



2020

**ANNUAL GENERAL MEETING  
INFORMATION BOOKLET**



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## CHAIRPERSON'S REPORT

I write to you during a time of great uncertainty, as South Africa and the world deals with a global pandemic in the form of COVID-19. These are extraordinary times for the BMW Employees Medical Aid Society ('the Society') and the medical scheme industry as a whole. Now, more than ever, protecting one's health has become of paramount importance, to ensure that all our hopes for the future are realized.

The wellbeing of the Society is of equal importance, to ensure that our members are protected and have access to vital healthcare when they need it most. Through careful planning of benefits and contributions, the Society has maintained solvency reserves at levels that have managed to ride out some of the higher cost claims and poor investment returns endured during 2019, offering protection against the tidal wave of the COVID-19 pandemic. The current financial position and projected solvency of the Society continues to be healthy and sound, giving our members hope for the future in these unprecedented times.

Thus far, we have not seen a material impact from COVID-related claims but the investment income remains muted and is expected to be substantially lower than budgeted for the full 2020 year. The Society's financial performance has therefore been in sharp focus since the beginning of 2020 to ensure its long-term financial sustainability for the benefit of all members.

### PERFORMANCE OVERVIEW

The claims experience for the 2019 financial year was in line with expectation, recording a positive net healthcare result of R15 million, compared to R23.6 million in 2018.

An overall net surplus of R19.7 million after investment income and other expenditure was recorded in 2019, compared to a net surplus of R32.6 million in 2018.

The solvency reserve ratio increased by 3.76% from 2018 to a level of 98.34% at the end of 2019.

Although COVID-19 has had a dramatic impact on the South African and global investment markets, resulting in a decline in the fair value of the Society's investments, the Board of Trustees are of the view that the strong financial position and reserve levels will allow it to absorb the potential direct and indirect negative impact of COVID-19 and it is not envisaged that this will have an impact on the Society's ability to pay claims as they arise.

### REGULATORY OVERVIEW

The Health Market Enquiry report was finalised and published at the end of 2019. We now await considerations by the Department of Health and Industry Stakeholders on the implementation of the report's recommendations.

The announcement of the National State of Disaster and subsequent National lockdown in March has delayed the finalisation of the NHI Bill and Medical Schemes Amendment Act (MSA Act). These discussions will continue when possible.

Lockdown restrictions on social gatherings (still currently in force), saw the Council for Medical Schemes announce that Scheme AGMs may need to be deferred. As a result, the 2020 AGM has been postponed to next year and we have provided you with this information booklet to keep you informed of the Society's operations.

### VOTE OF THANKS

I would like to take this opportunity to thank the following stakeholders for their efforts and contributions to the BMW Employees Medical Aid Society:

- The Board of Trustees
- The Audit & Risk Committee members and
- External Auditors, Deloitte.
- The Administrator, Discovery Health.W

A special thank you is extended to the Board of Trustees. Our trustees are not remunerated, yet their attendance and engagement at Society meetings is truly commendable. This attests to the fact that as fellow colleagues at BMW South Africa, they all have the same goal in mind: how the Society can best serve its members with its available resources. Their devotion to this cause allows the decisions for the operations of the Society to be carried out seamlessly.

Thank you.

### CONCLUDING REMARKS

Members are assured that we remain committed to taking care of you and your family's healthcare needs, especially during these extraordinary times. As a valuable asset, the Society is worth protecting for the benefit of all its members. It is therefore imperative to make sensible decisions for the sake of our own health and to plan ahead as best we possibly can, with the well-being of all in mind.

C HECTOR (CHAIRPERSON)

# BMW EMPLOYEES MEDICAL AID SOCIETY

## MINUTES OF THE THIRTY FOURTH ANNUAL GENERAL MEETING OF THE BMW EMPLOYEES MEDICAL AID SOCIETY HELD ON 2 JUNE 2019 AT 09H30, IN THE MAIN CANTEEN, BMW SA (PTY) LIMITED, ROSSLYN

### PRESENT

Ms C Hector (In the Chair)

91 members as per the attendance register  
19 proxied received

### IN ATTENDANCE

Ms R Shilenge BEMAS Onsite Consultant, Discovery Health  
Ms Z Chaudhry Fund Coordinator, Discovery Health

### APOLOGIES

Formal apologies noted from:  
Ms G Shafee.

#### 1. CHAIRPERSON'S WELCOME

The Chairperson welcomed all present to the Thirty Fourth Annual General Meeting (AGM) of the BMW Employees Medical Aid Society. A special welcome was extended to the representative from the Council for Medical Schemes, Mr Kwena Mokoatedi. It was confirmed that there were 91 members present and 19 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 it.

A concern was raised relating to the receipt of the notice of the AGM. Mr Kelbrick confirmed that notices for the meeting were placed on the notice board by 14 May 2019 and this communication advised members to collect packs from the Human Resources Department in Rosslyn. However, additional packs were also made available and handed to members from the on-site office in the Health Management Centre. Mr Kelbrick noted that notices were also e-mailed to all members with e-mail addresses.

A request was made for members to be given an opportunity to engage with Trustees and discuss concerns they may have.

The Chairperson confirmed that no motions were received, however, member questions and concerns could be discussed under "General."

#### 2. CONFIRMATION OF THE MINUTES OF THE THIRTY THIRD ANNUAL GENERAL MEETING HELD ON 10 JUNE 2018

The minutes of the Thirty Third Annual General Meeting held on 10 June 2018, having been circulated with the notice of the meeting, were taken as READ.

The Chairperson provided attendees with the opportunity to ask questions of clarity.

The Chairperson moved to accept the minutes of the Annual General Meeting ("AGM") held on 10 June 2018. Motion was approved by Dr J Fegbeutel and seconded by Mr J Meiring. The Minutes were approved as a true reflection of the proceedings.

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 by a Board consisting of nine persons who are fit and proper to be Trustees and of whom four were appointed by the Employer, and five elected by members in general meetings. All Trustees are to 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 serving in 2018/19:

Ms C Hector (Chairperson)	Appointed 4 June 2017 (2 <sup>nd</sup> Term)
Ms N Moonia	Appointed 4 June 2015 (1 <sup>st</sup> Term) - Resigned 1 October 2018
Mr D Radebe	Appointed 9 June 2014 (2 <sup>nd</sup> Term)
Ms C McCrea-Phillips	Appointed 10 August 2017 - Replacing KN Lebelo
Ms T Harakhchand	Appointed 10 August 2017
Ms K Kgomo	Appointed 10 August 2017 - Resigned 4 May 2018
Ms K Lebelo	Appointed 22 November 2016 - Resigned 31 May 2017
Mr J Selumane	Appointed 10 August 2017, Alternate to Mr D Radebe
Mr M Gounden	Appointed 1 October 2018, Alternate
Ms G Shafee	Appointed 1 October 2018, Alternate

Member elected Trustees serving in 2018/2019:

Mr S Sohan	Elected 5 June 2016
Mr C Louw	Elected 5 June 2016
Mr K Madumo	E Hlophane from 10 June 2018, Alternate
Mr E Hlophane	Elected 10 June 2018
Dr J Fegbeutel	Elected 7 June 2017
Mr S Hoon	Elected 10 June 2018
Mr J Meiring	Nominated Alternate to Dr J Fegbeutel

Co-opted Trustee serving in 2018/2018:

Dr Vuyelwa Vatsha-Mahlaba	Co-opted 9 June 2014
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The Chairperson advised that the 1<sup>st</sup> terms for Mr S Sohan and Mr C Louw are ending at the conclusion of the Annual General Meeting. She confirmed that there were two member vacancies to be filled and nominations were requested to be sent to Mr Kelbrick by 24 May 2019. The Chairperson reported that there was only one nomination received for Mr Prince Masuku.

The Chairperson explained that given that only one nomination was received, no ballot was necessary. Mr Prince Masuku was confirmed as having been elected as a member Trustee of the Board effective 02 June 2019.

The Chairperson congratulated Mr Masuku and welcomed him onto the Board of Trustees.

#### 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 on an annual basis. The Chairperson confirmed that the current appointees are Mr C Barnardo, Dr A Foster and Mr A Kolapen.

#### 4. ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS ("AFS") AND BOARD OF TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Chairperson confirmed that, as is required, 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 were provided to members 14 days prior to the date of the AGM.

The Chairperson confirmed that the Annual Financial Statements had been closely reviewed by the Board of Trustees as well as by the Audit and Risk Committee.

The Chairperson motioned for the adoption of the Annual Financial Statements and the Board of Trustees Report for the year ended 31 December 2018. Dr Fegbeutel approved the motion and Mr Meiring seconded the motion. The Chairperson declared the motion CARRIED unanimously.

The Chairperson provided a broad overview of the financial results in 2018 as compared to 2017. The following was noted:

- Claims ratio (claims as % of contributions) increased from 77.9% to 80.4%;
- Non-healthcare expenditure ratio (NHE as % of contributions) increased from 5.5% to 5.9%;
- Return on investments for 2018 reduced to 4.43% per annum over the three year period and 5.59% over the five year period;
- Surplus increased from R28.9m in 2017 to R32.6m in 2018. This equates to a 12.9% increase in the year on year surplus and
- Solvency ratio increased from 84.1% to 94.6%

The Chairperson confirmed that the Society spend per disciplines during the year 2018 was:

- Hospital - 30%
- Doctors - 32%
- Medicine -18%
- Allied Health and Auxillary -14%
- Dental - 6%

The Chairperson reported that as at April 2019, the Society has earned a surplus of R7.5m, 13.4% behind budget. The major contributor was weaker investment performance due to volatility of the markets.

The Chairperson advised that despite of the performance of the investments, the Society is still in a financially sound position.

#### 5. APPOINTMENT OF EXTERNAL AUDITORS FOR THE ENSUING FINANCIAL YEAR

The Chairperson reported that the Society went out to tender for audit services. Proposals were received from:

- BDO
- Deloitte
- SNG Grant Thornton

The Chairperson advised that the Society's Audit and Risk Committee reviewed all proposals and recommended that Deloitte be appointed as the Society's auditors until the conclusion of the next Annual General Meeting in 2020. The Chairperson advised that the Board of Trustees agreed with the recommendation and APPROVED the appointment.

The Chairperson proposed that the approval of Deloitte as the Society's External Auditors be adopted. The motion was approved by Mr Meiring and seconded by Dr Fegbeutel and was CARRIED unanimously by the members in attendance.

## 6. GENERAL

As requested under Agenda item 6 of the meeting, the Chairperson gave members an opportunity to ask questions of the Board.

- a) A member asked what criteria was followed to appoint a Principal Officer for the Society.

The Chairperson explained that the role of the Principal Officer is a regulated role and the candidate needs to be a fit and proper person with knowledge and experience pertaining to medical schemes and its rules. She advised that Mr Kelbrick has a wealth of knowledge and therefore the Board of Trustees deem him fit for the role. She advised that the Society is on the lookout for a person to shadow Mr Kelbrick for knowledge transfer to take place and take over from Mr Kelbrick once competent. A member requested that candidates from middle and lower management be considered.

- b) A concern was raised by a member about there not being sufficient network doctors and pharmacists in the Soshanguve area.

The Chairperson confirmed that an exercise was conducted on the number of providers when they changed administrators from Medscheme to Discovery Health. The exercise revealed that the Society would have more network providers than had been the case in the past. The Chairperson requested that members encourage their service providers to join the Society's network if they were not already part of it.

- c) A query was raised relating to the limit in placed on over the counter medication :

The Chairperson reported that the current limit for over the counter medication is R830.00 per beneficiary per annum, and it is crucial for members to claim for over the counter medication for the correct dependent. She explained the limit per beneficiary is deemed to be sufficient and should only be used for schedule 0, 1 and 2 medication. The Chairperson proposed that if a beneficiary does exceed their annual limit for over the counter medication, they probably need to be assessed by a doctor. The Chairperson advised that this limit is reviewed every year and increased by inflation.

- d) Members raised concerns about incurring levies and co-payments when consulting healthcare providers.

The Chairperson explained that the levy is not administered by the Society but by the pharmacist. She explained that there is a formulary for medication indicating prices that members should be paying. The Chairperson clarified that the levy is an add-on by the pharmacy, however, the Society will only pay for the actual price of the medication.

The Chairperson explained that the same applied to co-payments. She explained that doctors get paid for their services as per the industry standards. She explained that doctors that are not on the Society's network will charge what they see fit. However, the Society will only pay for such services at the Society rate.

A member noted that he went to a network doctor and had to pay a co-payment. The Chairperson requested for members to report incidents where network doctors are charging co-payments for investigation.

A member raised a concern that he incurred a co-payment at the pharmacy based at the Rosslyn plant. The Chairperson advised that Mr C Louw, who manages the Healthcare Department, will investigate this and provide feedback to the member.

One of the members requested a list of network service providers in the Soshanguve area. Ms Shilenge will assist the member with a list.

- e) Concerns was raised relating to receipt of communication.

Mr Kelbrick confirmed that notices for the meeting were placed on the notice board on the 14 May 2019 and it was communicated that agenda packs could be collected from the Human Resources Department, the onsite consultant or the medical centre. He advised that the packs were also handed out across the plant.

The Chairperson advised that the Society's Communications Committee will be embarking on an exercise to ensure that Scheme communication is also shared with pensioner members either by post or email. The Chairperson also appealed to all pensioner members to update their contact details with the Society.

- f) A member asked whether the administrator could be changed back to Medscheme as there is a feeling that they have encountered problems since the administrator changed.

The Chairperson advised that the Board of Trustees debated and discussed the issue of changing administrators rigorously and since the administrator changed to Discovery Health, the Society is in a more financially sound position with better claims and solvency ratios.

In response, members noted that the healthcare providers were turning them away when they realise that the Society is administered by Discovery Health.

The Chairperson reiterated that BEMAS is an independent medical scheme. Mr Meiring reported that he visited an Ophthalmologist who stated that "Discovery patients pay cash, medical aid not accepted." He advised that he reported this incident to Discovery Health and the doctor was visited and the problem fixed. Mr Meiring proposed that members also report such incidents where they are being turned away to Discovery Health so that they can investigate and resolve any issues.

- g) The Chairperson was questioned on the composition of the Board and the fact that the member Trustees are not representative of all members.

The Chairperson advised that members are always given an opportunity to nominate member Trustees and participate in the Trustee elections. She advised that for 2019, only one nomination was received. Members have the onus to nominate individuals who they feel are representative of the Society's membership. She also reminded the meeting that the rules currently provide for 5 member trustees and only 4 from the employer.

- h) Concerns were noted that the Discovery Health logo appears on the membership card and this could be the reason why members are being turned away. A member advised that a new membership card could be considered, however, this will cost the Society money. The member also appealed to members to explain to doctors they are not on Discovery Health but on BEMAS and advised that it is crucial for members to explain this to healthcare providers. The member asked if the Society have a record of the levies that members pays.

The Chairperson advised that the Society does not have a record of levies charged as this is an additional charge from the healthcare providers. She explained that the Society only has records of claims submitted by the different service providers.

The Chairperson advised that the review of the design of the membership card has been noted and this issue will be discussed by the Board of Trustees. However, there is a disclosure issue that needs to be reviewed, in terms of what must be disclosed on the membership card. She explained that the cost of new membership cards will also need to be considered.

Mr Hlophane, reported that he was involved in an accident and he was required to pay certain medical claims up-front, however, he went to Ms Rulani Shilenge for assistance and received due assistance. He appealed to members to approach him or Mr Madumo for any queries on the medical aid and also to consult with the onsite consultant, Ms Rulani Shilenge.

- i) Members raised a concern about being charged a co-payment when receiving treatment in casualty.

Ms Shilenge explained that members can visit the casualty unit at any hospital in South Africa and there will be no co-payment on the hospital bill. However, the doctor that treats members in the casualty unit needs to be on the network in order for claims to be paid in full. She explained that if the doctors is not on the network, the Society only settles 80% of the claim. Ms Shilenge confirmed that the casualty doctors at the Akasia Clinic were part of the network but the casualty doctors at the Legae Hospital were not interested in joining the network.

- j) A member raised a concern that even though BEMAS claims to be rich in benefits, he is still faced with co-payments when visiting a doctor.

The Chairperson explained that a comparison of the Society's benefits, against other Schemes such as Bonitas and Discovery Health, was conducted, and BEMAS is still a Society with richer benefits.

- k) A member queried why, if he does not claim a lot from the Society, he is faced with co-payments even though he pays all this premiums timeously.

The Chairperson explained that all premiums received contribute towards member benefits. She explained that BEMAS is a closed scheme and the healthier members do support the sicker members. However, if there is a situation where a healthy member required medical care, it will be funded as per the benefit rules.

- l) A member asked if the Scheme can do anything for members to avoid them being turned away from healthcare providers.

Dr Fegbeutel proposed that the Board of Trustees will look at a letter that members can be provided with to avoid members being turned away from healthcare provider due to Discovery being the Society's administrator. He assured that the Board of Trustees will also look into the membership card and the possible new design of a membership card.

- m) The criteria for the appointment of the administrator as well as their tenure was questioned.

The Chairperson explained that the Board of Trustees consider the experience of an administrator, their service level agreements and negotiation skills. It was further explained that a move is very disruptive if done every three years. The Chairperson assured members competence and service levels are assessed and reviewed by the Board of Trustees at every Board of Trustees meeting.

- n) A member reported that challenges are faced when members consult with doctors outside of Gauteng. He advised that he submitted a claim for R800 and was only reimbursed an amount of R600.00.

Ms Shilenge reported that the claim was paid as such, as the doctor consulted is not on the network therefore only 80% of the claim was reimbursed. The member confirmed that he was referred to the doctor by the medical centre at the plant. Mr Louw will investigate this matter and ensure that the medical centre only refers members to network doctors to avoid co-payments.

- o) Concern was raised that radiology and pathology facilities based at the hospitals are charging an up-front payment.

Ms Shilenge advised that the radiology and pathology facilities at the hospitals are standalone practices and submit separate claims to schemes. She advised that they don't have agreements with the Scheme and can charge what they see fit unless they are part of the scheme's pathology or radiology network.

- p) A member questioned how long child dependents can remain on the Scheme.

The Chairperson explained that once a child dependent reaches the age of 21, and is not a student or financially dependent on the principal member, he/she will be terminated as a beneficiary. However, if still financially dependent he/ she may remain on the scheme where the full adult rate premium will be paid by the member. She clarified that if the dependent who is between 21 and 27 years is still a student, the employer subsidy will continue.

- q) A pensioner member asked how long he can remain on the Scheme.

The Chairperson advised that pensioner members may remain on the Scheme for as long as they want. She advised that there are two pensioner Trustees on the Scheme, Dr Fegbeutel and Mr Meiring that are there for assistance.

The Chairperson asked each of the Trustees and Ms Shilenge to appeal to members to speak to them in the event of any concerns or queries.

**Closure of the Meeting:**

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

**7. [DATE OF THE NEXT MEETING](#)**

The next meeting to be confirmed.



## BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

### FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 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 2019, 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.

Subsequent to the reporting date and prior to the date the financial statements were authorised for approval, the President of South Africa declared a national state of disaster as a result of the global COVID-19 pandemic on 15 March 2020. Even though South Africa is in the early stage of the outbreak, and there exist uncertainties about the potential impact of COVID-19 on the Scheme and its members, various possible scenarios, including stress test scenarios, have been considered to assess the potential impact of COVID-19 on the Scheme.

Based on the most likely scenario, and it is not envisaged that it will have an impact on the Scheme's ability to pay claims as they arise, the Scheme's strong financial position and reserve levels allows the Scheme to absorb the potential negative impact of COVID-19, with a potential negligible impact on the Scheme's 2020 solvency level, The Trustees also concluded that there was no need to adjust the 2019 Financial Statements.

On the basis of this review and in light of the current financial position and available resources, the Trustees have no reason to believe that the Scheme will not be a going concern for the foreseeable future.

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 6 May 2020 and are signed on their behalf by:



CHAIRMAN  
C HECTOR



TRUSTEE  
S SOHAN



PRINCIPAL OFFICER  
AR KELBRICK

## BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

### FINANCIAL STATEMENTS

for the year ended 31 December 2019

## 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  
S SOHAN



PRINCIPAL OFFICER  
AR KELBRICK

6 May 2020

## Independent Auditor's Report

To the Members of BMW Employees Medical Aid Society

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of BMW Employees Medical Aid Society (the Scheme), set out on pages 8 to 45, which comprise the statement of financial position as at 31 December 2019, and 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 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 2019, 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



National Executive: \*LL Bam Chief Executive Officer \*TMM Jordan Deputy Chief Executive Officer; Clients & Industries \*MJ Jarvis Chief Operating Officer \*AF Mackie Audit & Assurance \*N Sing Risk Advisory DP Ndlovu Tax & Legal \*MR Verster Consulting \*JK Mazzocco People & Purpose MG Dicks Risk Independence & Legal \*KL Hodson Financial Advisory \*B Nyembe Responsible Business & Public Policy \*TJ Brown Chairman of the Board

A full list of partners and directors is available on request

\* Partner and Registered Auditor

**B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice**

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Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

### 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.

Key Audit Matters	How the matter was addressed in the audit
<p><b>Outstanding Claims Provision:</b></p> <p>As disclosed in Note 5, the carrying amount of the Outstanding Claims Provision (“IBNR”) at year-end was R3 000 000 (2018: R4 000 000). The determination of the IBNR requires the Scheme’s Trustees to make assumptions in the valuation thereof, which is determined with reference to an estimation of the ultimate cost of settling all claims incurred but not reported at the Statement of Financial Position date.</p> <p>The IBNR calculation is based on a number of variables and assumptions of which the most significant are as follows:</p> <ul style="list-style-type: none"> <li>• Previous experience in claims processing patterns; and</li> <li>• Average claims paid in the run-off period from March each year-end based on historical data.</li> </ul> <p>Given the judgement and assumptions involved, we identified the valuation of the IBNR as representing a key audit matter.</p>	<p>In evaluating the valuation of the IBNR, we audited the calculations approved by the Board of Trustees and performed various procedures including the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding from the Scheme’s actuaries regarding the process to calculate the outstanding claims provision.</li> <li>• Tested the integrity of the information used in the calculation of the IBNR by performing substantive procedures;</li> <li>• Performed a retrospective review of the IBNR raised in the 2018 financial year based on actual claims paid in 2019 to verify the assumptions applied to determine the IBNR is reasonable; and</li> <li>• Assessed the presentation and disclosure in respect of the IBNR and consider whether the disclosures reflect the risks inherent in the accounting for the IBNR.</li> </ul> <p>The assumptions applied in the IBNR are appropriate and we are satisfied that the movement of the IBNR in the Statement of Comprehensive Income and the related disclosure of the IBNR balance and assumptions are appropriate.</p>

### Other Information

The Scheme’s trustees are responsible for the other information. The other information comprises the Statement of Responsibility by the Board of Trustees, the Statement of Corporate Governance by the Board of Trustees and the Report of the Board of Trustees as required by Medical Schemes Act of South Africa which we obtained prior to the date of this report. 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.
- 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.

We also provide the Scheme's trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa, that have come to our attention during the course of our audit.

##### *Audit tenure*

In terms of CMS Circular 38 of 2018 Audit tenure, we report that Deloitte has been the auditor of BMW Employees Medical Aid Society for 1 year.

The engagement associate director, Jan van Staden, has been responsible for the BMW Employees Medical Aid Society audit for 1 year.

The logo for Deloitte & Touche, featuring the company name in a stylized, cursive script.

**Deloitte & Touche**  
**Registered Auditors**  
Per: Jan van Staden  
Associate Director 15  
May 2020

# BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

## REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2019

### 1 DESCRIPTION OF THE SCHEME

#### 1.1 Terms of registration

The BMW Employees Medical Aid Society is a not-for-profit restricted membership Scheme registered in terms of the Medical Schemes Act, of South Africa.

#### 1.2 Benefit options within the BMW Employees Medical Aid Society

The Scheme offers one (1) benefit option.

#### 1.3 Savings plan

From 1 January 2017 the Scheme discontinued the MSA component of the benefit option. MSA balances owing to members are being refunded accordingly. The Scheme is attempting to refund all unpaid balances with assistance from the employer.

## BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

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

## 2 MANAGEMENT

### 2.1 Board of Trustees in office during the year and at the date of this report was:

C Hector	Chairman - Employer Representative	
D Radebe	Employer Representative	
E Hlophane	Employee Representative	
C Louw	Employee Representative	- resigned 31 Aug 2019
S Sohan	Employee Representative	
K Madumo	Employee Representative	
C McCrea-Phillips	Employer Representative	- resigned 20 Nov 2019
S Hoon	Employer Representative	
J Meiring	Pensioner Alternative Representative	
JP Fegbeutel	Pensioner Member Representative	
V Vatsha-Mahlaba	Co-opted Employer Representative	
T Harakhchand	Alternative Employer Representative	
J Selumane	Alternative Employer Representative	- resigned 14 Nov 2019
M Gounden	Alternative Employer Representative	
G Shafee	Alternative Employer Representative	
D Govender	Alternative Employer Representative	- appointed 14 Nov 2019

### 2.2 Principal Officer

AR Kelbrick

### 2.3 Registered office address and postal address

1 Discovery Place	PO Box 786722
Sandton	Sandton
2146	2146

### 2.4 Scheme administrator during the year

Discovery Health Proprietary Limited

1 Discovery Place	PO Box 786722
Sandton	Sandton
2146	2146

## BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

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

#### 2.5 Investment managers during the year

The Scheme made use of the services of the following asset managers:

- 27Four Life Limited
- Allan Gray Life Limited
- Aluwani Capital Partners Proprietary Limited
- Mazi Asset Management Proprietary Limited
- Prudential Portfolio Managers (South Africa) Life Limited
- Sanlam Collective Investments (RF) Proprietary Limited

#### 2.6 Investment consultant during the year

Old Mutual Wealth Limited

1 Mutual Place	PO Box 650140
Second Floor	Benmore
107 Rivonia Road	Johannesburg
Sandton	2010
2146	

#### 2.7 Actuaries

Mr Pieter Grobler	Discovery Health Proprietary Limited
1 Discovery Place	PO Box 784262
Sandton	Sandton
2146	2146

#### 2.8 Risk transfer arrangement during the year

Netcare 911 (Pty) Ltd

Details regarding the result in respect of risk transfer arrangement have been disclosed in note 11.

The Crescent Office Park	P.O.Box 3455
No.3 Eglin Road	Halfway House
Crescent 2	1685
Sunninghill	
2157	

## 3 INVESTMENT POLICY OF THE SCHEME

The Trustees continue to invest funds in line with the requirements of the Act. The Scheme continues to pursue a growth-orientated investment strategy.

## BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

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

## 4 REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

### 4.1 Operational statistics

	2019	2018
Number of members at the end of the accounting period	3,295	3,640
Number of beneficiaries at the end of the accounting period	8,087	8,512
Average number of members for the accounting period	3,488	3,441
Average age of beneficiaries for the accounting period	28.04	27.86
Pensioner ratio (beneficiaries > 65 years)	2.47%	2.20%
Average net contributions per member per month	R 4,447.73	R 4,183.78
Average net contributions per beneficiary per month	R 1,918.35	R 1,691.30
Average claims incurred per member per month	R 3,819.02	R 3,364.78
Average claims incurred per beneficiary per month	R 1,647.18	R 1,360.22
Average administration costs per member per month	R 209.81	R 200.56
Average administration costs per beneficiary per month	R 90.49	R 81.08
Average managed care: Management services per member per month	R 93.69	R 88.88
Accumulated funds per member at 31 December	R 55,555.89	R 44,887.09
Beneficiary ratio at 31 December	2.45	2.34
Net claims as a percentage of net contributions	85.86%	80.42%
Managed care: Management services as a percentage of gross contributions	2.11%	2.12%
Administration expenses as a percentage of gross	6.10%	5.92%

### 4.2 Results of operations

The results of the Scheme are set out in the financial statements and the Trustees believe that no further clarification is required.

### 4.3 Accumulated funds ratio

	2019	2018
	R	R
The accumulated funds ratio is calculated on the following		
Total members' funds per statement of financial position	203,547,226	175,689,014
- Less: Available-for-sale reserve **	(20,490,572)	(12,300,016)
(Refer to 4.3)		
Accumulated funds per Regulation 29	183,056,654	163,388,998
Annualised gross contributions	186,164,161	172,756,552
Accumulated funds ratio = Accumulated funds/annualised gross contribution income x	98.33%	94.58%

## BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

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

#### 4.3 Accumulated funds ratio (continued)

\*\* Cumulative net gains on re-measurement to fair value are calculated as follows:

	2019	2018
	R	R
Net cumulative gain at the beginning of the period	12,300,016	18,525,858
Unrealised gain / (loss) on revaluation of available-for-sale investments included in accumulated funds	8,190,556	(994,322)
Realised (gains) on derecognition of available-for-sale investments	-	(5,231,520)
<b>Cumulative net gain on remeasurement to fair value of available-for-sale investments included in accumulated funds</b>	<b>20,490,572</b>	<b>12,300,016</b>

#### 4.4 Reserve accounts

Movements in the reserves are set out in the statement of changes in funds and reserves. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

#### 4.5 Outstanding risk claims

Movements on the outstanding risk claims provision are set out in note 5 to the financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

## 5 ACTUARIAL SERVICES

The Scheme's actuaries have been consulted in the determination of the contribution and benefit levels. The Scheme's actuaries also calculate the annual budget and monthly actuarial reports of the Scheme, including the monthly incurred but not yet reported (IBNR) claims provision.

## 6 EVENTS AFTER THE REPORTING DATE

At the reporting date, there were no cases of COVID-19 identified in South Africa, and the decline in the fair value of investments occurred after the reporting date. These events are non-adjusting events after the reporting date and no adjustments were made to the amounts recognised in the financial statements as at 31 December 2019.

Subsequent to the reporting date and prior to the date the financial statements were authorised for signature, the President of South Africa declared a national state of disaster as a result of the global COVID-19 pandemic on 15 March 2020. Even though South Africa is in the early stage of the outbreak, and there exist uncertainties about the potential impact of COVID-19 on the Scheme and its members, the Scheme has considered various possible scenarios, including stress test scenarios, to assess the potential impact of COVID-19. The results of the scenarios indicate that the Scheme's claims for 2020 could either decrease by approximately 2.4% or increase by approximately 6.5%.

The Board of Trustees are of the view that the Scheme's strong financial position and reserve levels will allow the Scheme to absorb the potential direct and indirect negative impact of COVID-19 with a reduction of less than 1% in the 2020 solvency level, based on the most likely scenario, and it is not envisaged that it will have an impact on the Scheme's ability to pay claims as they arise.

## BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

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

## 6 EVENTS AFTER THE REPORTING DATE (continued)

COVID-19 has also had a dramatic impact on the South African and global investment markets resulting in a decline in the fair value of investments between the reporting date and the date when the financial statements were authorised for signature. The Trustees and investment advisor continue to monitor this impact.

The Trustees have considered various benefit initiatives to ensure that members' healthcare requirements are adequately addressed, while also ensuring the sustainability of the Scheme. Amongst these are costs associated with diagnostic and treatment interventions for COVID-19, which are covered in accordance with the Prescribed Minimum Benefit requirements as well as the parameters outlined in the registered Scheme Rules.

## 7 RELATED PARTY TRANSACTIONS

Discovery Health Proprietary Limited is the administrator of the Scheme.

Payments are made in terms of the administration and managed care agreements, reviewed for 2019 at the end of 2018, with Discovery Health (Pty) Ltd. Fees were paid as follows:

	2019	2018
	R	R
Discovery Health Proprietary Limited	12,044,824	11,272,576
Administration fees	8,123,370	7,602,488
Managed care: management services fees	3,921,454	3,670,088

## 8 AUDIT AND RISK COMMITTEE

An Audit and Risk Committee (the Committee) was established in accordance with the provisions of the Act. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of six members of which two are members of the Board of Trustees.

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

- 10 April 2019
- 7 November 2019

The Administrator attend all Committee meetings and has unrestricted access to the Chairman of the Committee. The external auditor of the Scheme attend meetings on invitation only. The Chairman of the Board of Trustees has unrestricted access to the Chairman of the Committee.

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

This Committee also acts as a risk committee.

The Committee presently comprises:

S Moodley	Independent - Chairman	- resigned 31 October 2019
C Bathauer	Independent	- resigned 30 June 2019
J Badenhorst	Independent	
S Bisnath	Independent	
C Dorasamy	Independent	
C Hector	Employer Trustee	
S Sohan	Employer Trustee	

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

## 9 NON-COMPLIANCE MATTERS

### 9.1 Contributions not received within three days of them becoming due

In terms of Section 26(7) of the Medical Schemes Act, of South Africa ("the Act"), all subscriptions or contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due.

Although the majority of contribution payments were made within the stipulated payment deadlines, there were a small number of instances where the Scheme received contributions after three days of becoming due. These contributions equate to 0.20% (2018: 0.29%) of the gross contributions billed and were received within the month of them becoming due. Such arrear payments are outside the agreed contribution collection agreements with paying parties and are actively addressed as and when they occur.

The procedures that the Scheme follows for collection of these arrear contributions are aligned with its credit risk management policies.

### 9.2 Investment in participating employers and medical scheme administrators

At 31 December 2019, the Scheme indirectly held investments in Momentum Metropolitan Holdings Limited, Liberty Holdings Limited, Standard Bank Group Limited and Discovery Holdings Limited.

Ordinarily this would be in contravention of Section 35(8) of the Act, which, inter alia, prohibits a medical scheme from investing any of its assets in an employer that participates in that scheme. However, as funds in these specific portfolios are structured at the sole discretion of the asset manager in a manner that maximizes the return on investment, and neither the Scheme nor these employers provide input into the structuring of the portfolio.

The Scheme has received exemption from the Council for Medical Schemes, from compliance this section of the Act.

### 9.3 Claims payments in excess of 30 days

In terms of Section 59(2) of the Medical Schemes Act, of South Africa ("the Act"), a medical scheme shall, in the case where an account has been rendered, subject to the provisions of this Act and the rules of the medical scheme concerned, pay to a member or a supplier of service, any benefit owing to that member or supplier of service within 30 days after the day on which the claim in respect of such benefit was received by the medical scheme

Instances were identified where claims that were processed on time had not passed for payment within 30 days. These are isolated cases and thus do not have a material effect on the Scheme.

The error is not expected to re-occur as internal quality assurance checks have been implemented to ensure payments are released timeously.

### 9.4 Prescribed minimum benefits

Section 29(1)(o) and Regulation 8 provide the scope and level of minimum benefits that the Scheme must provide to members and dependants. During the year under review there were isolated instances where the Scheme did not pay claims in accordance with the scope and level of minimum benefits. The claims are being reprocessed to ensure that they are correctly paid.

## BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

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

#### 10 MEETING ATTENDANCE

The following schedules set out Board of Trustee meeting attendances and attendances by members of Sub- Committees:

Board of Trustees meetings	Number of meetings
Number of meetings for the year	6
C Hector	3
D Radebe	3
E Hlophane	5
C Louw - resigned 31 Aug 2019	2
S Sohan	5
K Madumo	4
J Meiring	5
JP Fegbeutel	6
V Vatsha-Mahlaba	4
C McCrea-Phillips - resigned 20 Nov 2019	3
T Harakhchand	2
J Selumane - resigned 14 Nov 2019	-
S Hoon	4
M Gounden	4
G Shafee	3
D Govender - appointed 14 Nov 2019	-
<b>Attendees:</b>	
AR Kelbrick - Principal Officer	6

## BMW EMPLOYEES MEDICAL AID SOCIETY

(Registration no. 1526)

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

#### 10 MEETING ATTENDANCE (continued)

Audit and Risk Committee meetings	Number of meetings
Number of meetings for the year	2
S Moodley - resigned as at 31 Oct 2019	1
C Bathauer - resigned as at 30 June 2019	1
J Badenhorst	2
S Bisnath	2
C Dorasamy	2
C Hector	-



CHAIRMAN  
C HECTOR



TRUSTEE  
S SOHAN



PRINCIPAL OFFICER  
AR KELBRICK

6 May 2020

## FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2019

### STATEMENT OF FINANCIAL POSITION

at 31 December 2019

	Notes	2019 R	2018 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Available-for-sale investments	2	157,814,529	127,942,836
<b>Current assets</b>			
Trade and other receivables	3	2,134,279	3,778,596
Cash and cash equivalents	4	49,287,991	51,026,753
<b>Total assets</b>		<b>209,236,799</b>	<b>182,748,185</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
Accumulated funds		183,056,654	163,388,998
Available-for-sale reserve		20,490,572	12,300,016
<b>Current liabilities</b>			
Outstanding risk claims provision	5	3,000,000	4,000,000
Personal medical savings account liability	6	107,772	107,828
Trade and other payables	7	2,581,801	2,951,343
<b>Total funds and liabilities</b>		<b>209,236,799</b>	<b>182,748,185</b>

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 R	2018 R
<b>Risk contribution income</b>	<b>8</b>	<b>186,164,161</b>	<b>172,756,552</b>
<b>Relevant healthcare expenditure</b>		<b>(159,848,860)</b>	<b>(138,938,536)</b>
Risk claims incurred	9	(157,516,264)	(138,149,864)
Managed care: management services	12	(3,921,454)	(3,670,088)
Claims recoveries from third parties	10	1,561,977	2,050,256
Net income on risk transfer arrangement		26,881	831,160
Risk transfer arrangement fees	11	(322,602)	(272,914)
Recoveries from risk transfer arrangement	11	349,483	1,104,074
<b>Gross healthcare results</b>		<b>26,315,301</b>	<b>33,818,016</b>
Administration expenditure		(8,123,370)	(7,602,488)
Other operating expenses	13	(658,464)	(678,967)
Net impairment on healthcare receivables	14	(2,571,664)	(1,945,106)
<b>Net healthcare results</b>		<b>14,961,803</b>	<b>23,591,455</b>
<b>Other income</b>		<b>5,446,759</b>	<b>9,672,285</b>
Investment income	15	5,446,935	9,643,204
Sundry (expenses) / income	16	(176)	29,081
<b>Other expenditure</b>		<b>(740,905)</b>	<b>(690,142)</b>
Expenses for asset management services rendered	2	(740,905)	(690,142)
<b>Net surplus for the year</b>		<b>19,667,656</b>	<b>32,573,598</b>
<b>Other comprehensive income / (loss)</b>		<b>8,190,556</b>	<b>(6,225,842)</b>
Fair value adjustment on available-for-sale investments	2	8,190,556	(994,322)
Realised (gain) on available-for-sale investments	2	-	(5,231,520)
<b>Total comprehensive income</b>		<b>27,858,213</b>	<b>26,347,756</b>

## STATEMENT OF CHANGES IN FUNDS AND RESERVES

for the year ended 31 December 2019

	<b>Accumulated funds</b>	<b>Available-for-sale reserve</b>	<b>Members' funds</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Balance at 1 January 2018</b>	<b>130,815,400</b>	<b>18,525,858</b>	<b>149,341,258</b>
Total comprehensive income for the year	32,573,598	(6,225,842)	26,347,756
Net surplus for the year	32,573,598	-	32,573,598
Other comprehensive expense	-	(6,225,842)	(6,225,842)
Changes in fair value of available-for-sale investments	-	(994,322)	(994,322)
Realised (gains) on disposal of available-for-sale investments	-	(5,231,520)	(5,231,520)
<b>Balance at 31 December 2018</b>	<b>163,388,998</b>	<b>12,300,016</b>	<b>175,689,014</b>
Total comprehensive income for the year	19,667,656	8,190,556	27,858,213
Net surplus for the year	19,667,656	-	19,667,656
Other comprehensive income	-	8,190,556	8,190,557
Changes in fair value of available-for-sale investments	-	8,190,556	8,190,556
Realised losses on disposal of available-for-sale investments	-	-	-
<b>Balance at 31 December 2019</b>	<b>183,056,654</b>	<b>20,490,572</b>	<b>203,547,227</b>

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Notes	2019 R	2018 R
<b>Cash flows from operating activities</b>			
Cash flows from operations before working capital changes	17	16,817,109	24,777,060
Working capital changes			
- (Decrease) in trade and other receivables		(952,831)	(1,912,505)
- (Decrease) in trade and other payables		(369,542)	(603,973)
- (Decrease) / increase in outstanding risk claims provision		(1,000,000)	1,000,000
- (Decrease) in medical savings account liability		(56)	(108,798)
		<hr/>	<hr/>
Cash generated by operations		14,494,680	23,151,784
- Income from investments		5,447,695	4,372,479
<b>Net cash inflows generated from operating activities</b>		<b>19,942,375</b>	<b>27,524,263</b>
<b>Cash flows from investing activities</b>			
(Additions) to available-for-sale investments	2	(22,422,042)	(46,480,886)
Proceeds on disposal of investments	2	740,905	27,581,650
<b>Net cash outflow from investing activities</b>		<b>(21,681,137)</b>	<b>(18,899,236)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(1,738,762)</b>	<b>8,625,027</b>
Cash and cash equivalents at beginning of the year		51,026,753	42,401,726
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	4	<b>49,287,991</b>	<b>51,026,753</b>
		<hr/> <hr/>	<hr/> <hr/>
Current, short term deposits and money market accounts		49,287,991	51,026,753



At a meeting of the BMW Employees Medical Aid Society's Board of Trustees held on 17th September 2020, the Trustees resolved to re-appoint Deloitte & Touche as the Scheme's auditors for the 2020 financial year.

Call Centre 0860 002 107 | [service@discovery.co.za](mailto:service@discovery.co.za) | [www.bemas.co.za](http://www.bemas.co.za)

BMW Employees Medical Aid Society. Registration number 1526. Administered by Discovery Health (Pty) Ltd, registration number 1997/013480/07, an authorised financial services provider.