Employees Medical Aid Society, as identified in the first paragraph, were approved by the Trustees on 21 April 2017 and are signed on their behalf by:



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CHAIRMAN  
C HECTOR



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TRUSTEE  
N MOONIA



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PRINCIPAL OFFICER  
AR KELBRICK

## **BMW EMPLOYEES MEDICAL AID SOCIETY**

### **FINANCIAL STATEMENTS**

for the year ended 31 December 2016

### **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 principals.

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**

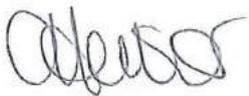
The Trustees meet regularly and monitor the performance of the Administrator and other service providers. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

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.



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CHAIRMAN  
C HECTOR



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TRUSTEE  
N MOONIA



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PRINCIPAL OFFICER  
AR KELBRICK

21 April 2017



**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 as at 31 December 2016, 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 as at 31 December 2016, 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"> <li>- 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.</li> <li>- We tested the IT controls in place to prevent unauthorised access or changes to the administration system.</li> <li>- 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.</li> </ul>



**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
	<p>- 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.</p>

**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"> <li>- We used our own actuarial specialists and:               <ul style="list-style-type: none"> <li>* evaluated the appropriateness of the methodology used in calculating the provision.</li> <li>* 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.</li> <li>* assessed the accuracy of the actual data used in the provision.</li> <li>* assessed the competence, independence and integrity of the Scheme's actuary.</li> <li>* calculated our own estimation of the provision to confirm the reasonability of the Scheme's provision.</li> </ul> </li> </ul> <p>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.</p> <p>- We assessed whether the disclosures in the financial statements were appropriate.</p>

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## **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 M Fouché  
Chartered Accountant (SA)  
Registered Auditor  
Associate Director  
21 April 2017

**BMW EMPLOYEES MEDICAL AID SOCIETY**

**STATEMENT OF FINANCIAL POSITION**

at 31 December 2016

	Notes	2016 R	2015 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Available-for-sale investments	2	76 584 614	59 201 902
<b>Current assets</b>			
Trade and other receivables	3	4 645 797	2 256 801
Cash and cash equivalents	4	36 670 951	28 429 542
Current, short term deposits and money market accounts		35 618 030	26 990 226
Personal medical savings account trust funds		1 052 921	1 439 316
<b>Total assets</b>		<b>117 901 362</b>	<b>89 888 245</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
Accumulated funds		101 966 130	71 558 133
Available-for-sale reserve		10 681 998	12 076 393
<b>Current liabilities</b>			
Outstanding risk claims provision	5	1 700 000	2 500 000
Personal medical savings account trust liability	6	1 176 520	1 528 132
Trade and other payables	7	2 376 714	2 225 587
<b>Total funds and liabilities</b>		<b>117 901 362</b>	<b>89 888 245</b>

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**BMW EMPLOYEES MEDICAL AID SOCIETY**

**STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 December 2016

	Notes	2016 R	2015 R
<b>Risk contribution income</b>	8	<b>142 801 946</b>	<b>129 651 621</b>
<b>Relevant healthcare expenditure</b>		<b>(109 712 742)</b>	<b>(122 006 327)</b>
Risk claims incurred	9	(111 083 343)	(121 786 822)
Managed care: management services	12	(3 024 545)	(2 915 785)
Claims recoveries from third parties	10	3 802 475	2 272 758
Net income on risk transfer arrangement		592 671	423 522
Risk transfer arrangement fees	11	(242 772)	(371 595)
Recoveries from risk transfer arrangement	11	835 443	795 117
<b>Gross healthcare results</b>		<b>33 089 204</b>	<b>7 645 294</b>
Administration expenditure		(6 265 432)	(6 040 233)
Other operating expenses	13	(581 445)	(989 499)
Net impairment on healthcare receivables	14	(1 789 457)	(296 795)
<b>Net healthcare results</b>		<b>24 452 870</b>	<b>318 767</b>
<b>Other income</b>		<b>6 549 258</b>	<b>7 102 127</b>
Investment income	15	6 549 258	7 102 127
Scheme funds		6 466 744	7 010 841
Return on personal medical savings account trust funds		82 514	91 286
<b>Other expenditure</b>		<b>(594 131)</b>	<b>(696 774)</b>
Expenses for asset management services rendered		(511 617)	(605 488)
Interest paid on personal medical savings account trust funds		(82 514)	(91 286)
<b>Net surplus for the year</b>		<b>30 407 997</b>	<b>6 724 120</b>
<b>Other comprehensive income</b>		<b>(1 394 395)</b>	<b>(3 833 144)</b>
Fair value adjustment on available-for-sale investments		1 442 178	786 823
Realised gain on available-for-sale investments		(2 836 573)	(4 619 967)
<b>Total comprehensive income</b>		<b>29 013 602</b>	<b>2 890 976</b>

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**BMW EMPLOYEES MEDICAL AID SOCIETY**

**STATEMENT OF CHANGES IN FUNDS AND RESERVES**

for the year ended 31 December 2016

	Accumulated funds R	Available-for- sale reserve R	Members' funds R
<b>Balance as at 1 January 2015</b>	<b>64 834 013</b>	<b>15 909 537</b>	<b>80 743 550</b>
Total comprehensive income for the year	6 724 120	(3 833 144)	2 890 976
Net surplus for the year	6 724 120	-	6 724 120
Other comprehensive income	-	(3 833 144)	(3 833 144)
Changes in fair value of available-for-sale investments	-	786 823	786 823
Realised gains on disposal of available-for-sale investments	-	(4 619 967)	(4 619 967)
<b>Balance as at 31 December 2015</b>	<b>71 558 133</b>	<b>12 076 393</b>	<b>83 634 526</b>
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)
<b>Balance as at 31 December 2016</b>	<b>101 966 130</b>	<b>10 681 998</b>	<b>112 648 128</b>

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**BMW EMPLOYEES MEDICAL AID SOCIETY**

**STATEMENT OF CASH FLOWS**

for the year ended 31 December 2016

	Notes	2016 R	2015 R
<b>Cash flows from operating activities</b>			
Cash flows from operations before working capital changes	16	25 730 709	10 074
Working capital changes			
- Increase in trade and other receivables		(4 092 826)	(2 013 187)
- Increase in trade and other payables		151 127	410 756
- Increase/ (decrease) in outstanding risk claims provision		(800 000)	(1 700 000)
- (Decrease)/ increase in medical savings account liability		(351 612)	148 185
Cash utilised by operations		<u>20 637 398</u>	<u>(3 144 172)</u>
- Income from investments		3 627 058	2 444 488
- Interest paid		(82 514)	(91 286)
<b>Net cash flows utilised from operating activities</b>		<u><b>24 181 942</b></u>	<u><b>(790 970)</b></u>
<b>Cash flows from investing activities</b>			
Additions to available-for-sale investments	2	(26 292 285)	(6 470 594)
Proceeds on disposal of investments	2	10 351 751	15 439 810
<b>Net cash (outflow)/ inflow investing activities</b>		<u><b>(15 940 534)</b></u>	<u><b>8 969 216</b></u>
<b>Net increase in cash and cash equivalents</b>		<b>8 241 408</b>	<b>8 178 246</b>
Cash and cash equivalents at beginning of the year		28 429 542	20 251 296
<b>Cash and cash equivalents at end of the year</b>	4	<u><u><b>36 670 950</b></u></u>	<u><u><b>28 429 542</b></u></u>
Current, short term deposits and money market accounts		<u>35 618 030</u>	<u>26 990 226</u>
Personal medical savings account trust funds		<u>1 052 921</u>	<u>1 439 316</u>

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