

annual report 2009



 **bonitas**
medical fund
Serious about what you need

mission

Our mission

To provide cost-effective, affordable and appropriate cover to the emerging market.

Our corporate signature

Our Corporate Signature is distinctive and noticeable by means of the icon, colour and typeface. We have created consistency, by carrying these various elements throughout all levels of communication.

The logo icon comprising blue, red and yellow interlinked squares, reflects ultimate strength through unity. The logo icon is also a distinctive representation of the "B" in bonitas, creating recognisable synergy throughout the various design elements. This effectively brings together the logo, typeface and colour palette.

The applied typeface creates a modern and relaxed overall impression of the Corporate Signature. The bold lower-case lettering was used in order to enable high visibility and legibility. The rounded-off letters within the typeface are also clearly seen in the slightly rounded squares of the logo icon, once again pulling together the various design elements.

The colour palette forms an integral part of the Corporate Signature in aiding the overall perception of the Scheme and its personality. Red, yellow and blue are all bold, strong colours which are highly distinguishable and memorable. These colours were specifically chosen to enhance the perceptions of youth, vitality, life, energy and strength. All of these - a representation of the Bonitas brand and its members.



Serious about what you need

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** The full set of financial statements are available to members from the registered office of the Scheme.*



report of the chairperson

for the year ended 31 December 2009



Mr Bongani Mpungose (Chairperson)
and Mr Thulasizwe Shangase

This year, my first as Chairperson, has been one of extraordinary global economic circumstances and significant challenges for Bonitas Medical Fund (the Scheme).

Having taken over from Mr TD Shangase as the Chairperson on 29 November 2009, I am pleased to give a summary in this review of the achievements, challenges and results of the Scheme during the year under the leadership of my predecessor.

Operational review

In 2009, the Scheme has consistently demonstrated its commitment to building profitable, long-term customer loyalty by exceeding its customer expectations.

Winner – Customer Service

This effort was acknowledged when the Scheme was selected as the winner in the Customer Service Category at the 2009 National Business Awards presented by Topco Media. These awards recognise the country's top-performing companies and individuals in both the commercial and industrial sectors.

Value for money

A survey conducted by Alexander Forbes also identified the Scheme as offering good value for money across all benefit options, by using an actuarial model developed to assess value in terms of contributions versus the percentage of claims paid. Of the five benefit options offered during 2009, three offered better value for money than the market average. One offered the same value for money as the market average and only one was slightly higher in terms of the cost-to-benefit ratio than the average.

Financial review

A+ credit rating

The Scheme was awarded an A+ rating from Global Credit Rating Co. on their claims paying ability national rating scale. The claims paying ability ratings are exclusively accorded to insurance/reinsurance companies and rate the probability of timeously honouring policyholder obligations over the medium term (i.e. over the next 2 to 3 years). This rating was achieved based on the fact that the previously high exposure to the government sector has been reduced in recent years, countered by strong growth in the corporate buying segment of the market. The Scheme also reflects a favourable age profile relative to industry norms. In addition, the Scheme recorded solid solvency ratios over the past five years and exhibits a large investment portfolio, supported by comfortable liquidity levels.

Solvency ratio

The Scheme's solvency ratio decreased from 47.31% to 35.73% because of the deficit reported for the year of R242 million (2008: surplus of R73 million).

Net contributions for the year increased by R1 billion with a concurrent increase in net claims incurred of R1.2 billion. Returns on investments were also significantly lower than expected, a significant reason being the global credit crunch which materialized towards the end of 2008, and remained with the Scheme for the better part of 2009. These factors resulted in the adverse results reported for the year.

The Scheme is comfortable with a solvency ratio of around 30% in the long term while the Council for Medical Schemes requires a solvency ratio of only 25%. It is to be noted that the declining solvency ratio of the Scheme is in keeping with industry trends for the reporting period. The decrease in Scheme's solvency is expected to stabilise in the 2010 financial year, taking into account the revised contribution rates that were based on conservative increases in expected claims as well as expected investment returns.

Council for Medical Schemes investigation

The Council for Medical Schemes investigated the then Scheme's Principal Executive Officer (Mr B D Nkosi) and the Board of Trustees on eight allegations of corporate governance transgressions during the 2009 financial period. The investigation commenced during July 2009 after the Council had applied to be granted permission to investigate Bonitas Medical Fund under Section 51 of the Medical Schemes Act.

The Principal Executive Officer, Mr BD Nkosi, was placed on special leave with effect from 23 July 2009, pending the outcome of the investigation. During the course of the investigation, given some of the information uncovered by the investigator, the Board of Trustees charged Mr Nkosi in terms of the Labour Relations Act. However, shortly before the disciplinary hearing could take place, Mr Nkosi resigned from his position effective from 31 January 2010. We wish him well in future endeavours. Mr GJ van Emmenis, the Chief Operations Officer, was appointed as the Acting Principal Executive Officer from 2 September 2009.



Bonitas Medical Fund had offered its full cooperation to the enquiry and had appointed legal advisors to facilitate the process. The enquiry was authorised in a court application from which the Scheme was excluded. The enquiry gave the Scheme the opportunity to address its concerns and to present evidence on relevant issues. However, the Scheme is still at liberty to challenge some of the findings of the investigator, and may seek legal advice at the appropriate time should this become necessary.

The investigation has been completed and there has been no negative impact on members or on the day-to-day operations of the Scheme. However, arising from the findings of the investigator, which as indicated above, are still open to question, the Council for Medical Schemes brought an application to have the Scheme placed under the control of a curator.

Application for curatorship

The Registrar of Medical Schemes applied to have the Scheme placed under curatorship under Section 56 of the Medical Schemes Act on 26 January 2010. The curatorship application relates to the alleged governance problems of the Scheme referred to above, and not to the financial soundness of the Scheme itself.

The Registrar has continually advised members via the media that there is no cause for concern regarding the Scheme's financial position. According to the Council, the application is aimed at protecting members' interests on a corporate governance level. The Board of Trustees has obtained legal advice on the matter and has decided that it is in the best interests of members to oppose the application. The Board is confident of its position to oppose this application. At the date of this report, no court date had been secured for the hearing.

As Chairperson, I wish to reassure members that their benefits remain secured, and that, as is evident from these financial statements, the Scheme continues to be one of the most financially secured in the industry.

Clansthal development

The previous Board of Trustees established a property development company, Pegma Thirty Six Investments (Pty) Limited, for the Scheme to invest in a property development in Clansthal, KwaZulu-Natal during the course of 2005 and 2006. The development has taken longer than anticipated to complete. This delay, as well as the possibility of fraud having been committed in that entity, has resulted in actual development costs incurred exceeding the budget.

The Board of Trustees appointed Deloitte to conduct an investigation into the affairs of the development company and the financial viability of the project during the 2009 financial year. This investment is currently not optimised due to poor economic conditions specifically affecting property values.

The South African Police Services are currently investigating a fraud case against specific members of the management team that were involved in this development. It is anticipated that on the data available, the development will have to be disposed of to minimize losses. It is also anticipated, subject to the outcome of the SAPS investigations, that civil action may be launched against individuals that may have defrauded the Scheme.

At the date of this report, a decision to dispose of the development had been taken. The Trustees must still finalise whether the residential units being constructed on the property will first be completed with the intention to sell the units as an entity. This decision will be guided by experts consulted by the Scheme, however, the issue remains a standing agenda point for the Board of Trustees meetings, and every effort will be made to ensure that any losses are minimized.

Louis Pasteur claim

The Scheme has brought an application against Louis Pasteur Hospital Holdings (Pty) Limited (Louis Pasteur) to recover an amount of R68 million. The amount claimed is the value of paid up policies ceded to Louis Pasteur in 1996 as part of the Scheme's shareholder funding obligations that exceeded the Scheme's liability in terms of a shareholders agreement with Louis Pasteur. In addition to the above application, a vicarious liability claim has been brought against the Scheme's Administrator, Medscheme Holdings (Pty) Limited, in respect of the policies ceded. The matter is currently before the courts. Certain technical legal arguments were put before the Court on 21 May 2010, and the matter was then postponed. The next Court date has not yet been allocated.

Mitigation of damages

The Scheme has lodged a notification of the indemnity claims that may arise from fraud or negligence by an official of the Scheme on matters highlighted pursuant to the Section 51 investigation of the Scheme and its administrator, with its professional indemnity insurer. The recoverability of the Louis Pasteur claim and the Clansthal development was specifically included in this notification. The insurer is in the process of assessing the notified claims, after which a decision to repudiate or honour the claims will be taken and the claims will then be quantified.

Condolences

It is with deep regret that I report the loss of one of our Trustees, Mr SM Nkosi, who passed away on 23 January 2010 in office and I express my personal condolences to his family, friends and colleagues.

Acknowledgements

My thanks and appreciation goes to all the Trustees, executives and employees of the Scheme for their hard work and dedication during a challenging, but exciting 2009. I look forward to their support and advice during the next financial year. I also wish to give special thanks to my predecessor, Mr TD Shangase, for his invaluable contribution during the past year as Chairperson of the Scheme.



Mr Bongani Mpungose
Chairperson



report of the principal executive officer

for the year ended 31 December 2009

report of the principal executive officer

for the year ended 31 December 2009



GJ van Emmenis
(Acting Principal Executive Officer)

I have pleasure in presenting the summarised operational and financial results for the year ended 31 December 2009, as well as an overview of the Scheme's corporate social initiatives and corporate sponsorships during the period under review.

Operational Review

Claims processed	Paypoints visited	1 st time query resolution
98.2%	9,546	85.15%
within 10 days	up from 7,138 visits	up from 84.42%

The Scheme continued to perform extremely well operationally, striving to serve its members and to continuously exceed their expectations.

Claims processing

Of the 30.1 million claim lines submitted during 2009, 96.4% were submitted using electronic channels. 98.2% of the approved claims were processed for payment within 10 days of the claim being received.

The Scheme continues to maintain an exceptional average turnaround time of 3 days from the receipt to payment of electronic claims.

Call centre performance and new membership applications

The call centre excelled, with only 2.3% of all calls being abandoned. Members only waited an average of 18.9 seconds before receiving the required service from a call centre agent. 85.15% of all calls received from members were resolved immediately with an exceptional average turnaround time of just 4 minutes, requiring no escalation of the queries nor follow up actions.

We approved 55,014 new membership applications during 2009. New members only had to wait 3.4 days from the receipt of their application forms to the activation of their membership.



Member visits

Our customer service teams visited 9,546 paypoints in 2009, where they could assist 52,343 members personally with matters such as product education, member detail updates and signing up new members.

In addition, we hosted 125 wellness days at various paypoints where we provided check-ups to members for their convenience. Services offered to our members at these wellness days included assessment of blood glucose and cholesterol levels as well as members' HIV status.

Financial Review

Solvency	Membership	Deficit for the year
35.73%	279,546	R242 million
down from 47.31%	up from 258,910	down from a surplus of R73 million

Financial performance for the year

	Rand million		
	2009	2008	% Movement
Net contributions	6 087	5 087	+ 19.7%
Net claims incurred	5 562	4 390	+ 26.7%
Non-health care expenditure	892	719	+ 24.1%
Investment income	210	286	- 26.6%

Contributions

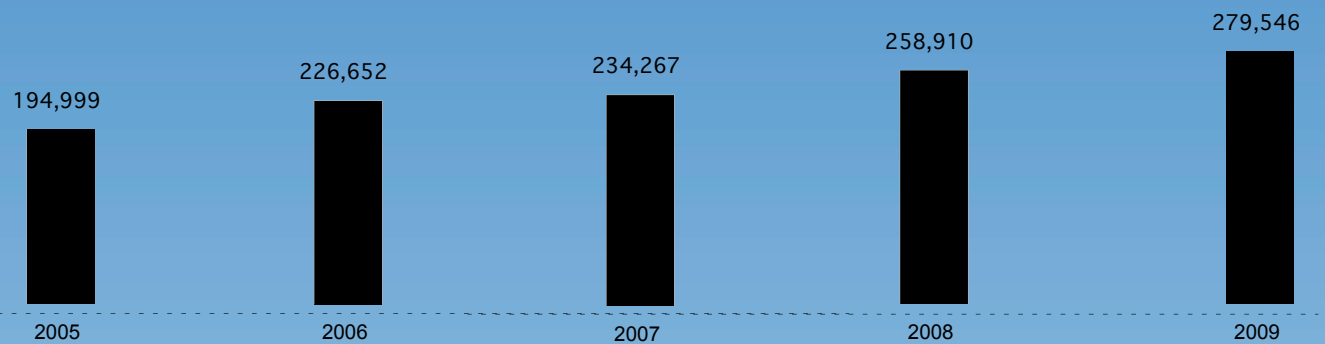
Net contributions received during the period increased by R1 billion from that received during 2008. The main contributing factors to this increase were an increase in the Scheme's membership by 8% from 258,910 members at 31 December 2008 to 279,546 members at 31 December 2009, as well as an average increase in contribution rates of 12.5% across all benefit options for the year.

The increases in the contribution rates were calculated based on (among other things) the Trustees best estimate of increases in general practitioner, specialist-healthcare provider and the anticipated National Hospital Reference Price List (NHRPL) tariff inflation as well as utilisation for 2009.

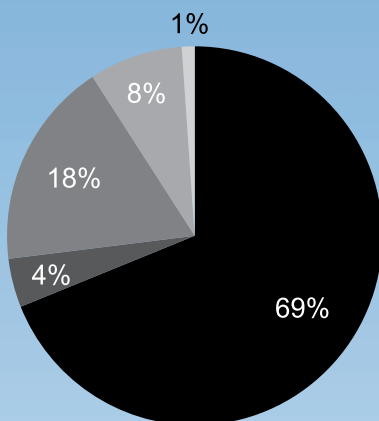
Membership

Movements in total membership and between the benefit options are illustrated in the charts below:

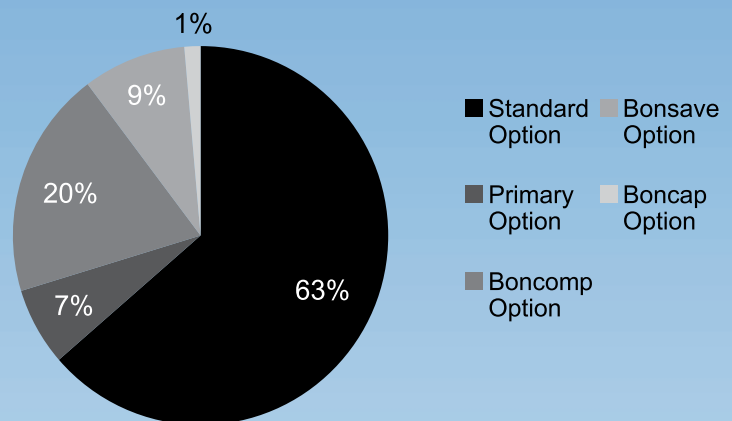
Total membership



Number of membership 2008



Number of membership 2009

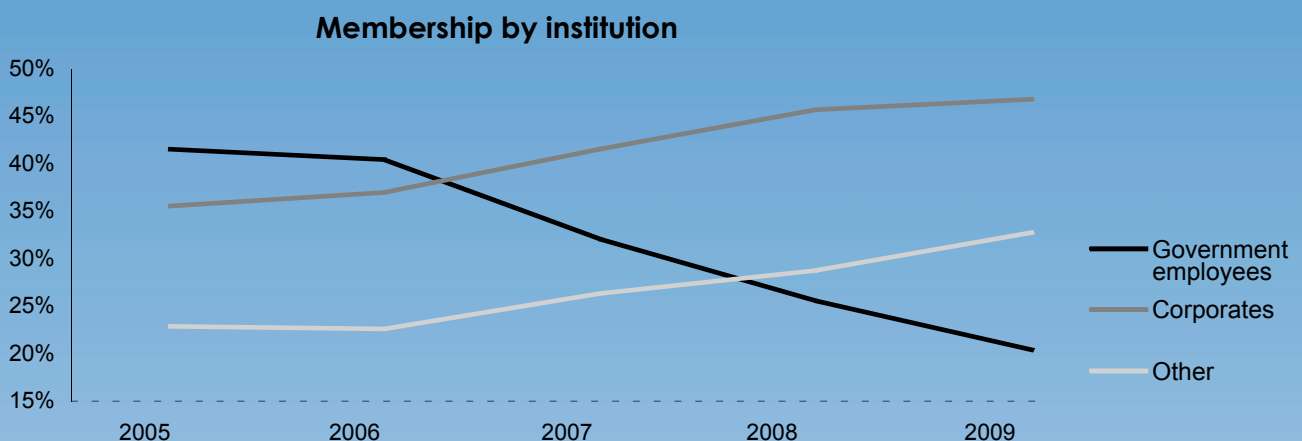


Claims

Net claims incurred increased by 7.2% more than the increase in net contributions primarily due to the increases in the cost of claims rather than the frequency of claims received during the period. The industry anticipated an 8.0% to 8.5% increase in NHRPL from 2008 to 2009. Bonitas specifically budgeted for an average tariff inflation of 8.5% in calculating increases in contribution rates for the 2009 financial year. The actual tariff inflation for 2009 was 2.2 percentage points higher at 10.7%, resulting in higher net claims paid than budgeted by the Scheme across all benefit options.



The membership profile of the Scheme also changed from 2008, adversely affecting net claims paid. The Scheme lost membership from lower claiming government employee beneficiaries to the Government Employees Medical Scheme (GEMS). New membership arose primarily from Corporate entities and Small and Medium Enterprises (SMEs) leading to higher claims experiences than budgeted for based on the 2008 membership profiles. The average age of beneficiaries increased thereby resulting in an increase in claims paid due to the change in the risk profile in some of the new beneficiaries of the Scheme.



Lastly, new medical technology and drugs continually became available and over time the use of these new technologies and drugs become more widespread. Typically, the new forms of treatment are more expensive than the old ones, resulting in an increase in the average cost of claims.

Non-health care expenditure

Non-health care expenditure increased by R176 million from that incurred in 2008. Managed care: management services, broker service fees and administrator's fees for the year increased by R115 million as a direct result of the increase in the Scheme's membership.

Staff remuneration increased by R8.2 million predominantly as a result of an increase in the average number of employees employed by Bonitas Marketing (Pty) Limited (2009: 40 and 2008: 31), with related increases and other components of remuneration. Increased marketing, advertising and promotions activities during the year saw an increase of R17.5 million in this expense for 2009 which is attributable to the increase in the Scheme's membership and a larger allocated budget for marketing spend. The benefits of the increased marketing spend can be substantiated by the approval of the 55 014 new member applications in 2009.

Investigation fees relating to fraudulent claim submissions by both members and service providers increased by R5.6 million, as the Scheme attempted to prosecute fraud perpetrators and recover funds. Actual fraudulent claims recovered, disclosed as sundry income, were R2 million for the year (2008: R8.7 million).

Professional services and legal fees increased by R10.3 million to R13 million for 2009. Of this amount, R5.9 million was in respect of compliance with the Section 51 investigation by the Council for Medical Schemes during 2009, due to the alleged concerns regarding the governance of the Scheme, including the fees of the investigator. A further R800 000 was incurred in respect of Council's legal fees; R2.6 million on ad-hoc projects with professional services entities to further improve the Scheme's governance, as a consequence of the Section 51 investigation; R500 000 in respect of the Pegma Thirty Six Investments (Pty) Limited investigation; R2 million on legal and ad-hoc matters; and R1.2 million by subsidiary companies on professional services.

Disallowed VAT input tax credits of R5.8 million on operating expenses incurred by Bonitas Marketing (Pty) Limited was expensed during the year and the Scheme wrote off R6.6 million in respect of an intragroup adjustment in respect of VAT input tax credits on prior period property related expenses transferred to the Scheme from Pegma Thirty Six Investments (Pty) Limited.

Investment income

The Scheme realised significantly less income from investments during the 2009 financial year in comparison to its budget as well as the investment income earned in the prior year. This was primarily due to the credit crunch and poor market performance for all investment categories.

Financial position at 31 December

	Rand million		
	2009	2008	% Movement
Members' funds	2 327	2 484	- 6.3%
Available-for-sale investments	1 228	984	+ 24.8%
Cash and cash equivalents	1 336	1 718	- 22.2%
Outstanding claims provisions	257	219	+ 17.3%

Members' funds and solvency

Members' funds decreased as a result of the deficit for 2009. This deficit was partially offset by net unrealised gains of R86 million for the year resulting from available-for-sale investments from favourable changes in the market values of these investments at year end.

The decrease in members' funds has resulted in a decrease in the solvency ratio from 47.31% at 31 December 2008 to 35.73% at 31 December 2009. The Scheme is comfortable with a solvency ratio of around 30% in the long term, and the minimum solvency margin required by the Council for Medical Schemes is 25%. It should be pointed out that this trend was experienced throughout the industry for the 2009 financial year, and therefore the decrease in the solvency ratio should not be alarming.

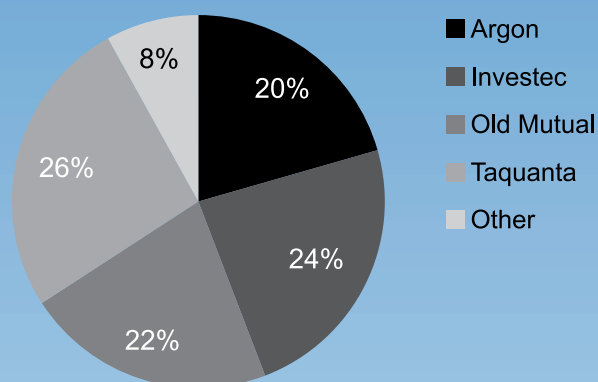
The agreed contribution rates for 2010 are expected to result in a budgeted surplus for 2010 to the Scheme, after taking into account conservative increases in expected claims as well as expected investment returns. This is expected to stabilise the decrease in solvency.



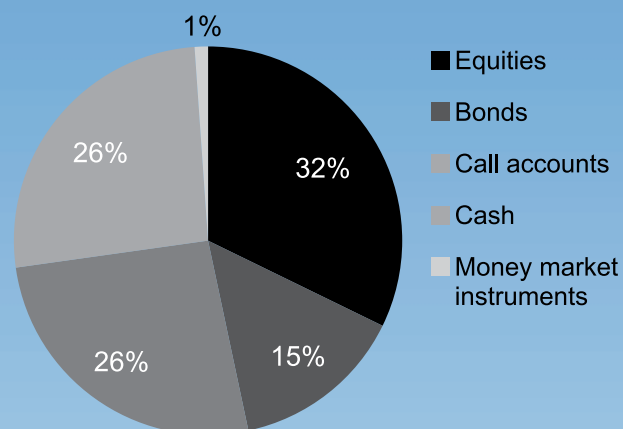
Available-for-sale investments and cash and cash equivalents

Four investment managers manage the Scheme's available-for-sale investments and cash and cash equivalents: Argon Asset Management (Pty) Limited; Investec Asset Management (Pty) Limited; Old Mutual Investment Group (SA) (Pty) Limited; and Taquanta Asset Managers (Pty) Limited. At 31 December 2009 the percentage holding of managed funds and the structure of the investment portfolio was as follows:

Percentage holding of managed funds at 31 December 2009



Investment portfolio structure at 31 December 2009



The performance of the portfolios managed by Argon, Investec and Old Mutual is benchmarked against Consumer Price Index (CPI) plus 4%. Taquanta's performance is benchmarked against the performance of the SteFi Composite index. All asset managers had outperformed their benchmarks for the twelve-month period ending 31 December 2009 despite the tough economic climate faced during this period.

Outstanding claims provision

The outstanding claims provision is the amount held for claims incurred during 2009, but which have not been paid as at 31 December 2009. The majority of the provision is in respect of December 2009 claims, with 47.5% of the total expected claims being outstanding at year-end. Data relating to claims paid until the end of March 2010 was available when the provision was raised, and 90.5% of the provision is based on actual claims paid from January to March 2010 in respect of claims incurred prior to 31 December 2009. The remainder of the provision relates to claims still expected to be paid after 31 March 2010 in respect of claims incurred prior to 31 December 2009.

Corporate Social Initiatives and Corporate Sponsorship

Our success as Bonitas Medical Fund is due to the fact that we invest and reinvest, wherever possible through procurement and corporate social initiatives (CSI), as we firmly believe in the upliftment of our communities. These initiatives are also structured in a way that they link to our corporate sponsorships. Sponsorship for us is about promoting healthy and active lifestyles for our members. We therefore support sports that promote easy access to physical health; like hiking, running, soccer and cycling.

Comrades Marathon The Ultimate Human Race

As a full time advocate of healthy lifestyles, what better challenge is there to support other than the Comrades Marathon – also known as The Ultimate Human Race.

Our long-term sponsorship of the Comrades Marathon, further entrenches the responsibility we have undertaken to promote easy access to physical health for the masses.

Wildlands initiative - Treepreneurs

Through Comrades, the Scheme is involved in an initiative called the Wildlands' Comrades ReLeaf Campaign, one of the five Comrades Charities, which raises funds for the Indigenous Trees for Life Programme.

The Indigenous Trees for Life is a livelihood programme aimed at greening communities and restoring degraded forests and, at the same time, uplifting poor and vulnerable children and adults, dubbed "Treepreneurs". The Treepreneurs grow indigenous trees from seed, care for the plants until they reach a certain height and then trade them back to the Wildlands Conservation Trust for food, clothes, bicycles, agricultural goods and even school and university fees. There are now more than 3 000 Treepreneurs in 23 communities around KZN, Mpumalanga and Gauteng, helping to offset the carbon emissions by industry and all of us.

Bonitas Medical Fund has agreed to underwrite the development of this programme by providing educational support to the participants.

Free State Stars

The Scheme provides full sponsorship to the Premier Soccer League team, Free State Stars. With soccer being the biggest spectator sport in South Africa and indeed the world, our partnership with the team is a strategic one that will help us encourage and promote a healthy lifestyle through sporting sponsorships. We are proud to be a supporter of a local team and its fan base. The team did us proud in the 2008/09 soccer season by emerging from the bottom eight of the league to take up 4th position in the season ending April 2009.



Newtons FC soccer kits

In the month of April 2009, we stumbled upon a community-based soccer team, Newtons FC, based in Stellenbosch, coached by a respected member of the local police force, Inspector Bernard Adams. The team is a small success story in itself and is set to take the local youth football community by storm.

The boys on the team clean up their community; cleaning streets, painting and gardening in their free time, even on weekends, to raise funds for the local municipality. This illustrated to us the level of responsibility and respect that belonging to this team has instilled in these boys and we are proud to be associated with them.

It is for this reason that Bonitas Medical Fund took a decision to donate soccer kits to the team. Our donation is aimed at helping these young kids develop a healthy lifestyle through participation in sport and supporting them in achieving their own dreams and goals. Through the sponsorship of these kits, the Scheme is playing a role in supporting the team's safe haven away from home, building their feeling of belonging to a brotherhood and, most importantly, helping them to be seen for the upstanding young men of the Stellenbosch community they are and the potential football stars they could become.

MTN Energade Cycle Team

The Scheme is the official medical aid sponsor of the internationally ranked MTN Energade cycling team which was created in 1997. The Ryder Cycling's UCI (International Cycling Union) continental men's professional road team has been the most successful South African professional team over the past decade. They have won more than 50% of their races, and in the past three years, this has risen to more than 65 percent. They are currently known as MTN Energade, and are registered as a UCI continental team.

Bonitas Housecall

Bonitas Housecall, hosted by Dr. Ramathesele, is a medical TV Talk show that has been on air for 5 years, every Saturday from 09h00 to 10h00 on SABC 2. This live weekly programme offers free medical advice and tips as well as focusing on specific medical issues that are in the public domain. The show is interactive with viewers' calls and text messages being responded to on air by Dr Ramathesele and his panel of invited experts.

Looking Forward – 2010

Contribution rates

Contribution rate increases for 2010 were 14.9 percent for most options and various benefit changes were made in order to address the deficit incurred in 2009 and to ensure that this does not recur in 2010. The increase in contribution rates was determined based on a full actuarial benefit and contribution review of the Scheme.

In calculating the budget for 2010, management was also very conservative in estimating the expected returns on investments to further address the deficit incurred in 2009.

New benefit option

The Scheme introduced a new benefit option – the BonEssential Option. This option is aimed at younger members, who require a hospital plan with basic and advanced dentistry benefits at affordable rates.

Extended GP network

The Scheme has also strengthened its GP network model for members on the Primary and Standard options. The new model applies from 2010. In a nutshell, it incentivises doctors to make sure you, as the member, remain as healthy as possible over the long term. It also offers the member more benefits if a general practitioner is selected from the Scheme's extensive primary care network, and its specialist referral system will manage members' medical information in such a manner that medical calamities are avoided.

Restructuring of the Group

During March 2010 the Board of Trustees confirmed a decision to restructure the Group. At the date of this report, neither the full impact of the restructuring activities nor the final manner in which the restructuring will be performed has been determined by management.

The development in Pegma Thirty Six Investments (Pty) Limited will be disposed of in a manner that will minimise the losses to the members of the Scheme. It is anticipated that the activities of Bonitas Marketing (Pty) Limited will be absorbed within the Scheme.

Appreciation

We would like to express our sincere gratitude to our service providers and members for their loyalty and continued support, and to our staff and all other stakeholders.



GJ van Emmenis
Acting Principal Executive Officer



report of the board of trustees

for the year ended 31 December 2009

report of the board of trustees

for the year ended 31 December 2009

The Board of Trustees hereby presents its report for the year ended 31 December 2009.



Board of Trustees: Standing from left to right Ms Lugene Koch, Mr Thulasizwe Shangase, Mr Mdumiseni Zulu, Mr Gerhard van Emmenis (COO and acting PEO, not a Trustee), Mr Nick Seobi, Ms Poppie Mabuse (Scheme Coordinator, not a Trustee) and Mr Sibusiso Mncube; seated Mr Bongani Mpungose. Not on picture Mr WF van Heerden.



Mr Willem van Heerden



1 Management

1.1 Board of Trustees in office during the year under review and at the date of this report

Chairperson:	BP Mpungose	Appointed as Chairperson on 29 November 2009
	TD Shangase	Resigned as Chairperson from 29 November 2009, remained as Trustee
Vice-chairperson:	MS Mncube	
Trustees:	L Koch	Appointed 1 February 2010
	MJ Mokoena	Resigned 1 December 2009
	MP Zulu	
	NM Seobi	
	NE Themba	Resigned 3 October 2009
	SM Nkosi	Deceased in office 23 January 2010
	WF van Heerden	

All Trustees are member elected and remain in office for a period of five years.

1.2 Acting Principal Executive Officer and Chief Operations Officer

GJ Van Emmenis
Appointed as Acting Principal Executive Officer from 2 September 2009.

Physical address	Postal address
604 Beagle Street Garsfontein X10 0060	P O Box 39022 Garsfontein 0060

1.3 Principal Executive Officer

BD Nkosi
On special leave from 23 July 2009.
Resigned in 2010, effective date of resignation was 31 January 2010.

Physical address	Postal address
16 Ashley Street Bryanston 2021	P O Box 3496 Cramerview 2060

1.4 Sub-Committees of the Board of Trustees governing the Scheme at 31 December 2009

1.4.1 Audit and Risk Committee

TC Luvhani	Chairperson and independent member	
BT Mwelase	Independent member	
K Buthelezi	Independent member	
KN Vundla	Independent member	
LF Theron	Independent member	
MJ Mokoena	Trustee member	Resigned 1 December 2009
NM Seobi	Trustee member	
WF Van Heerden	Trustee member	

1.4.2 Rules and Benefits Committee*

MP Zulu	Chairperson	
MS Mncube		
NE Themba		Resigned 3 October 2009
SM Nkosi		Deceased in office 23 January 2010
TD Shangase		

1.4.3 Finance and Investment Committee*

WF van Heerden	Chairperson	Appointed 3 April 2010*
MJ Mokoena	Chairperson	Resigned 1 December 2009*
BP Mpungose		
MP Zulu		
MS Mncube		
TD Shangase		

** The Committee reconvened on 3 April 2010, where Mr WF van Heerden was appointed as Chairperson.*

1.4.4 Human Resources Committee*

TD Shangase	Chairperson
BP Mpungose	
MP Zulu	
MS Mncube	

**All members of these Committees are Trustees of Bonitas Medical Fund.*



1.4.5 Procurement and Contracts Committee*

NE Themba	Chairperson	Resigned 3 October 2009*
BP Mpungose		
MS Mncube		
NM Seobi		
SM Nkosi		Deceased in office 23 January 2010
TD Shangase		
WF van Heerden		

** The Committee reconvened on 3 April 2010, where Ms L Koch, a Trustee appointed in 2010, was appointed as Chairperson.*

1.4.6 Executive Committee - Dissolved 28 November 2009*

BP Mpungose
TD Shangase
MS Mncube
MJ Mokoena

**All members of these Committees are Trustees of Bonitas Medical Fund.*

1.5 Registered office and postal address

Office address	Postal address
170 Curzon Road	P O Box 3496
1st Floor, Block B	Cramerview
Bryanston Gate Office Park	2060
Bryanston	
2021	

1.6 Administrator

Medscheme Holdings (Pty) Limited

Physical address	Postal address
10 Muswell Road South	Private Bag X121
Medscheme Park	Bryanston
Bryanston	2021
2021	

Accreditation number: 21

1.7 Investment Managers

i) Old Mutual Investment Group (South Africa) (Pty) Limited

Physical address	Postal address
Mutual Park Jan Smuts Drive Pinelands 7405	P O Box 878 Cape Town 8000

Financial service provider number: 604

ii) Investec Asset Management (Pty) Limited

Physical address	Postal address
100 Grayston Drive Sandton 2196	P O Box 785700 Sandton 2146

Financial service provider number: 587

iii) Taqanta Asset Management (Pty) Limited

Physical address	Postal address
7th Floor, Newlands Terrace Boundry Road Newlands Cape Town 7700	P O Box 23540 Claremont South Africa 7700

Financial service provider number: 618

iv) Argon Asset Management (Pty) Limited

Physical address	Postal address
18th Floor Metropolitan Centre Coen Steytler Avenue Cape Town 8000	P O Box 482 Cape Town 8000

Financial service provider number: 835



1.8 Investment Advisors

Selekane Asset Consultants (Pty) Limited

Physical address

Lansdown House
Hampton Park
20 Georgian Crescent
Bryanston
2152

Postal address

P O Box 522118
Saxonworld
2132

1.9 Actuary

Health Risk Solutions, a Division of Medscheme Holdings (Pty) Limited

Physical address

The Park
Medscheme House
Pinelands
7405

Postal address

PO Box 38632
Pinelands
7430

1.10 External Auditor

KPMG Incorporated

Physical address

KPMG Crescent
85 Empire Road
Parktown
South Africa
2193

Postal address

Private Bag X9
Parkview
2122

1.11 Internal Auditor

Nkonki Incorporated

Physical address

3 Simba Road
Sunninghill
South Africa
2157

Postal address

P.O. Box 1503
Saxonwold
2132

1.12 Managed Care Provider

Health Risk Solutions, a division of Medscheme Holdings (Pty) Limited

Physical address

The Park
Medscheme House
Pinelands
7405

Postal address

PO Box 38632
Pinelands
7430

Accreditation number: MCO:53

2 Description of the group

2.1 Terms of Registration

Bonitas Medical Fund (the Scheme) is a non-profit, open medical scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended, and is incorporated and domiciled in the Republic of South Africa. It is the third-largest medical scheme registered in South Africa and the second-largest open medical scheme, and is administered by Medscheme Holdings (Pty) Limited. The Group comprises the Scheme and its two 100%-owned subsidiaries, Bonitas Marketing (Pty) Limited and Pegma Thirty Six Investments (Pty) Limited (the Group).

2.2 Benefit Options

The Scheme offered the following five benefit options to employers and members of the public during the year:

- Standard Option;
- Bonsave Option;
- Primary Option;
- Boncap Option; and
- Boncomprehensive Option.*

* Referred to as the Boncomp Option in the summarised consolidated annual financial statements.

The features of the benefit options are as follows:

i) Standard Option

Gives complete peace of mind for the whole family. It combines comprehensive cover with generous day-to-day benefits in order to meet the needs of a growing family. The Standard Option has an unlimited overall annual limit and offers substantial chronic medicine benefits.



ii) **Bonsave Option**

Designed for young executives, professionals and active members. The Bonsave Option offers a savings account with affordable contributions. The flexibility of savings allows for the payment of out of hospital expenses. This option covers private wards for post delivery and no hospital network.

iii) **Primary Option**

This option has been designed for members that do not require extensive chronic medicine benefits. With an overall annual limit of R600,000 the Primary Option provides affordable cover with rich day-to-day benefits.

iv) **Boncap Option**

This option is designed for members who require access to affordable cover at a preferred provider, and generous medical benefits. It offers substantial benefits at affordable rates. This option provides value for money by making use of the Prime Cure Network. With an overall annual limit of R500,000 per family, the Boncap Option offers extensive hospital cover, with generous GP consultation and medicine benefits. Members and beneficiaries can access providers that are contracted to the Prime Cure Network.

v) **Boncomp Option**

This is a new generation option with a threshold to provide members with peace of mind and it covers major medical expenses at 300% of the Bonitas rate. This option covers a wide range of chronic diseases at any service provider and provides unlimited hospitalisation with no hospital network.

2.3 **Savings Plan**

In order to provide a facility for the Scheme members to set aside funds to meet future health care costs not covered in the benefit options, the Trustees have made the savings plan options available to meet this objective.

The Bonsave and Boncomp options provide members with the facility to pay an agreed sum, up to a maximum of 25% of their gross contributions, into a savings account to help pay the members' portion of healthcare costs up to a prescribed threshold.

Unspent savings amounts are accumulated for the long-term benefit of the member and interest is paid on the balances at the rate specified in the rules of the Scheme. The liability to the members in respect of the savings plan is reflected as a financial liability in the summarised consolidated annual financial statements, repayable in terms of Regulation 10 of the Act.

Members are refunded the positive savings balances 5-months after termination of membership from the Scheme. Should the member join another medical scheme with a savings option after termination, the positive savings balance is transferred to the new scheme.

3 Investment strategy

The Group's investment objective is to maximise the return on its investments on a long term basis at minimal risk. The investment strategy takes into consideration the limitations imposed by legislation and those imposed by the Board of Trustees.

To achieve this investment objective the Board has identified that an amount not exceeding the accumulated funds of the Group as defined by Regulation 29 of the Act, will be allocated to a strategic investment portfolio which will be managed by the Finance and Investment Committee in conjunction with the Group's appointed investment advisors. The Finance and Investment Committee was established and is mandated by the Board of Trustees by means of written Terms of Reference as to its membership, authority and duties. The Committee consists of five members that are also Trustees at 31 December 2009. The Committee met eight times during 2009.

The mandate of the Finance and Investment Committee is to ensure that:

- The Group remains liquid;
- Available funds are invested in minimum risk investments and attract the best possible rate of return;
- Investments made are in compliance with the Regulations of the Act; and
- A risk assessment is performed and feedback is given to the Board of Trustees on the risks identified with recommendations to manage these risks.

The Group's investment policy is to invest up to a maximum of 40% of the available funds in cash and the balance in absolute return funds. Relevant benchmarks are given to the asset managers and performance is monitored on a quarterly basis.

The Group invested in equities, fixed deposits, money market instruments, bonds, call deposits, cash and in property. The investment policy is reviewed annually, taking into consideration compliance with the Act, risk and returns of the various investment instruments and surplus funds available.

The current economic situation has had an impact on the returns of the Group with realised losses being reported on equities. The Group has adopted an absolute return strategy with capital protection which has helped to minimise the investment losses. The current listed equities of the Group have performed poorly in 2009, resulting in investment income being lower than 2008. Income from property rentals have not been affected in the current financial year as the majority of the lease agreements have contractual obligations for fixed rentals that continue after the date of the Statement of Financial Position.



4 Management of insurance risks

The primary insurance activity carried out by the Group assumes the risk of loss from members and their dependants that are directly subject to the risk. This risk relates to the health of the Group's members and their dependants. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

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

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

Insurance events are, by their nature, random and the actual number and size of events during any one year may vary from those estimated with the established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the summarised consolidated annual financial statements and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Group's cash flows.

4.1 Risk transfer arrangements

The Group has entered into risk transfer arrangements with the following service providers:

Service provider	Transferred risks
Centre for Diabetes and Endocrinology	Insulin and non-insulin benefits: Standard and Boncomp Options
Dental Information Systems (Pty) Limited	All dental benefits, including dental induced hospitalisation
Netcare 911 (Pty) Limited	Emergency and evacuation services and international cover
Preferred Provider Network (Pty) Limited	Optical benefits
Primecure Health (Pty) Limited	All Boncap healthcare benefits

Refer to note 8 for the results of these agreements and note 11 for the nature, terms and conditions of these agreements.

5 Review of Scheme's activities

5.1 Operational statistics per benefit option

2009	Total	Standard	Bonsave	Primary	Boncap	Boncomp
Average number of members during the year (n)	274,327	179,388	16,611	51,969	22,507	3,852
Number of members at 31 December (n)	279,546	177,654	18,466	54,791	24,714	3,921
Average number of beneficiaries during the year (n)	641,674	432,350	39,300	132,625	28,663	8,736
Number of beneficiaries at 31 December (n)	650,846	427,553	43,573	138,603	32,215	8,902
Proportion of dependants at the end of the year (n)	1.33	1.41	1.36	1.53	0.30	1.27
Net contributions per average member per month (R)	1,849	2,187	1,131	1,441	463	2,798
Net contributions per average beneficiary per month (R)	790	907	478	565	364	1,234
Healthcare expenditure per average beneficiary per month (R)	734	838	417	511	357	1,583
Non-healthcare expenditure per average beneficiary per month (R)	116	114	122	110	162	126
Relevant healthcare expenditure as a percentage of gross contributions (%)	92.81%	92.40%	87.17%	90.54%	98.01%	128.35%
Non-healthcare expenditure as a percentage of gross contributions (%)	11.68%	9.80%	20.37%	15.37%	43.65%	8.08%
Average member age (n)	30.8	31.9	27.5	27.0	34.8	38.3
Pensioner ratio at 31 December (%)	4.19%	5.06%	2.26%	1.63%	3.88%	12.74%
Chronic profile at 31 December (%)	10.70%	13.32%	4.08%	3.24%	8.00%	29.12%



2008	Total	Standard	Bonsave	Primary	Boncap	Boncomp
Average number of members during the year (n)	250,270	176,314	10,288	43,304	17,658	2,706
Number of members at 31 December (n)	258,910	178,042	11,452	45,908	20,513	2,995
Average number of beneficiaries during the year (n)	595,361	429,149	24,446	114,331	21,204	6,231
Number of beneficiaries at 31 December (n)	608,485	430,798	26,864	119,324	24,731	6,768
Proportion of dependants at the end of the year (n)	1.35	1.42	1.35	1.60	0.21	1.26
Net contributions per average member per month (R)	1,694	1,942	1,041	1,303	441	2,457
Net contributions per average beneficiary per month (R)	712	798	438	494	367	1,067
Healthcare expenditure per average beneficiary per month (R)	642	717	361	429	380	1,386
Non-healthcare expenditure per average beneficiary per month (R)	101	105	106	96	28	114
Relevant healthcare expenditure as a percentage of gross contributions (%)	88.38%	89.83%	64.65%	86.85%	103.41%	102.67%
Non-healthcare expenditure as a percentage of gross contributions (%)	11.11%	10.56%	15.01%	15.40%	7.07%	6.80%
Average member age (n)	30.7	31.6	28.1	26.8	35.4	38.5
Pensioner ratio at 31 December (%)	4.04%	4.76%	2.54%	1.52%	2.59%	13.50%
Chronic profile at 31 December (%)	10.12%	12.39%	3.60%	2.72%	6.14%	28.58%

5 Review of Scheme's activities

5.2 Operational statistics for the Group

	2009	2008
Average accumulated funds per member (R)	8,135	9,885
Return on investments (%) *	16.0%	27.1%
Breakdown of total amount paid to Scheme administrator:		
Administration fees (R '000)	388,176	322,890
Managed care: management services (R '000)	183,990	152,700

* Calculated as Investment income over Available-for-sale investments and Investment properties.

The increases in Administration fees and Managed care: management services fees paid for the year of 20.21% and 20.49% respectively, is due to a combination of an 11% increase in the per member per month fees payable from that levied in 2008, and a 9.6% increase in the average membership from 205,270 in 2008 to 274,327 in 2009.

6 Results of operations

The results of operations are set out in the summarised consolidated annual financial statements and supported by commentary included in the Report of the Principal Executive Officer for the year.

The Group reported a net deficit for the year of R242 million (Scheme - R240 million) as a result of two major adverse risks that it has been exposed to during the year under review. Firstly, the NHRPL had been announced early in December 2008 after the budget and contributions had been formalised and communicated to the members and other stakeholders. The tariff inflation was 2.5% higher than what was budgeted for, resulting in a loss of R110 million across all the benefit options.

Secondly, the Scheme had budgeted for investment income of approximately R290 million but only realised R130 million on investments during the 2009 financial year, due to the credit crunch and poor market performance for all investment categories.

The 2010 contribution rates have been calculated on very conservative tariff inflation and investment return estimates, to ensure that the Scheme budget is in a surplus for the 2010 financial year. This is expected to stabilise the decrease in solvency.



7 Solvency ratio

Rand '000	2009	2008
Total members' funds per the statement of financial position	2,327,157	2,483,903
Adjusted for:		
Reserves acquired from subsidiaries	1,879	(1,031)
Unrealised fair value reserves	(95,573)	(10,042)
Cumulative net gains on re-measurement to fair value of investment properties included in the accumulated funds *	(20,787)	(39,391)
Accumulated funds per Regulation 29	2,212,676	2,433,439
Gross contributions	6,193,402	5,143,355
Solvency ratio (%)	35.73%	47.31%

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

At beginning of year	39,391	31,155
Movement in unrealised gains on re-measurement to fair value of investment properties included in accumulated funds	(18,604)	8,236
At end of year	20,787	39,391

* Calculated as Investment income over Available-for-sale investments and Investment properties.

8 Reserve accounts

Movements in the reserve accounts are set out in the summarised consolidated annual financial statements in the statement of changes in members' funds and reserves, and there have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Group.

9 Outstanding claims

The basis of calculation and movements of the outstanding claims provision is disclosed in note 6 to the summarised consolidated annual financial statements and this is consistent with the prior year. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Group.

10 Actuarial valuation

An actuarial valuation of the Scheme is performed annually and contributions and benefit levels are redesigned in accordance with recommendations from the actuaries. Reports are received on a monthly basis from the Actuary on the status of the Scheme.

11 Events after statement of financial position date

11.1 Outstanding claims provision

The outstanding claims provision is expected to have a run-off period of four months after the date of the statement of financial position.

11.2 Application for curatorship by the Registrar of the Council of Medical Schemes

The Registrar of the Council of Medical Schemes applied to the Court to place the Scheme under curatorship under Section 56 of the Act in January 2010. The application follows an investigation by the Council during 2009 of the Scheme and its Administrator due to alleged concerns regarding the governance of the Scheme, brought under Section 51 of the Act.

The Board of Trustees has obtained legal advice on the matter and has decided that it is in the best interest of the members to oppose the application. The Board is confident of its position to oppose this application. At the date of this report, no court date had been secured for the hearing.

11.3 Resignation of Principal Executive Officer

The Principal Executive Officer of the Scheme resigned on 30 January 2010, effective from 31 January 2010. He further resigned as director of Louis Pasteur Holdings (Pty) Limited as well as all other entities related to the Scheme.

11.4 Restructuring of the Group

During March 2010 the Board of Trustees confirmed a decision to restructure the Group. At the date of the report of the Board of Trustees neither the full impact of the restructuring activities nor the final manner in which the restructuring will be performed has been determined by management.

The development in Pegma Thirty Six Investment (Pty) Limited will be disposed of as discussed in sections 20.4 and 21 of the report of the Board of Trustees, after which the entity will either be deregistered and any remaining assets or liabilities integrated into the Scheme.

It is anticipated that the activities of Bonitas Marketing (Pty) Limited will be absorbed within the Scheme.



12 Other matters for reporting to members

12.1 Claim for recovery of ceded policies

An application has been brought against Louis Pasteur Hospital Holdings (Pty) Limited (Louis Pasteur) to recover an amount of R68 million. The amount claimed is the value of paid up policies ceded to Louis Pasteur in 1996 as part of the Scheme's shareholder funding obligations that exceeded the Scheme's liability in terms of a shareholders' agreement with Louis Pasteur.

In addition, a vicarious liability claim has been brought against Medscheme Holdings (Pty) Limited in respect of the policies ceded.

The matter is currently before the courts. Certain technical legal arguments were put before the Court on 21 May 2010, and the matter was then postponed. The next Court date has not yet been allocated.

12.2 Mitigation of damages

The Scheme has lodged a notification of indemnity claims that may arise from fraud or negligence by an official of the Scheme on matters highlighted pursuant to the Section 51 investigation of the Scheme and its administrator with its professional indemnity insurer. The recoverability of the Louis Pasteur claim and the Clanshal development was specifically included in this notification.

The insurer is in the process of assessing the notified claims, after which a decision to repudiate or honour the claims will be taken and the claims will then be quantified.

12.3 Restatement of Bonitas Marketing (Pty) Limited 2008 results

During the 2009 financial year, Bonitas Marketing (Pty) Limited identified a misinterpretation of the marketing agreement between itself and the Scheme. As a result of the material impact of this error, the 2008 financials were restated. The restatement did not affect the consolidated Group results, as all the affected account balances and transactions are eliminated on consolidation.

12.4 Value Added Tax (VAT)

During the period under review, management employed consultants to establish the correct VAT position for the Group. As a result of this investigation, significant VAT balances have been raised at year-end. The South African Revenue Services are considering the VAT claims submitted, after which the recoverability and/or liability in respect of the balances will be confirmed and settled per the assessments issued.

13 Related party transactions

Refer to the related party disclosure in note 14 to the summarised consolidated annual financial statements.

14 Trustee remuneration

Rand '000	2009	2008
Trustee remuneration	4,479	4,221

Refer to the Trustee remuneration disclosure in note 10 to the summarised consolidated annual financial statements.

15 Investments in and loans to employers of members of the Scheme and other related parties

The Group holds no direct investments in companies employing members of Bonitas Medical Fund. Medscheme Holdings (Pty) Limited, the contracted administrator of the Scheme has a significant administrative role in the management and operation of the Scheme. Payments are made in terms of the administration agreement and were as follows:

Rand '000	2009	2008
Administration fees	388,176	322,890

The Group currently has direct investments in the following entities:

i) Subsidiaries

The Scheme has investments in Bonitas Marketing (Pty) Limited and Pegma Thirty Six Investments (Pty) Limited. These entities are wholly owned subsidiaries of the Scheme. Bonitas Marketing (Pty) Limited is responsible for the marketing activities of the Scheme. Pegma Thirty Six Investments (Pty) Limited is responsible for the development of the land that is owned by the Scheme.

ii) Unlisted Investment

The Scheme has a 26% ordinary shareholding in Louis Pasteur. The investment was revalued in the current year. Members of the Group utilise the facilities of this entity for medical services rendered. Louis Pasteur has not been regarded as an associate as the Group has no significant influence over the entity.



16 Audit and risk committee

An Audit and Risk Committee was established in accordance with the provisions of the Act. The Audit and Risk 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 seven members of which two are Trustees at 31 December 2009. The majority of the members, including the Chairperson, are not officers of the Scheme, its subsidiaries or its third party administrator. The Committee met eight times during 2009.

The Audit and Risk Committee members are noted in section 1.4 'Sub-Committees of the Board of Trustees Governing the Scheme' and meeting attendance is noted in section 19 'Board of Trustees and Sub-Committee Meeting Attendance' of the report of the Board of Trustees. The Chairperson of the Scheme, the Senior Financial Manager of the Scheme's administrator and the external auditor attend all Committee meetings and have unrestricted access to the Chairperson of the Committee. Internal Auditors are invited to Committee meetings that specifically address internal audit matters.

In accordance with the provisions of the Act, the primary responsibilities of the Committee are 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.

17 Finance and investment committee

A Finance and Investment Committee was established and is mandated by the Board of Trustees by means of written Terms of Reference as to its membership, authority and duties. This committee consists of five members at 31 December 2009, all of which are members of the Board of Trustees. The Committee met eight times during the course of the year.

The Chairperson of the Scheme has unrestricted access to the Chairperson of the Committee. The primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties with respect to the financial and investment management of the Scheme.

18 Internal audit

A formal internal audit function exists within the Scheme's administrator, with regular reporting to the Audit and Risk Committee. A structured internal audit plan was reviewed and approved by the Audit and Risk Committee for input and suggestions in the first quarter of the year. This audit plan was also reviewed by the external auditor for reliance on internal audit work and in formalising their audit strategy.

In addition to the internal audit function within the Scheme's administrator, Nkonki Incorporated provides an internal audit function to the Scheme. The Scheme receives specific internal audit reports with regard to all functions performed by Medscheme Holdings (Pty) Limited and Nkonki Incorporated, which are reviewed to ensure sound and accurate administration.

19 Board of trustees and sub-committee meeting attendance

The following schedule summarises the attendance by Trustees and/or Sub-Committee members at the Board of Trustees and Sub-Committee meetings held during 2009:

Trustee and/or Sub-Committee member	Board of Trustees	Audit & Risk Committee	Rules & Benefits Committee	Finance & Investment Committee	Human Resources Committee	Procurement & Contracts Committee
Number of meetings held	19	8	4	8	4	5
BP Mpungose *	19	-	-	8	4	5
TD Shangase *	19	2	2	7	4	4
MS Mncube *	19	-	2	8	4	5
MJ Mokoena *	19	7	-	8	-	-
MP Zulu *	19	-	4	8	4	-
NM Seobi *	19	8	4	-	-	5
NE Themba *	12	-	2	1	-	4
SM Nkosi *	16	-	3	-	2	2
WF van Heerden *	8	3	-	4	-	1
BT Mwelase	-	6	-	-	-	-
K Buthelezi	-	6	-	-	-	-
KN Vundla	-	5	-	-	-	-
LF Theron	-	8	-	-	-	-
TC Luvhani	-	6	-	-	-	-

* *Trustee*

20 Non-compliance with the act

The following areas of non-compliance with the Act were identified during 2009

20.1 Loss making options

i) Nature and cause

In terms of Section 33 of the Act, the Registrar may withdraw the approval of such benefit options which in his opinion are not financially sound. For the year ended 31 December 2009 the Group reported a net deficit on all five of its benefit options:

Rand '000	2009	2008
Standard Option	95,481	*
Bonsave Option	15,457	*
Primary Option	48,211	*
Boncap Option	34,398	*
Boncomp Option	46,849	29,228

* *These benefit options reported a net surplus for the 2008 financial year.*



i) Possible impact

Loss making benefit options erode the solvency margin of the Scheme. The minimum solvency margin required by the Council for Medical Schemes is 25%. The Scheme's solvency margin reduced from 47.31% at the end of 2008 to 35.73% at the end of 2009, due to the deficit reported for 2009.

ii) Corrective course of action

The Scheme is comfortable with a solvency ratio of around 30% in the long term. The final recommended contribution rates for 2010 will result in a budgeted surplus of 2% for 2010 to the Scheme, after taking into account conservative increases in expected claims as well as expected investment returns. This is expected to stabilise the decrease in solvency.

20.2 Contravention of the 3-day rule

i) Nature and cause

In terms of Section 26 (7) of the Act, all contributions shall be paid directly to a medical scheme no later than 3 days after becoming due. The Scheme has entered into debt repayment arrangements with certain members, in order to limit the loss to the Scheme and other members that may arise from non-payment, thereby contravening the 3-day rule.

ii) Possible impact

Significant debt repayment arrangements with members could affect the liquidity of the Scheme and its ability to service members.

iii) Corrective course of action

There is no negative impact on the Scheme. The Scheme has entered into debt repayment arrangements with 103 members at year end (0.04% of member base) in order to limit the loss to the Scheme and its members. The value of affected accounts receivable balances is R114,000 representing 0.04% of the 'Contributions receivable' at year end.

20.3 Investment in foreign currency swaps

i) Nature and cause

In terms of Regulation 30 as well as Annexure B of the Act, a medical scheme is not allowed to invest in foreign currency swaps.

One of the Group's asset managers, Investec Asset Management, has invested in foreign currency swaps to the value of R49.2 million (2008: R52.7 million) at the date of the statement of financial position.

ii) Possible impact

The currency risk that the Scheme was exposed to as a result of investing in offshore financial assets was managed by using swap instruments which were used purely as risk management instruments and were not held as direct investments.

The offshore investments in money-market instruments are exposed to a money-market volatility of between 2% to 4% per annum. This volatility is increased to approximately 6% by currency risk. This level of volatility is excessive given that the underlying investment is cash and could result in cash investments yielding a substantial negative return.

The foreign currency swaps hedged the foreign currency volatility of these investment. These instruments did not have any negative impact on the funds invested and provided some protection to the foreign currency risk of the underlying assets.

iii) Corrective course of action

Investec Asset Management was instructed to unwind the foreign currency swap positions. In addition, all the asset managers have been instructed to block the usage of swaps in their portfolios going forward. The swap positions were completely reversed in January 2010.

20.4 Development of property

i) Nature and cause

In terms of Section 26 (11) of the Act no medical scheme shall carry on any business other than the business of a medical scheme. The development of property is contrary to the business of a medical scheme. The Group, through its subsidiary, is involved in the development of residential units in Clansthal, Durban.

The non-compliance was caused by a difference in interpretation of Regulation 30 of the Act.

ii) Possible impact

This could result in the Scheme not focusing its resources on medical scheme activities resulting in the erosion of members' funds.

iii) Corrective course of action

At the date of the statement of financial position, a decision to dispose of the development had been taken. The Trustees must still finalise whether the residential units being constructed on the property will first be completed with the intention to sell the units as an entity. This decision is a standing agenda point for the Board of Trustees meetings.

Management and Board of Trustees will dispose of the development of the Clansthal property in a manner that will minimise the losses to the members of the Scheme.



21 Pegma Thirty Six Investments (Pty) Limited

As discussed in 20.4, the development of housing units in Clansthal, Durban, by the Scheme's subsidiary, Pegma Thirty Six Investments (Pty) Limited, has taken longer than anticipated to complete. This delay as well as the possibility of fraud having been committed in the entity has resulted in actual development costs incurred exceeding the budgeted costs.

The Board of Trustees appointed Deloitte to conduct an investigation into the affairs of the development company and the financial viability of the project during the 2009 financial year. This investment is currently not optimised due to poor economic conditions specifically affecting property values. Management is expecting further losses to result from this development. The South African Police Services are currently investigating a fraud case against specific members of the management team that were involved in this development.

It is anticipated, subject to the outcome of the SAPS investigations, that civil action may be launched against individuals that may have defrauded the Scheme.

This development, including the land on which it is being developed, has a carrying amount of R39.9 million in the consolidated annual financial statements, after accounting for an impairment to the fair value less costs to sell of the development as indicated by its open market value at 31 December 2009.

22 Appreciation

The Board of Trustees would like to express its sincere gratitude to our service providers and the members for their loyalty and continued support, our staff and all other stakeholders.

BP Mpungose
Chairperson

MS Mncube
Trustee

GJ van Emmenis
Acting Principal
Executive Officer



**statement of
responsibility by the
board of trustees**

for the year ended 31 December 2009

Statement of responsibility by the Board of Trustees

The Trustees are responsible for the preparation, integrity and fair presentation of the stand-alone and consolidated annual financial statements of Bonitas Medical Fund (the Scheme) and its subsidiaries (the Group). The consolidated annual financial statements presented on pages 47 to 74 have been prepared in accordance with International Financial Reporting Standards (IFRS) and include amounts based on judgements and estimates made by management. The summarised consolidated annual financial statements presented comprise the statements of financial position at 31 December 2009; the statements of comprehensive income, the statements of changes in members' funds and reserves and the statements of cash flows for the year then ended; as well as the summarised notes to the consolidated annual financial statements.

The Trustees consider that in preparing the summarised consolidated annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

Accounting records and control environment

The Trustees are responsible for ensuring that accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Scheme and the Group, which enables the Trustees to ensure that the consolidated annual financial statements comply with the relevant legislation. The Group operates in a well-established controlled environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

Going concern

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

External auditor's responsibility

The external auditor is responsible for auditing the summarised and full set of consolidated annual financial statements in terms of International Standards on Auditing and their report is presented on page 46.

Approval of the annual financial statements

The Group and Scheme annual financial statements were approved by the Board of Trustees on 24 April 2010 and are signed on its behalf:



BP Mpungose
Chairperson



MS Mncube
Trustee



GJ van Emmenis
Acting Principal
Executive Officer



statement of corporate governance

for the year ended 31 December 2009

Statement of corporate governance

The Group is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Board of Trustees, consisting of the Chairperson, Vice-Chairperson and five Trustees at 31 December 2009, are nominated and elected by the members of the Scheme.

Board of Trustees

The Board of Trustees meets regularly and monitors the performance of the Group. It addresses a range of key issues and ensures that discussion of items of policy, strategy and performance is critical, informed and constructive.

Internal control

The Group maintains internal controls and accounting systems designed to provide reasonable assurance as to the integrity and reliability of the consolidated annual 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 Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



BP Mpungose
Chairperson



MS Mncube
Trustee



GJ van Emmenis
Acting Principal
Executive Officer



independent auditor's report

for the year ended 31 December 2009

Independent auditor's report

We have audited the consolidated annual financial statements and the annual financial statements of Bonitas Medical Fund for the year ended 31 December 2009, from which the summarised consolidated annual financial statements and the summarised annual financial statements set out on pages 47 to 74 were derived, in accordance with International Standards on Auditing.

In our report dated 28 April 2010, we expressed an unqualified opinion on the consolidated annual financial statements and the annual financial statements from which the summarised consolidated annual financial statements and the summarised annual financial statements were derived.

In our opinion, the accompanying summarised consolidated annual financial statements and the summarised annual financial statements are consistent, in all material respects, with the consolidated annual financial statements and the annual financial statements from which they were derived.

For a better understanding of the Group's financial position and the results of its operations for the period and of the scope of our audit, the summarised consolidated annual financial statements and the summarised annual financial statements should be read in conjunction with the consolidated annual financial statements and the annual financial statements from which the summarised consolidated annual financial statements and the summarised annual financial statements were derived and our audit report thereon.

Report on other legal and regulatory requirements

As required by the Council for Medical Schemes, we draw your attention to the note 20 in the report of the Board of Trustees on pages 37 to 39, disclosing instances of non-compliance with the Medical Schemes Act 131 of 1998, as amended.

KPMG Inc.

Per T Fubu
Registered Auditor
Chartered Accountant (SA)
Director
01 July 2010



summarised consolidated annual financial statements

for the year ended 31 December 2009

consolidated statement of financial position

for the year ended 31 December 2009

Rand '000	Notes	Group		Scheme	
		2009	2008	2009	2008
Assets					
Property, plant and equipment		3,316	45,681	70	134
Investment properties	4	79,510	74,346	36,640	67,504
Available-for-sale investments	5	1,126,681	851,691	1,126,681	851,691
Investment in subsidiaries		-	-	54,927	67,298
Non-current assets		1,209,507	971,718	1,218,318	986,627
Available-for-sale investments	5	101,596	131,928	101,596	131,928
Insurance, trade and other receivables		340,135	253,833	337,050	237,695
Cash and cash equivalents		1,336,379	1,718,083	1,333,973	1,717,535
Deferred taxation		-	334	-	-
Current assets		1,778,110	2,104,178	1,772,619	2,087,158
Total assets		2,987,617	3,075,896	2,990,937	3,073,785
Members' funds and liabilities					
Accumulated funds		2,231,584	2,473,861	2,232,435	2,472,831
Available-for-sale fair value reserves		95,573	10,042	95,573	10,042
Members' funds		2,327,157	2,483,903	2,328,008	2,482,873
Outstanding claims provision	6	256,625	218,941	256,625	218,941
Savings plan liability		33,632	19,729	33,632	19,729
Insurance, trade and other payables		369,750	353,323	372,672	352,242
Deferred taxation		453	-	-	-
Current liabilities		660,460	591,993	662,929	590,912
Total members funds and liabilities		2,987,617	3,075,896	2,990,937	3,073,785

consolidated statement of comprehensive income

for the year ended 31 December 2009

Rand '000	Notes	Group		Scheme	
		2009	2008	2009	2008
Net contribution income	7	6,086,595	5,086,928	6,086,595	5,086,928
Relevant healthcare expenditure	8	(5,649,029)	(4,584,627)	(5,649,029)	(4,584,627)
Net claims incurred	8	(5,561,808)	(4,390,424)	(5,561,808)	(4,390,424)
Claims incurred		(5,579,428)	(4,404,316)	(5,579,428)	(4,404,316)
Third party claim recoveries		17,620	13,892	17,620	13,892
Net expense on risk transfer arrangements	8	(87,221)	(194,203)	(87,221)	(194,203)
Risk transfer arrangement fees/premiums paid		(732,315)	(616,927)	(732,315)	(616,927)
Recoveries from risk transfer arrangements		645,094	419,981	645,094	419,981
Profit share arising from risk transfer arrangements		-	2,743	-	2,743
Gross healthcare result		437,566	502,301	437,566	502,301
Managed care: management services		(183,990)	(152,700)	(183,990)	(152,700)
Broker service fees		(135,192)	(116,100)	(133,723)	(116,100)
Administrative expenditure	10	(571,348)	(449,451)	(570,286)	(450,636)
Impairment of investment in subsidiary		-	-	(2,400)	-
Net impairment losses on insurance, trade and other receivables		(1,507)	(1,139)	(1,001)	(1,139)
Net healthcare result		(454,471)	(217,089)	(453,834)	(218,274)
Other income		221,714	299,693	220,879	300,182
Investment income	9	209,591	286,228	208,757	286,717
Sundry income		12,123	13,465	12,122	13,465
Other expenditure		(9,520)	(9,746)	(7,441)	(10,080)
Interest on savings plan liability		(765)	(500)	(765)	(500)
Asset management fees		(6,676)	(9,580)	(6,676)	(9,580)
Loss on derecognition of motor vehicle		(115)	-	-	-
Taxation		(1,964)	334	-	-
Net (deficit)/surplus for the year		(242,277)	72,858	(240,396)	71,828
Other comprehensive income/(loss)		85,531	(75,958)	85,531	(75,958)
Unrealised fair value gains/(losses) on available-for-sale investments	5	152,981	(45,553)	152,981	(45,553)
Realised gains on disposal of available-for-sale investments		(67,450)	(30,405)	(67,450)	(30,405)
Total comprehensive loss for the year		(156,746)	(3,100)	(154,865)	(4,130)

consolidated statement of changes in members' funds and reserves

for the year ended 31 December 2009

Rand '000	Accumulated funds	Available-for-sale fair value reserve	Total members' funds
Group			
Balance as at 1 January 2008	2,213,803	86,000	2,299,803
Net surplus for the year	72,858	-	72,858
Other comprehensive loss	-	(75,958)	(75,958)
Acquisition of BHP Billiton SA Medical Scheme accumulated funds	187,200	-	187,200
Balance as at 1 January 2009	2,473,861	10,042	2,483,903
Net deficit for the year	(242,277)	-	(242,277)
Other comprehensive income	-	85,531	85,531
Balance as at 31 December 2009	2,231,584	95,573	2,327,157
Scheme			
Balance as at 1 January 2008	2,213,803	86,000	2,299,803
Net surplus for the year	71,828	-	71,828
Other comprehensive loss	-	(75,958)	(75,958)
Acquisition of BHP Billiton SA Medical Scheme accumulated funds	187,200	-	187,200
Balance as at 1 January 2009	2,472,831	10,042	2,482,873
Net deficit for the year	(240,396)	-	(240,396)
Other comprehensive income	-	85,531	85,531
Balance as at 31 December 2009	2,232,435	95,573	2,328,008

consolidated statement of cash flows

for the year ended 31 December 2009

Rand '000	Notes	Group		Scheme	
		2009	2008	2009	2008
Cash flows from operating activities					
Cash utilised in operations before working capital changes		(420,393)	(195,499)	(418,155)	(193,288)
Increase in insurance, trade and other receivables		(77,297)	(41,776)	(83,444)	(32,378)
Increase/(decrease) in insurance, trade and other payables		15,925	(15,554)	20,490	(13,573)
Increase in savings plan liability		13,903	5,754	13,903	5,754
Cash utilised in operating activities		(467,862)	(247,075)	(467,206)	(233,485)
Net interest paid out on savings plan liabilities on members' resignation		(586)	(571)	(586)	(571)
		(468,448)	(247,646)	(467,792)	(234,056)
Cash flows from investing activities					
Acquisition of property and equipment		(1,998)	(24,882)	(7)	(121)
Proceeds on sale of investment property		35,910	-	35,910	-
Investment in subsidiaries		-	-	(2,921)	(38,706)
Amalgamation of BHP Billiton SA Medical Scheme net of cash acquired		-	189,176	-	189,176
Proceeds on sale of available-for-sale investments	5	43,500	189,822	43,500	189,822
Interest income		6,038	86,327	4,522	86,134
Dividend income		323	275	323	275
Rentals received	9	2,971	4,055	2,903	4,055
		86,744	444,773	84,230	430,635
Net (decrease)/ increase in cash and cash equivalents		(381,704)	197,127	(383,562)	196,579
Cash and cash equivalents at beginning of year		1,718,083	1,520,956	1,717,535	1,520,956
Cash and cash equivalents at end of year		1,336,379	1,718,083	1,333,973	1,717,535

summarised notes to the consolidated annual financial statements

for the year ended 31 December 2009

1 General information

Bonitas Medical Fund (the Scheme) is a non-profit, open medical scheme registered and domiciled in the Republic of South Africa in terms of the Medical Schemes Act 131 of 1998 (the Act). The Scheme is administered by Medscheme Holdings (Pty) Limited.

The Group comprises the Fund and its two 100%-owned subsidiaries, Bonitas Marketing (Pty) Limited and Pegma Thirty Six Investments (Pty) Ltd.

2 Accounting policies

These summarised consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as defined by IAS 1, interpretations of those Standards and in the manner required by the Act and the regulations thereto.

These summarised consolidated annual financial statements have been prepared on the historical cost basis except for available-for-sale financial assets and investment property that are measured at fair value. They are prepared in Rand which is the Scheme's functional and presentation currency. All financial information presented has been rounded to the nearest thousand, unless otherwise stated.

Except as disclosed below, the accounting policies and methods of computation applied in the preparation of the summarised consolidated annual financial statements are consistent with those applied for the year ended 31 December 2008.

In 2009, the Group did not early adopt any new, revised or amended standards. The following new standards, amendments to published standards and interpretations which became effective for the annual period commencing on 1 January 2009 are relevant to the Group:

IAS 1 (revised): Presentation of Financial Statements

The revision introduces a statement of comprehensive income with two optional presentation formats, and refers to the balance sheet and cash flow statement by different names: the 'statement of financial position' and 'statement of cash flows' respectively.

The revision prohibits the presentation of items of income and expenses ('non-owner changes in equity') in the Statement of Changes in Equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents all non-member changes in members' funds in a single statement of comprehensive income. The Statement of Changes in Members Funds' and Reserves reflects all member changes in equity.

Comparative information has been re-presented so that it also conforms with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact the reported results.

IFRS 7: Financial instruments – Disclosures (amendment)

The amendment expands the disclosures required in respect of fair value measurements and liquidity risk. The Group provided comparative information for these expanded disclosures in the current year.

The amendment introduces a three level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendments clarifies and enhances existing requirements for the disclosure of liquidity risk, primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. The adoption of the amendment results in additional disclosures for the Group, but does not impact the reported results.

Annual Improvements Project 2008

As part of its annual improvements project, the International Accounting Standards Board (IASB) issued 'Improvements to International Financial Reporting Standards 2008' in May 2008. The standard includes 35 amendments to various issued accounting standards. These amendments were primarily made to resolve conflicts and remove inconsistencies between standards, clarify the status of application guidance in standards, clarify existing IFRS requirements as well as conforming the terminology used in standards with that used in other standards and to that more widely used. The Group adopted all the amendments effective for annual periods beginning on 1 January 2009. The application of the amendments has not had a significant effect on the results, nor has it required any restatement of prior period results.

The amendment to IAS 40 Investment Property, and consequential amendments to IAS 16 Property, Plant and Equipment, clarifies that property that is under construction or development for future use as investment property is within the scope of IAS 40 and will be measured at fair value where the fair value model is applied.

Allocation of income and expenses to benefit options

The following items are directly allocated to benefit options:

- Net contribution income;
- Net claims incurred;
- Net expenses on risk transfer arrangements;
- Managed care: management services;
- Brokers service fees; and
- Interest on savings plan liability.

The remaining non-healthcare costs are apportioned based on the number of members per option divisible by total membership on the Scheme for the financial period.

- Administrative expenditure;
- Net impairment losses;
- Investment income;
- Sundry income; and
- Asset management fees.



3 Surplus/(deficit) per benefit option

The Scheme is organised into the following five benefit options: Standard, Bonsave, Primary, Boncap and Boncomp. The features of the benefit options are disclosed in the Report of the Board of Trustees.

Rand '000	Standard Option	Bonsave Option	Primary Option	Boncap Option	Boncomp Option	Scheme Total
2009						
Net contribution income	4,707,838	225,395	898,902	125,132	129,328	6,086,595
Relevant healthcare expenditure	(4,350,010)	(196,481)	(813,905)	(122,644)	(165,989)	(5,649,029)
Net claims incurred	(4,265,784)	(192,085)	(798,099)	(142,465)	(163,375)	(5,561,808)
Claims incurred	(4,277,306)	(193,152)	(801,437)	(143,911)	(163,622)	(5,579,428)
Third party recoveries	11,522	1,067	3,338	1,446	247	17,620
Net expenses on risk transfer arrangements	(84,226)	(4,396)	(15,806)	19,821	(2,614)	(87,221)
Risk transfer arrangement fees /premiums paid	(487,261)	(24,267)	(84,302)	(123,942)	(12,543)	(732,315)
Recoveries from risk transfer arrangements	403,035	19,871	68,496	143,763	9,929	645,094
Gross healthcare result	357,828	28,914	84,997	2,488	(36,661)	437,566
Managed care: management services	(129,971)	(12,053)	(37,676)	(1,499)	(2,791)	(183,990)
Brokers service fees	(94,881)	(7,807)	(25,074)	(3,607)	(2,354)	(133,723)
Administrative expenditure	(362,422)	(37,671)	(111,776)	(50,418)	(7,999)	(570,286)
Impairment of investment in subsidiary	(1,525)	(159)	(470)	(212)	(34)	(2,400)
Net impairment losses on insurance, trade and other receivables	(637)	(66)	(196)	(88)	(14)	(1,001)
Net healthcare result	(231,608)	(28,842)	(90,195)	(53,336)	(49,853)	(453,834)
Other income	140,370	14,591	43,292	19,528	3,098	220,879
Investment income	132,667	13,790	40,916	18,456	2,928	208,757
Sundry income	7,703	801	2,376	1,072	170	12,122
Other expenditure	(4,243)	(1,206)	(1,308)	(590)	(94)	(7,441)
Interest paid on savings plan liability	-	(765)	-	-	-	(765)
Asset management fees	(4,243)	(441)	(1,308)	(590)	(94)	(6,676)
Net deficit for the year	(95,481)	(15,457)	(48,211)	(34,398)	(46,849)	(240,396)
Number of members (n)	177,654	18,466	54,791	24,714	3,921	279,546

3 Surplus/(deficit) per benefit option continued

Rand '000	Standard Option	Bonsave Option	Primary Option	Boncap Option	Boncomp Option	Scheme Total
2008						
Net contribution income	4,107,913	128,495	677,298	93,428	79,794	5,086,928
Relevant healthcare expenditure	(3,690,242)	(105,891)	(588,251)	(96,615)	(103,628)	(4,584,627)
Net claims incurred	(3,580,153)	(102,644)	(570,309)	(35,019)	(102,299)	(4,390,424)
Claims incurred	(3,589,940)	(103,215)	(572,713)	(35,999)	(102,449)	(4,404,316)
Third party recoveries	9,787	571	2,404	980	150	13,892
Net expenses on risk transfer arrangements	(110,089)	(3,247)	(17,942)	(61,596)	(1,329)	(194,203)
Risk transfer arrangement fees /premiums paid	(434,357)	(13,632)	(65,573)	(97,079)	(6,286)	(616,927)
Recoveries from risk transfer arrangements	322,064	10,385	47,092	35,483	4,957	419,981
Profit share arising from risk transfer arrangements	2,204	-	539	-	-	2,743
Gross healthcare result	417,671	22,604	89,047	(3,187)	(23,834)	502,301
Managed care: management services	(114,915)	(6,712)	(28,235)	(1,072)	(1,766)	(152,700)
Brokers service fees	(88,015)	(4,403)	(19,377)	(2,752)	(1,553)	(116,100)
Administrative expenditure	(339,161)	(19,791)	(83,300)	(3,178)	(5,206)	(450,636)
Net impairment losses on insurance, trade and other receivables	(802)	(47)	(197)	(81)	(12)	(1,139)
Net healthcare result	(125,222)	(8,349)	(42,062)	(10,270)	(32,371)	(218,274)
Other income	211,476	12,340	51,940	21,180	3,246	300,182
Investment income	201,990	11,787	49,610	20,230	3,100	286,717
Sundry income	9,486	553	2,330	950	146	13,465
Other expenditure	(6,749)	(894)	(1,658)	(676)	(103)	(10,080)
Interest paid on savings plan liability	-	(500)	-	-	-	(500)
Asset management fees	(6,749)	(394)	(1,658)	(676)	(103)	(9,580)
Net deficit for the year	79,505	3,097	8,220	10,234	(29,228)	71,828
Number of members (n)	178,042	11,452	45,908	20,513	2,995	258,910



4 Investment properties

Rand '000	Group		Scheme	
	2009	2008	2009	2008
Balance at the beginning of the year	74,346	59,267	67,504	59,267
Disposals	(35,910)	-	(35,910)	-
Transfer from property, plant and equipment	43,018	7,524	-	-
Transfer from investment in subsidiaries	-	-	6,240	-
Change in fair value on investment properties	(1,944)	7,555	(1,194)	8,237
Balance at the end of the year	79,510	74,346	36,640	67,504
Comprising:				
Sub 2 Kuleka Empangeni	5,590	5,244	5,590	5,244
ERF 395 Polokwane	11,800	12,850	11,800	12,850
ERF 88 Bryanston	12,670	13,500	12,670	13,500
Unit 27 Glenamy, Empangeni (< R1,000)	340	*	340	*
ERF 159 Clansthal (Erven 44 and 51, Clansthal)	9,200	6,842	-	-
ERF 147 Clansthal	39,910	-	6,240	-
Stand 959/960 Ferndale	-	35,910	-	35,910
	79,510	74,346	36,640	67,504
Direct operating expenses incurred in the generation of rental income applicable to investment properties	2,357	4,218	2,197	4,218

* Balance < R1,000

Investment properties comprise a number of commercial and residential properties that are leased to third parties as well as an open stand (ERF 159). The properties are leased for various periods. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

The estimated open market values of the investment properties were determined by the independent property valuers South Africa Property Investment Group, trading as SAPIG Prop Dev, using a comparable sales approach.

ERF 159:

Erven 44 and 51, Clansthal, were consolidated into ERF 159 and registered on 30 August 2006.

Stand 959/960 Ferndale:

An agreement to sell this property was disclosed in the prior year. The property was sold in 2009. Stand 959 was sold in January 2009 and stand 960 in March 2009.

5 Available-for-sale investments

Rand '000	Group		Scheme	
	2009	2008	2009	2008
Fair value at the beginning of the year	983,619	1,097,346	983,619	1,097,346
Additions	135,177	121,648	135,177	121,648
Disposals	(43,500)	(189,822)	(43,500)	(189,822)
Unrealised gain/(loss) on available-for-sale investments	152,981	(45,553)	152,981	(45,553)
Fair value at the end of the year	1,228,277	983,619	1,228,277	983,619
Non-current	1,126,681	851,691	1,126,681	851,691
Current	101,596	131,928	101,596	131,928
	1,228,277	983,619	1,228,277	983,619
Comprising:				
Listed equities	690,433	593,841	690,433	593,841
Listed property equities	43,485	45,348	43,485	45,348
Unit trusts	70,922	70,417	70,922	70,417
Bonds	371,964	128,237	371,964	128,237
Money market instruments	30,673	106,928	30,673	106,928
Unlisted equities	20,800	38,848	20,800	38,848
	1,228,277	983,619	1,228,277	983,619

The listed equities, bonds and money-market instruments comprise quoted investments in local and offshore companies. The listed property equities and unit trusts comprise quoted investments in local companies.

The unlisted equities comprise investments held in Louis Pasteur Hospital Holdings (Pty) Limited. The Scheme used an Income Approach model (a discounted cash flow valuation technique) to value the investment in Louis Pasteur Hospital Holdings (Pty) Limited.

The unlisted equity investments in Clinix Health Group (Pty) Limited (Clinix) and Lesedi Clinic (Pty) Limited (Lesedi) held at 31 December 2008 were disposed of during April 2009 for R25 million after consolidating Lesedi into the Clinix group. The carrying amount of these investments at 31 December 2008 was R25 million.

A register of investments is available for inspection at the registered office of the Scheme.



6 Outstanding claims provision

Rand '000	Group		Scheme	
	2009	2008	2009	2008
Covered by risk transfer arrangements	33,171	17,260	33,171	17,260
Not covered by risk transfer arrangements	223,454	201,681	223,454	201,681
Outstanding claims provision - incurred but not yet reported (IBNR)	256,625	218,941	256,625	218,941

Rand '000	Covered Not covered by risk transfer arrangements		Covered by Not covered by risk transfer arrangements	
	2009	2008	2009	2008
Analysis of movements in outstanding claims				
Balance at 1 January	17,260	201,681	17,260	201,681
Payments in respect of prior year claims (Refer to note 8)	(17,260)	(203,996)	(17,260)	(203,996)
Under provision in prior year	-	(2,315)	-	(2,315)
Adjustment for current year (Refer to note 8)	33,171	225,769	33,171	225,769
Balance at 31 December	33,171	223,454	33,171	223,454
Net exposure in respect of outstanding claims				
Gross outstanding claims	-	223,454	-	223,454
Estimated risk transfer arrangements recoveries	33,171	-	33,171	-
Net outstanding claims	33,171	223,454	33,171	223,454

6 Outstanding claims provision continued

Rand '000	Covered Not covered by risk transfer arrangements		Covered by Not covered by risk transfer arrangements	
2008				
Analysis of movements in outstanding claims				
Balance at 1 January	12,720	199,547	12,720	199,547
Payments in respect of prior year claims (Refer to note 8)	(12,720)	(204,034)	(12,720)	(204,034)
Over provision in prior year	-	(4,487)	-	(4,487)
Adjustment for current year (Refer to note 8)	17,260	206,168	17,260	206,168
Balance at 31 December	17,260	201,681	17,260	201,681
Net exposure in respect of outstanding claims				
Gross outstanding claims	-	201,681	-	201,681
Estimated risk transfer arrangements recoveries	17,260	-	17,260	-
Net outstanding claims	17,260	201,681	17,260	201,681

Data, methodology and assumptions

i) Data

The primary source of data used in this exercise was the Medscheme Data Warehouse. This contained the necessary contributions, claims and other data of the Scheme. The data used included all claim payments and membership movements up to the end of February 2010.

ii) Process used to determine the assumptions

The general methodology involves increasing the claims paid in respect of treatment dates occurring in 2009 so as to estimate the total claim amounts expected for 2009 treatments. The difference between the total expected claims and the paid claims is the outstanding claims provision.



The provisions are based on information currently available; however, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the claims is difficult to estimate. The provision estimation difficulties also differ by category of claims (i.e. in-hospital, chronic and above threshold benefits) due to differences in the underlying medical insurance contract, claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim and reporting lags.

Members must submit all claims for payment within four months of seeking medical treatment. However, some claims do take significantly longer than four months to settle. As it takes several months for all claims to be paid, due to delays in receiving or processing claims, run-off factors (development factors) are used to calculate the remaining outstanding claims with respect to a particular treatment month. These run-off factors are calculated by considering the Scheme's recent experience on the patterns of when claims occur and when they are paid. It is assumed that payments will emerge in a similar way in each treatment month. In determining run-off factors, claims are categorized into groups for which one can expect a homogenous run-off pattern to emerge.

iii) Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the expected run-off factors for the 2009 and 2008 benefit years.

Changes in assumptions and sensitivities to changes in key variables

The Scheme believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based on certain variables and assumptions which could differ when claims arise.

The table below outlines the sensitivity of the outstanding claims provision to reasonable possible movements in assumptions used in the estimation process. It should be noted that this is a deterministic approach with no correlations between the key variables.

The change in the outstanding claims provision also represents the absolute change in net surplus/(deficit) for the year. It should be noted that increases in provisions will result in decreases in surplus and vice versa. These reasonable possible changes in key assumptions do not result in any changes directly in reserves.

6 Outstanding claims provision continued

Impact on surplus reported caused by reasonable possible changes in key variables:

Rand '000	Total expected claims	Outstanding claims provision *	Change in outstanding claims provision
2009			
As at 31 December 2009	5,015.5	223.5	-
Run-off factors 10% faster than assumed	5,013.7	221.6	(1.9)
Run-off factors 10% slower than assumed	5,017.4	225.4	1.9
2008			
As at 31 December 2008	4,042.7	201.7	-
No BF adjustment made in calculation	4,043.7	202.7	1.0
Run-off factors 10% faster than assumed	4,039.4	198.3	(3.3)
Run-off factors 10% slower than assumed	4,046.1	205.0	3.4

* Not covered by risk transfer arrangements

7 Net contribution income

Rand '000	Group		Scheme	
	2009	2008	2009	2008
Gross contributions	6,193,402	5,143,355	6,193,402	5,143,355
Savings plan contributions	(106,807)	(56,427)	(106,807)	(56,427)
	6,086,595	5,086,928	6,086,595	5,086,928



8 Relevant healthcare expenditure

Rand '000	Group		Scheme	
	2009	2008	2009	2008
Current year claims	5,006,110	4,032,260	5,006,110	4,032,260
Movement in outstanding claims provision	21,773	2,134	21,773	2,134
Payments in respect of prior year	(203,996)	(204,034)	(203,996)	(204,034)
Adjustment for current year	225,769	206,168	225,769	206,168
Claims charged to savings plan accounts	(93,549)	(50,059)	(93,549)	(50,059)
	4,934,334	3,984,335	4,934,334	3,984,335
Claims incurred in respect of risk transfer arrangements	645,094	419,981	645,094	419,981
Current year claims in respect of related risk transfer arrangements	611,923	402,721	611,923	402,721
Movement in outstanding claims provision	33,171	17,260	33,171	17,260
	5,579,428	4,404,316	5,579,428	4,404,316
Third party claim recoveries	(17,620)	(13,892)	(17,620)	(13,892)
Net claims incurred (excluding claims in respect of risk transfer arrangements)	5,561,808	4,390,424	5,561,808	4,390,424
Net expense on risk transfer arrangements	87,221	194,203	87,221	194,203
Fees/premiums paid	732,315	616,927	732,315	616,927
Centre for Diabetes and Endocrinology	81,956	67,360	81,956	67,360
Dental Information Systems (Pty) Limited	322,785	275,241	322,785	275,241
Netcare 911 (Pty) Limited	36,340	29,107	36,340	29,107
Preferred Provider Negotiators (Pty) Limited	169,831	149,833	169,831	149,833
Primecure Health (Pty) Limited	121,403	95,386	121,403	95,386
Profit share on risk transfer arrangement	-	(2,743)	-	(2,743)
Recoveries from risk transfer arrangements	(645,094)	(419,981)	(645,094)	(419,981)
Relevant healthcare expenditure	5,649,029	4,584,627	5,649,029	4,584,627

Third party claim recoveries of R17.6 million (2008: R13.9 million) are included in net claims incurred. This is in respect of third party recoveries for motor vehicle accident (MVA) claims. The MVA process is administered by Alexander Forbes Accident Compensation Technologies (Pty) Limited.

8 Relevant healthcare expenditure continued

Risk transfer arrangements

The income/(expense) results of the risk transfer arrangements for the current financial year per third party service provider is as follows:

Rand '000	Group		Scheme	
	2009	2008	2009	2008
Centre for Diabetes and Endocrinology	4,803	6,703	4,803	6,703
Dental Information Systems (Pty) Limited	83,188	76,319	83,188	76,319
Netcare 911 (Pty) Limited	8,989	6,359	8,989	6,359
Preferred Provider Negotiators (Pty) Limited	11,374	44,598	11,374	44,598
Primecure Health (Pty) Limited	(21,133)	60,224	(21,133)	60,224
	87,221	194,203	87,221	194,203

The risk transfer arrangements comprise of the provision of medical services that are outsourced to third parties by the Scheme. A risk transfer arrangement is defined by IFRS 4 as an insurance contract issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant. The cost the Scheme would have incurred to deliver the specified benefits had it not entered into the capitation agreement, firstly represents the Scheme's exposure to its member, as the capitation agreement cannot absolve the Scheme from its responsibility towards its members.

This 'cost' the Scheme would have incurred (had it not entered into the capitation agreement) to deliver the specified benefits secondly represents the Scheme's recovery in kind from the managed healthcare provider. This recovery in kind of cost incurred, is disclosed as recoveries received from risk transfer arrangements.

The risk transfer arrangements are entered into in respect of the provision of medical services that are outsourced to third parties to the Scheme. These services comprise:

- Benefits relating to the treatment of diabetes, both Insulin and Non-Insulin by CDE Holdings (Pty) Limited.
- Dental benefits provided by Dental Information Systems (Pty) Limited;
- Ambulance services and international cover provided by Netcare 911 (Pty) Limited;
- Optical benefit management which is provided by Preferred Provider Negotiators (Pty) Limited; and
- All medical benefits on the Boncap benefit option provided by Primecure (Pty) Limited.

Refer to note 11 for nature, terms and conditions of the risk transfer arrangements.



9 Investment income

Rand '000	Group		Scheme	
	2009	2008	2009	2008
Income on available-for-sale investments	197,886	239,531	197,886	239,531
Finance income				
- Call accounts	169,244	206,267	169,244	206,267
- Money market instruments	4,309	7,625	4,309	7,625
Dividend income	24,333	25,639	24,333	25,639
Rentals received	2,942	4,038	2,874	4,038
Contractual rental	2,971	4,055	2,903	4,055
Straight-lining of lease accrual	(29)	(17)	(29)	(17)
Finance income from cash and cash equivalents	4,157	4,699	2,641	4,506
	204,985	248,268	203,401	248,075
Realised gains	6,550	30,405	6,550	30,405
Realised gains on listed available-for-sale investments	41,379	57,695	41,379	57,695
Realised losses on listed available-for-sale investments	(59,829)	-	(59,829)	-
Realised gain on unlisted investments	25,000	-	25,000	-
Realised gain on investment properties	-	(27,290)	-	(27,290)
Change in fair value of investment properties	(1,944)	7,555	(1,194)	8,237
	209,591	286,228	208,757	286,717

10 Trustees remuneration and considerations included in administrative expenditure

Rand '000	Remuneration: Fees for holding office	Accommodation travel and meals	Conference fees	Training	Total consideration
2009					
BP Mpungose	247	223	5	1	476
TD Shangase	385	260	-	-	645
MS Mncube	303	219	5	2	529
MJ Mokoena	220	199	5	2	426
MP Zulu	273	181	5	2	461
NM Seobi	239	223	5	1	467
NE Themba	195	187	-	-	381
SM Nkosi	203	177	5	-	386
WF van Heerden	161	45	-	-	206
Scheme	2,226	1,715	29	8	3,978
BP Mpungose*	260	106	-	-	366
NM Seobi*	126	4	-	-	129
WF van Heerden*	-	6	-	-	6
Group	2,612	1,830	29	8	4,479
2008					
BP Mpungose	189	221	-	7	417
TD Shangase	213	181	-	5	399
MS Mncube	220	229	20	12	482
MJ Mokoena	136	157	-	12	305
MP Zulu	159	194	20	12	386
N Seobi	182	284	-	4	470
NE Themba	184	194	20	4	401
SM Nkosi	145	167	-	4	317
TRA Oliphant	230	120	-	4	354
WF van Heerden	110	40	-	-	150
Scheme	1,768	1,786	61	64	3,679
BP Mpungose*	190	75	-	-	265
NM Seobi*	144	40	-	-	183
WF van Heerden*	94	-	-	-	94
Group	2,195	1,900	61	64	4,221

* Scheme Trustees who earned fees as directors of Bonitas Marketing (Pty) Limited



11 Insurance risk management

11.1 Risk management objectives, policies and strategies to mitigate insurance risk

The primary insurance activity carried out by the Scheme assumes the risk of loss from members and their dependants that are directly subject to the risk. The risks relate to the health of the Scheme's members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements and the monitoring of emerging issues. Certain risks are mitigated by entering into risk transfer arrangements.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses and scenario analyses. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The Scheme's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, is believed that this reduces the variability of the outcome.

The strategy is set out in the annual business plan, which specifies the benefits to be provided by each option, the expected number of members per option and their expected demographic profile.

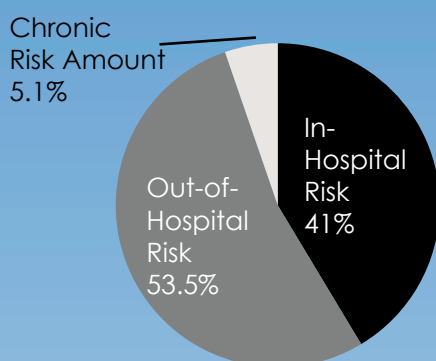
All the contracts are annual in nature and the Scheme has the right to change the terms and conditions of the contracts at renewal. Management information including contribution income, claims ratios, target market and demographic split profile per option is reviewed periodically. There is also an underwriting review programme that reviews a sample of contracts periodically to ensure adherence to the Scheme's objectives.

11 Insurance risk management continued

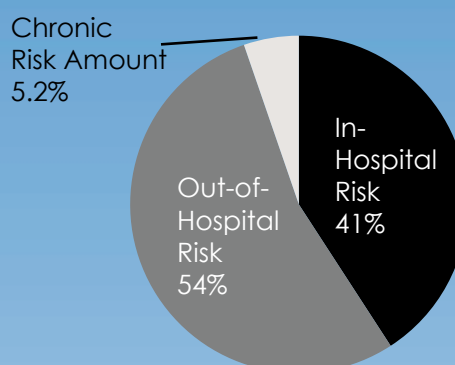
11.2 Concentrations of insurance risk

The following charts summarises the concentrations of insurance risk in relation to the type of risk covered and/or benefits provided:

Concentrations of insurance risk 2009



Concentrations of insurance risk 2008



11.3 Risk transfer arrangements

The Scheme entered into capitation agreements directly with Dental Information Systems (Pty) Limited, Netcare 911 (Pty) Limited, Preferred Provider Negotiators (Pty) Limited and Primecure Health (Pty) Limited. The capitation agreements involve a transfer of risk and are, in substance, the same as a 100% quota share reinsurance treaty. In addition, Medscheme Holdings (Pty) Limited (the contracted administrator of the Scheme) entered into a capitation agreement with CDE Holdings (Pty) Limited t/a Centre for Diabetes and Endocrinology, on behalf of all the medical schemes which it administers, including the Scheme.

These risk transfer arrangements spread the insurance risk and minimise the effect of healthcare losses. The amount of each risk retained depends on the Scheme's evaluation of the specific risk, subject in certain circumstances, to maximum limits on the basis of characteristics of coverage. According to the terms of the capitation agreements, the suppliers provide certain minimum benefits to all Scheme members, as and when required by the members. The Scheme does, however, remain liable to its members with respect to ceded insurance if any supplier fails to meet the obligations it assumes.

When selecting a supplier, the Scheme considers its relative security and ability to deliver the relevant service.

Management renegotiates the agreed fees and benefits of the capitation agreements annually.



i) Preferred Provider Negotiators (Pty) Limited

The Scheme appointed Preferred Provider Negotiators (Pty) Limited (PPN) to procure the provision of the optometric services to beneficiaries, utilising its network of participating providers. The objective is to provide a cost-effective means of delivering quality optometric services to members of the Scheme's participating options. PPN processes and pays all claims in respect of optometric services rendered by the participating and non-participating providers.

The duration of the contract is one year, with the option to renew the contract annually. Fees and benefits have been agreed for the 2010 financial year.

ii) Dental Information Systems (Pty) Limited

The Scheme has appointed Dental Information Systems (Pty) Limited (DENIS) to attend to all aspects of dental claim administration, including payments of all claims. Dental benefits administered includes dental induced hospitalisation. The SMILE programme provided in 2008 was discontinued from 1 April 2009. DENIS receives and captures all claims submitted by members, service providers or by the Administrator. DENIS pays the service providers in respect of all approved claims. DENIS bears the costs incurred in providing a service to the Scheme in respect of the outsourced claims administration.

Fees and benefits have been agreed with DENIS until 31 December 2011. The contract continues indefinitely after this date with a 90-day notice period.

iii) CDE Holdings (Pty) Limited t/a Centre for Diabetes and Endocrinology

The capitation agreement documents the appointment of CDE Holdings (Pty) Limited t/a Centre for Diabetes and Endocrinology ("CDE") as an approved network provider in respect of the treatment of diabetes mellitus by performing and administering the services to the beneficiaries on the Standard and Boncomp benefit options in terms of the capitation agreements. CDE agrees to provide consultation, medication and hospitalisation of beneficiaries in both conditions of insulin-dependent and non-insulin-dependent diabetes mellitus.

The duration of the contract is one year, with the option to renew the contract annually. Fees and benefits are in the process of being negotiated for the 2010 financial year but the renewal terms have been agreed on in principle.

iv) Netcare 911 (Pty) Limited

The Scheme contracted Netcare 911 (Pty) Limited (Netcare) for the provision of managed care services. Netcare conducts its business as a pre-hospital risk management, emergency response, assistance and transportation company. Netcare ensures that all telephonic requests for medical assistance received from members are dealt with in accordance with the contract. Netcare maintains and updates its database to continuously reflect the most recently available data and information relating to the provision of services. Netcare 911 verifies that the person requesting the provision of services is a member of the Scheme.

11 Insurance risk management continued

In addition, members below the age of 81 years can obtain an international travel insurance policy for travel outside the borders of the RSA at no additional cost. The maximum period covered per beneficiary per year is 180 days. The cover provided to members include emergency medical expenses including hospitalisation, out-of-hospital claims, and evacuation and repatriation expenses of members travelling abroad. Netcare undertakes to settle in-hospital emergency medical expenses directly, provide case management in an inpatient setting and provide members with telephonic medical advice and general travel information.

The duration of the contract is one year, with the option to renew the contract annually. Fees and benefits have been agreed for the 2010 financial year.

v) **Primecure Health (Pty) Limited**

Primecure Health (Pty) Limited (Primecure) is a managed healthcare organisation providing healthcare services for members on the Boncap option. Services covered under this contract includes extensive in-hospital cover as well as out-of-hospital cover such as general practitioners, specialists, dentistry, radiology, optometry, acute and chronic medicines, allied health and HIV services.

The duration of the contract is one year, with the option to renew the contract annually. Fees and benefits are in the process of being negotiated for the 2010 financial year but the renewal terms have been agreed on in principle.

12 Changes in the composition of the medical scheme

There were no acquisitions in the year ended 31 December 2009. During 2008, the Scheme amalgamated with BHP Billiton SA Medical Scheme. The acquisition date was 1 July 2008. Bonitas Medical Fund acquired all the assets, liabilities and equity of BHP Billiton Medical Scheme at the audited values.

13 Contingencies

The Scheme has contingent assets in respect of the Road Accident Fund claim recoveries for members that are or may be involved in a motor vehicle accident. Management is confident that the contingent assets will be recoverable, should they arise.



14 Related party transactions

14.1 Related party relationships

i) Parties with significant influence over the Scheme

Medscheme Holdings (Pty) Limited has significant influence over the Scheme as it participates in the Scheme's financial and operating policy decisions, but does not control the Scheme.

Health Risk Solutions, a division of Medscheme Holdings (Pty) Limited, has significant influence over the Scheme as it participates in the Scheme's financial and operating policy decisions, but does not control the Scheme.

ii) Subsidiaries

Bonitas Marketing (Pty) Limited is a wholly owned subsidiary which has influence over the marketing and advertising activities they provide to the Scheme. Pegma Thirty Six Investments (Pty) Limited is a wholly owned subsidiary of the Scheme.

iii) Key management personnel and their close family members

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees, The Principal Executive Officer and the Chief Operations Officer.

Close family members include direct family members of the Board of Trustees, Principal Executive Officer and the Chief Operations Officer.

The Scheme has a 26% ordinary shareholding in Louis Pasteur Hospital Holdings (Pty) Limited. The members of the Scheme utilise the facilities of the Louis Pasteur Hospital on an ongoing basis, for medical services.

14 Related party transactions continued

14.2 Transactions with related parties

All transactions with related parties are on an arm's length basis under terms that are no less favourable than those arranged with third parties.

i) Parties with significant influence over the Scheme

Rand '000	2009	2008
Medscheme Holdings (Pty) Limited Scheme administrator		
Statement of comprehensive income		
Administration fees paid The administration agreement between Medscheme Holdings (Pty) Limited and the Scheme stipulates that Medscheme Holdings (Pty) Limited administers the Scheme in terms of the rules of the Scheme and in accordance with the instructions given by the Board of Trustees of the Scheme.	388,176	322,890
Lease of Polokwane property - rentals received	(134)	(123)
Statement of financial position		
Balances payable to related party The balances payable bear no interest, are unsecured and are due within 30 days.	(275)	(304)
Balances receivable from related party The balances receivable bear no interest, are unsecured and are due within 30 days.	114	-



Rand '000	2009	2008
Health Risk Solutions		
A division of Medscheme Holdings (Pty) Limited		
Statement of comprehensive income		
Managed care fees	183,990	152,700
The administration agreement between Health Risk Solutions and the Scheme stipulates that Health Risk Solutions renders managed healthcare services to the Scheme in terms of the rules of the Scheme and in accordance with the instructions given by the Board of Trustees of the Scheme.		
Statement of financial position		
Balances payable to related party	(3,728)	(9,964)
The balances payable bear no interest, are unsecured and are payable upon presentation of an approved invoice.		
<hr/>		
ii) Subsidiaries		
Bonitas Marketing (Pty) Limited		
Statement of comprehensive income		
Sales and marketing fees	38,606	29,538
Statement of financial position		
Marketing fees payable	10,803	9,244
<hr/>		
iii) Key management personnel and their close family members		
Key management compensation		
Fees paid to the Trustees (Refer to note 10)	4,479	4,021
Salary and bonus paid to the Principal Executive Officer and Acting Principal Executive Officer	2,619	1,559
Salary and bonus paid to Chief Operations Officer	1,436	858
	8,534	6,438

14 Related party transactions continued

Rand '000	2009	2008
Key management contributions received and claims paid		
Statement of comprehensive income		
Contributions received This constitutes the contributions paid by the related party as a member of the Scheme, in their individual capacity. All contributions were at the same terms as applicable to third parties.	(371)	(378)
Claims paid This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to third parties.	260	160
Other transactions with key management personnel		
The Scheme is owed one thousand rand (2008: sixteen thousand rand) by the resigned Principal Executive Officer of the Scheme.		
<hr/>		
iv) Other related parties		
Louis Pasteur Hospital Holdings (Pty) Limited		
Statement of financial position		
Unlisted equity held by the Scheme in the entity at fair value	20,800	13,488
Creditor's invoices paid during the year	27,948	27,085
Balances payable to related party The balances payable bear no interest, are unsecured and are due within 30 days.	-	(501)
<hr/>		
Clinix Health Group Holdings (Pty) Limited *		
Statement of financial position		
Unlisted equity held by the Scheme in the entity at fair value	-	25,000
Creditor's invoices paid during the year	72,328	42,223
Balances payable to related party The balances payable bear no interest, are unsecured and are due within 30 days.	-	(718)



14 Related party transactions continued

Rand '000	2009	2008
Lesedi Clinic (Pty) Limited *		
Statement of financial position		
Unlisted equity held by the Scheme in the entity at fair value	-	360
Creditor's invoices paid during the year	28,252	16,664
Balances payable to related party	-	(247)
The balances payable bear no interest, are unsecured and are due within 30 days.		

* At 31 December 2009, these entities were no longer related parties in relation to the Scheme, as the investments had been sold.

15 Events after statement of financial position date

15.1 Outstanding claims provision

The outstanding claims provision is expected to have a run-off period of four months after the date of the statement of financial position.

15.2 Application for curatorship by the Registrar of the Council of Medical Schemes

The Registrar of the Council of Medical Schemes applied to the Court to place the Scheme under curatorship under Section 56 of the Act in January 2010. The application follows an investigation by the Council during 2009 of the Scheme and its Administrator due to alleged concerns regarding the governance of the Scheme, brought under Section 51 of the Act. The Board of Trustees has obtained legal advice on the matter and has decided that it is in the best interests of members to oppose the application.

15.3 Resignation of Principal Executive Officer

The Principal Executive Officer of the Scheme resigned on 30 January 2010, effective from 31 January 2010. He further resigned as director of Louis Pasteur Holdings (Pty) Limited as well as all other entities related to the Scheme.

15.4 Restructuring of the Group

During March 2010 the Board of Trustees confirmed a decision to restructure the Group. At the date of the financial statements neither the full impact of the restructuring activities nor the final manner in which the restructuring will be performed has been determined by management.

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