

NOTICE OF THE ANNUAL GENERAL MEETING  
AND BOARD OF TRUSTEES ELECTION OF THE  
SELFMED MEDICAL SCHEME TO BE HELD ON  
WEDNESDAY, 28 JUNE 2006 AT 14H00 (2 PM)  
AT THE BELL ROSEN GUESTHOUSE, 116  
KOMMISSARIS STREET, WELGEMOED, BELLVILLE

## AGENDA

1. Notice of Meeting
2. Confirmation of Previous Minutes
3. Matters Arising from Previous Minutes
4. Adoption of Board's Report
5. Adoption of Annual Financial Statements
6. Adoption of Auditor's Report
7. Introduction of Auditors
8. Introduction of Members of the Disputes Committee
9. Election of Two Trustees
10. Introduction of Board of Trustees
11. Honorariums
12. Any Other Business (only those matters of which the Scheme received notice by 14 June 2006)

## MINUTES OF THE ANNUAL GENERAL MEETING OF THE SELFMED MEDICAL SCHEME (REG NO. 1446), HELD ON TUESDAY, 28 JUNE 2005 AT 15:00 AT THE LOWVELD COUNTRY CLUB, AURORA STREET, NELSPRUIT

PRESENT: Mr L duT Bester (Chairman)  
Mr EH Gregory (Vice-Chairman)  
Mr M Bartlett  
Dr WH Boshoff  
Mr M Werth (Principal Officer)

IN ATTENDANCE: Ms M Bester (Selfmed)  
Mr A de Beer (Selfmed)  
Ms K Claassen (Selfmed)  
Ms L Louw (Old Mutual Healthcare)

MEMBERS PRESENT: 14

PROXIES RECEIVED: 78

### 1. NOTICE OF MEETING

The Chairman welcomed everyone present.

It was noted that a quorum was present and that the meeting had been duly constituted. The Chairman confirmed that the notice to members had been distributed in accordance with the Rules of the Scheme and could be taken as read.

The Chairman asked for a moment of silence in memory of the late trustee, Aubrey Faber, who sadly passed away in April.

The Chairman introduced Mr Barry Reide and confirmed that he was appointed to fill the vacancy on the Board and serve the remainder of the late Mr Faber's term of office.

### 2. CONFIRMATION OF PREVIOUS MINUTES

The Minutes of the Annual General Meeting held on 29 June 2004 were accepted and APPROVED at the meeting.

PROPOSED: Dr W Boshoff

SECONDED: EH Gregory

### 3. MATTERS ARISING FROM PREVIOUS MINUTES

#### Item 10: Any Other Business (Minutes 29 June 2004)

The Chairman tabled communications received from members and requested that written responses be sent to members, BJ van Zuydam, C Mabunda and A Warner.

**Feedback:** All three the above-mentioned members received written responses in respect of their queries.

### 4. ADOPTION OF BOARD'S REPORT

The members duly adopted the Board's report.

PROPOSED: A de Beer

SECONDED: G Wells

### 5. ADOPTION OF ANNUAL FINANCIAL STATEMENTS

It was noted that there were no questions or concerns regarding the financial statements. The Chairman pointed out that the Scheme had established a 42% reserve level at the end of 2004 and the results to date for 2005 were also very satisfactory.

The members duly adopted the Annual Financial Statements.

PROPOSED: L Alberts

SECONDED: G Wells

### 6. ADOPTION OF AUDITOR'S REPORT

The Chairman commended Old Mutual Healthcare's financial department for the proficient manner in which they have managed the Scheme's financial accounts, especially in view of the Scheme's reputation for having had qualified accounts in the past.

The members duly adopted the Auditor's Report.

PROPOSED: A de Beer

SECONDED: M Bartlett

### 7. INTRODUCTION OF AUDITORS

The Board recommended and the members AGREED that PriceWaterhouseCoopers be re-appointed as the Scheme's Auditors for the period until the next Annual General Meeting in 2006.

PROPOSED: Chairman

SECONDED: B Reide

### 8. INTRODUCTION OF MEMBERS OF THE DISPUTES COMMITTEE

It was noted that the Scheme did not have a single dispute in 2004 which required resolution by the Disputes Committee. The Board suggested that Advocate de Wet, Mr L Laubscher and Mr M Hutchinson be retained as the Disputes Committee members for another year until the next Annual General Meeting in 2006. This was approved by the members.

PROPOSED: M Bartlett

SECONDED: EH Gregory

### 9. HONORARIUMS

The Chairman tabled a recommendation to change the current remuneration structure of the Board of Trustees.

The Chairman followed to say that, as disclosed at the previous AGM, he has become involved in the management of the Scheme on a full-time basis. Consequently he has waived all trustee remuneration since he is paid a salary as CEO.

The Chairman tabled the following proposals with regards to adjustments to the Trustees' remuneration:

- All trustees will receive retainer fees of R6 500 per month
- All trustees will receive R3 800 for attending a meeting
- Should a non-executive chairman be appointed, his retainer fee would be R7 200 per month
- For any meeting being chaired by the Chairman, the fee will be R5 500 per day.
- Half day meetings will be portioned accordingly.
- Communication allowances will be increased from R400 to R600. This increase would be subject to the condition that a trustee must be in possession of the necessary computer technology required to ensure successful communication.
- Due to continuous increases in the fuel price, the amount of R2,50 will be increased to R3,00 per kilometre.

In response to a question from Mr Bartlett, it was confirmed that the above increases would be effective from 1 July 2005.

The above proposals were unanimously APPROVED with no votes recorded against it.

PROPOSED: G Wells

SECONDED: P Brewis

### 10. ANY OTHER BUSINESS

#### 10.1 The following complaints were raised by members and the Scheme was notified of these matters by 14 June 2005:

- 10.1.1 Complaint from member, **EDB Laurenson (membership number 490234006)** who requested that the Scheme considers extending the claims submission period for valid claims from four (4) to five (5) months. The request resulted from the members' previous experiences with non-receipt and unsuccessful processing of claims by the administrator within the prescribed period.

#### Feedback:

- In response to the member's request, the principal officer pointed out that the current claims rule was in line with the Registrar's model rules. However, the Scheme monitors the level of stale claims on a monthly basis and would apply concessions on an individual/merit basis. Even though there was empathy with the member's particular situation, it was recommended and AGREED that a formal rule change only be

considered as part of the Scheme's annual benefit review for 2006.

- Mr Paiva questioned whether the Scheme received many complaints about stale claims to which the Chairman responded that, due to previous poor administration, the Scheme was unfortunate to have cases where stale claims date back as far as 2002. This situation is, however, under control. An amount was indeed set aside to deal with the stale claims as a result of the weak administration of the previous administrator. The stale claim dilemma is, however, not unique to Selfmed, but something that would always be a contentious issue at any medical aid.

- 10.1.2 Complaint from member, **T Reide (membership number 490339521)** who enquired as to why the performance of the administrator, which was excellent in the beginning, has deteriorated so dramatically. She also wanted to know what was being done to address this.

**Feedback:**

The Chairman responded by acknowledging the deterioration in the administration service levels. He confirmed that the Board has placed the administrator in breach of contract due to its poor performance in one specific member servicing area. An audit was also conducted which had highlighted areas of concern which were addressed on a very high level. The Board shared members' disappointment and would continue to take the required action to resolve the situation. Fortunately Selfmed, through its own offices, is in a position to assist members with queries to such an extent that the effect of the deterioration is not perceived by members as material.

- 10.2 The Chairman advised the meeting that the Board of Trustees would be establishing a remuneration committee with the purpose of determining the salary structure and levels of the management in the Scheme. The final decision and ratification would be made at the Board of Trustees meeting to be held on the 6th of July 2005.
- 10.3 Mr Reide enquired as to the progress with the claim lodged against Sanlam. The Chairman responded that a new senior advocate had been appointed and a court date was received for the matter to be heard on the 11th of October 2005. The most advisable course of action at this stage was, however, to pursue arbitration. An arbitrator, retired Judge Kriegler, had been appointed in this regard. All legal costs would be shared with Topmed as would any proceeds resulting from a successful arbitration. The principal officer furthermore reported that Sanlam has already made provision for a possible settlement in their financial statements.
- The Chairman provided background on the issue to all present and pointed out that the Scheme had zero reserves when it was handed over as an independent entity by Sanlam in 1999. Sanlam believed that they were duly constituted to do so, whilst the Board deemed it necessary to pursue the matter further in the interest of the Scheme's members.
- 10.4 The Chairman warned members that some disappointment could be expected in terms of the Scheme's benefit structure for 2006. This statement was in response to feedback

received from the Registrar's office according to which all schemes hence would not be permitted to register options with multiple savings levels in 2006.

The Chairman concluded the meeting by thanking the Board of Trustees, principal officer and Alexander Forbes for all their valuable input. The Selfmed staff was also commended for the work they have done which contributed towards a significant reduction in membership losses towards the end of the previous year. Finally, the Chairman thanked all members who attended the meeting for their involvement and interest in the Scheme's affairs and future well-being.

As there was no further business to discuss, the meeting was declared closed at 15H40.

## SELFMED MEDICAL SCHEME REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2005.

### 1. DESCRIPTION OF THE MEDICAL SCHEME

#### 1.1 Terms of registration

The Selfmed Medical Scheme is a not for profit open medical scheme registered in terms of the Medical Schemes Act 131 of 1998, as amended.

#### 1.2 Benefit options within Selfmed Medical Scheme

In 2005, the medical scheme offered 6 benefit options to employers and members of the public. These were:

- MEDXXI
- MEDXXI Chronic
- MEDXXI Comprehensive
- MEDXXI Chronic Comprehensive
- Selfsure
- Selfmed 80%

The net overall results, inclusive of all six options, increased the accumulated funds ratio from 45% to 47% (refer to point 4.3) for the year. Although losses before investment income have been incurred on most options, the Board is of the opinion that the viability of benefit options rely on numerous factors, including the Scheme's overall solvency and the requirements of different members. The Scheme operates on a sound financial basis and these benefit options are in no way jeopardising the financial soundness of the Scheme as a whole. Ultimately it is the best interests of all members that need to be taken into account. Due to the losses incurred on the MEDXXI Chronic Comprehensive Option, the Scheme was instructed by the Registrar of Medical Schemes to discontinue this Option at the end of 2005. Members were afforded the opportunity to change to any other option in the product range. Where no option change was exercised, membership was defaulted to Selfmed 80%. The Board of Trustees is of the opinion that the change of administrator and managed healthcare provider, as discussed under point 6 of this report, will assist in reducing the reported losses on other options. The implementation of the REF is also expected to have a favourable impact on this situation.

#### Non-compliance

In terms of section 33(2) of the Medical Schemes Act 131 of 1998, as amended, each option shall be self-supporting in terms of membership and financial performance and be financially sound. At 31 December 2005 the Selfsure, MEDXXI Chronic Comprehensive, MEDXXI Chronic and MEDXXI options did not comply with section 33(2). (Refer to note 31 of the annual financial statements.)

#### 1.3 Savings plans

In order to provide a facility for medical scheme members to set funds aside to meet future healthcare costs not covered in the benefit options, the trustees have made the savings plan option available to meet this objective. Members belonging to the MEDXXI, MEDXXI Chronic, MEDXXI Comprehensive, MEDXXI Chronic Comprehensive and Selfsure options paid an agreed sum, limited to 25% of their gross contributions, into a savings account so as to help fund day-to-day expenses. Unexpended savings amounts were accumulated for the benefit of the member and interest was credited on balances.

The Registrar of Medical Schemes made a ruling according to which no medical scheme would, with effect from 1 January 2006, be allowed to have or register an option that offers members a variety of savings levels. It was decided that, in order to protect the affordability of options to those who did not contribute to a savings account before, the savings plan provision on all Selfmed options would be removed in 2006. The consequence of this decision is that members on savings plan options would take over responsibility for day-to-day expenses previously funded through a saving plan.

The liability of members in respect of the savings plan is reflected as a financial liability in the financial statements, repayable in terms of regulation 10 of the Act.

#### 1.4 Risk Transfer Arrangements

The Scheme entered into a capitation agreement with ER24 EMS (Pty) Ltd to provide emergency medical care network services for the duration of the year.

### 2. MANAGEMENT

#### 2.1 Board of Trustees in office during the year under review

L du T Bester	Member trustee (Chairman and CEO)
EH Gregory	Member trustee (Vice-chairman)
M Bartlett	Member trustee
WH Boshoff	Member trustee
A Faber	Member trustee – deceased 12 April 2005
B Reide	Member trustee – appointed 28 June 2005

#### 2.2 Principal Officer

M Werth	
Alexander Forbes Financial Services	
40 Dorp street	PO Box 700
Stellenbosch	Stellenbosch
7600	7599

### 2.3 Registered Office Address

Selfmed Medical Scheme

Unit 9 PO Box 5543  
 Canal Edge II Tygervalley  
 Carl Cronje Drive 7536  
 Tyger Waterfront  
 Bellville  
 Western Cape  
 7530

### 2.4 Scheme Administrator during the year

Old Mutual Healthcare (Pty) Ltd

Jan Smuts Drive PO Box 90  
 Pinelands Howard Place  
 7405 7450

(contract terminated 31 December 2005)

### 2.5 Investment managers during the year

Allan Gray Life Limited

Granger Bay Court PO Box 51318  
 Beach Road V&A Waterfront  
 V&A Waterfront Cape Town  
 Cape Town 8002  
 8001

### 2.6 Actuaries

Alexander Forbes Financial Services

40 Dorp street PO Box 700  
 Stellenbosch Stellenbosch  
 7600 7599

### 2.7 External auditors

PricewaterhouseCoopers Inc.

No 1 Waterhouse Place PO Box 2799  
 Century City Cape Town  
 7441 8000

## 3. INVESTMENT STRATEGY OF THE MEDICAL SCHEME

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

An investment committee was established on 28 April 2004 and is mandated by the Board of Trustees. This committee comprises 3 members, two of whom are members of the Board. The primary responsibility of the committee is to assist the Board of Trustees in carrying out its duties relating to the investment policy of the Scheme. The Committee presently comprises:

M Bartlett	Member trustee
M Werth	Principal Officer
L du T Bester	Member trustee (Chairman & CEO)

The mandate of the investment committee is to ensure that:

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

The Scheme invested in fixed deposits, gilts and semi gilts, shares, commodities and cash instruments during 2005. This policy is reviewed annually, taking into consideration compliance with the Act, the risk and returns of the various investment instruments and the surplus of funds available.

The Scheme has established its own financial department on 1 January 2006 to deal with all operational expenditure and reporting requirements as well as placement of the scheme investments after due consideration by the Scheme's investment committee. The Scheme has employed the necessary financial staff for this function.

## 4. REVIEW OF THE YEAR'S ACTIVITIES

### MEMBERSHIP

Even though the total membership of the Scheme did not increase in 2005, two options (MEDXXI and Selfsure) experienced actual growth whilst there was an 89% reduction in membership loss, when compared to the previous year. The Scheme ended the year 2005 with an actual growth of 30 members for December and this growth trend is expected to continue into 2006.

It has also been re-assuring to note that 37% more new membership applications were received during 2005, when compared to 2004, whilst notifications of cancellations have reduced with 36% from 2004 to 2005.

## 4. REVIEW OF THE YEAR'S ACTIVITIES

### 4.1 Operational statistics – 2005

	Selfsure	MEDXXI Chronic Compr.	MEDXXI Chronic	MEDXXI Compr.	80% Option	MEDXXI	TOTAL
Number of members at the end of the year	3 286	228	940	1 319	1 312	6 312	13 397
Average number of members for the year	3 171	240	986	1 358	1 358	6 265	13 378
Average number of beneficiaries for the year	8 317	438	1 785	3 178	2 534	15 284	31 536
Average age of beneficiaries for the accounting period	28	56	54	41	53	37	38
Pensioner ratio (beneficiaries > 65 years)	4%	36%	35%	15%	34%	11%	13%
Average net contributions per member per month	R1,353	R2,857	R1,988	R1,491	R3,266	R1,066	R1,501
Average net contributions per beneficiary per month	R516	R1,565	R1,098	R637	R1,750	R437	R637
Average net claims incurred per member per month	R1,096	R4,014	R2,197	R1,183	R2,247	R930	R1,278
Average net claims incurred per beneficiary per month	R418	R2,200	R1,214	R506	R1,204	R381	R542
Average administration costs per member per month	R198	R193	R193	R193	R193	R196	R195
Average administration costs per beneficiary per month	R75	R105	R106	R83	R103	R80	R83
Average managed care: Management services expense per member per month	R38	R38	R38	R38	R38	R38	R38
Average accumulated funds per member at 31 December (per Regulation 29)	N/A	N/A	N/A	N/A	N/A	N/A	R9,106
Beneficiaries per member at 31 December	2.57	1.81	1.78	2.32	1.85	2.43	2.34
Net claims as a percentage of net contributions	81%	141%	111%	79%	69%	87%	85%
Managed care: Management services expense as a percentage of net contributions	3%	1%	2%	3%	1%	4%	3%
Administration expenses as a percentage of net contributions	15%	7%	10%	13%	6%	18%	13%

### 4.1 Operational statistics – 2004

	Selfsure	MEDXXI Chronic Compr.	MEDXXI Chronic	MEDXXI Compr.	80% Option	MEDXXI	TOTAL
Number of members at the end of the year	2 943	297	1 146	1 464	1 528	6 144	13 522
Average number of members for the year	3 006	319	1 203	1 535	1 604	6 215	13 882
Average number of beneficiaries for the year	8 324	586	2 307	3 661	3 088	15 333	33 299
Pensioner ratio (beneficiaries > 65 years)	35%	30%	31%	34%	29%	34%	32%
Average net contributions per member per month	R1,300	R2,480	R1,786	R1,390	R3,053	R989	R1,442
Average net contributions per beneficiary per month	R469	R1,350	R931	R583	R1,586	R401	R601
Average net claims incurred per member per month	R943	R2,957	R1,838	R1,088	R2,454	R775	R1,181
Average net claims incurred per beneficiary per month	R340	R1,610	R959	R456	R1,274	R314	R492
Average administration costs per member per month	R158	R163	R159	R159	R159	R160	R160
Average administration costs per beneficiary per month	R57	R89	R83	R67	R83	R65	R67
Average managed care: Management services expense per member per month	R38	R38	R38	R38	R38	R38	R38
Average accumulated funds per member at 31 December (per Regulation 29)	N/A	N/A	N/A	N/A	N/A	N/A	R8,631
Beneficiaries per member at 31 December	2.72	1.82	1.89	2.37	1.90	2.45	2.38
Net claims as a percentage of net contributions	73%	120%	103%	79%	81%	79%	83%
Managed care: Management services expense as a percentage of net contributions	3%	2%	2%	3%	1%	4%	3%
Administration expenses as a percentage of net contributions	12%	7%	9%	11%	5%	16%	11%

#### 4.2 Result of operations

The results of the medical scheme are set out in the financial statements and the trustees believe that no further clarification is needed.

#### 4.3 Accumulated funds ratio

	2005	2004
The accumulated funds ratio is calculated on the following basis:		
	R	R
Total members' funds per balance sheet	137,966,211	117,629,534
- Less: Unrealised gain on investment	15,978,894	923,886
Accumulated funds per Regulation 29	121,987,317	116,705,648
Gross contributions	260,366,865	259,059,138
Accumulated funds ratio	47%	45%

The Scheme, in good faith, realised its Allan Gray portfolio at year-end. This means that the revaluation reserve relating to this investment was fully realised. Due to a technical matter in the adoption of International Financial Reporting Standards, this realisation has been disallowed.

The impact of this adjustment on the solvency ratio has caused the ratio of 53%, as accepted by the Board of Trustees as a true reflection of scheme reserves, to reduce to 47%, i.e. had the realization been allowed, the solvency ratio would have been higher.

#### 4.4 Reserve accounts

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the Scheme.

#### 4.5 Outstanding claims

Movements on the outstanding claims provision are set out in Note 8 to the annual financial statements. There have been no unusual movements that the trustees believe should be brought to the attention of the members of the Scheme.

### 5. ACTUARIAL SERVICES

The Scheme's actuaries have been consulted in the determination of the contribution and benefit levels.

### 6. POST BALANCE SHEET EVENTS

#### Change of administrator

The Selfmed Medical Scheme terminated its administration agreement with Old Mutual Healthcare (Pty) Ltd on 31 December 2005. With effect from 1 January 2006 the Scheme has embarked on a joint administration model with V Medical Aid Administrators (Pty) Ltd, utilising a software system provided by Neil Harvey Administrators which has a reputation of offering overall satisfaction to those schemes that already utilise it. This administration relationship allows the Board of Trustees to be directly involved in the Scheme's affairs and creates a model where enhanced, accelerated feedback is received by management regarding all aspects of the administration. It has also created an opportunity for the Scheme to establish its own call centre, referred to as an Excellence Centre, where the Scheme, and not the

administrator, deals with enquiries from members, brokers and providers. The Scheme has employed experts who have the required skill and expertise to staff the Excellence Centre.

#### Managed healthcare

The Selfmed Medical Scheme has also terminated its managed healthcare agreement with Old Mutual Healthcare (Pty) Ltd on 31 December 2005 and contracted the services of Medscheme Holdings (Pty) Ltd trading as Solutio Health Risk Management to manage the Scheme's managed healthcare initiatives with effect from 1 January 2006. Solutio is renowned for their excellent ability to manage the cost expenditure to both the Scheme and members' benefit.

#### Other contracts

The services of Alexander Forbes Compensation Technologies (Pty) Ltd has been contracted to assist with the recovery process of Road Accident Fund claims. The services of Snyman and Partners (Pty) Ltd has been contracted to assist with the recovery process of bad debts. The Scheme has contracted the services of Trans Union ITC (Pty) Ltd to assist with the tracing of defaulting members.

### 7. AUDIT COMMITTEE

An audit committee was established in accordance with the provisions of the Act. The committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The committee comprises five members of which two are members of the Board of Trustees. The committee met on two occasions during the course of the year and these meetings were attended by all members of the audit committee.

The chairman of the Board of Trustees, the administrator and the external auditors attend all audit committee meetings and have unrestricted access to the chairman of the Committee. In accordance with the provisions of the Act, the primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the medical scheme's accounting policies, internal control systems and financial reporting practices. The external auditors formally report to the Committee on critical findings arising from audit activities.

In 2005, the Committee comprised:

K Hopkins (Chairman)	resigned December 2005
J Filmlalter	resigned December 2005
N Retief	
L du T Bester (Trustee chairman)	
M Bartlett (Trustee)	

#### Audit Committee Meetings

##### Number of Audit Committee meetings held during the year

<b>Attendance:</b>	<b>2</b>
K Hopkins	2
J Filmlalter	2
N Retief	2
L du T Bester	2
M Bartlett	2

The following new appointments have been made in 2006 to fill the vacancies on the Audit Committee:

R Gush	March 2006 (appointed Chairman on 23 March 2006)
I van Gend	March 2006

## 8. REMUNERATION COMMITTEE

A remuneration committee was established to determine the remuneration of the Selfmed employees. The remuneration committee comprises 4 members:

M Bartlett	Chairman
EH Gregory	Trustee
W Boshoff	Trustee
B Reide	Trustee

## 9. CONTINGENT LIABILITIES

It is reported that the Scheme is involved with two legal cases as at 31 December 2005:

### a) Sanlam Health Risk Management Ltd.

The matter was taken off the Cape High Court Roll following all three parties consenting to Arbitration. Topmed Medical Scheme and Selfmed Medical Scheme are co-plaintiffs and all costs are shared equally. The subject matter revolves around the stripping of all the assets of both Schemes by Sanlam during 1997/8. Proceedings have started during October 2005 and a verdict of the first component, i.e. prescription is expected during May 2006.

### b) Council for Medical Schemes and Registrar for Medical Schemes

Following a defamatory statement by the above parties against Selfmed's Board of Trustees and the Chairman, the matter was taken up with the Registrar. Since no agreement could be reached, the case was handed over to the Scheme's legal counsel who issued summons against the two parties.

## 10. TRUSTEE MEETING ATTENDANCE AND REMUNERATION

The following schedule sets out Board of Trustee meeting attendances and attendances by members of Board sub-committees. Trustee remuneration is disclosed in the table to note 16 of the annual financial statements.

	Board meetings	Audit committee meetings
<b>Number of meetings held during the year</b>		
<b>Attendance:</b>	<b>5</b>	<b>2</b>
M Bartlett	5	2
WH Boshoff	5	-
EH Gregory	5	-
L du T Bester	5	2
B Reide	2	-
A Faber	0	-

## 11. CONCLUSION

Constant communication with members remains a priority of the Scheme. The Board of Trustees is confident that the enhancements introduced and implemented for 2006 will allow for improved service and increased trustee participation, thus enabling the Scheme to safeguard members' interests even better than before.

Chairman

Trustee

Principal officer

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SELFMED MEDICAL SCHEME

We have audited the financial statements of Selfmed Medical Scheme for the year ended 31 December 2005, from which the summarised financial statements were derived, in accordance with International Standards on Auditing.

In our report dated 28 April 2006, we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived, except for the detailed notes that are not herewith disclosed.

For a better understanding of the scheme's financial position and the results of its operations for the year ended 31 December 2005 and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report thereon.

### PRICEWATERHOUSECOOPERS INC.

Registered Accountants and Auditors  
Chartered Accountants (SA)  
Cape Town  
28 April 2006

SELFMED MEDICAL SCHEME  
BALANCE SHEET  
at 31 December 2005

	2005 R	2004 R Restated
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	611 750	689 488
<b>Current assets</b>	<b>184 335 070</b>	163 919 215
Financial assets held at fair value through profit and loss	143 846 390	101 232 450
Trade and other receivables	1 465 434	2 017 838
Cash and cash equivalents	39 023 246	60 668 927
<b>Total assets</b>	<b>184 946 820</b>	164 608 703
<b>FUNDS AND LIABILITIES</b>		
<b>Members' funds</b>		
Accumulated funds	137 966 211	117 629 534
<b>Non-current liabilities</b>		
Lease liabilities	149 005	-
<b>Current liabilities</b>	<b>46 831 604</b>	46 979 169
Borrowings	2 500 000	2 500 000
Outstanding claims provision	15 500 000	14 500 000
Savings plan liability	14 846 365	13 379 460
Trade and other payables	13 985 239	16 599 709
<b>Total funds and liabilities</b>	<b>184 946 820</b>	164 608 703

SELFMED MEDICAL SCHEME  
INCOME STATEMENT  
for the year ended 31 December 2005

	2005 R	2004 R Restated
Risk contribution income	240 898 448	240 271 238
Risk claims incurred	205 094 111	196 764 230
Managed care: management services	6 099 797	6 315 828
Expense on risk transfer arrangements	1 039 832	847 650
<b>Gross underwriting surplus</b>	<b>28 664 708</b>	36 343 530
Acquisition costs	2 686 773	2 929 765
Administration expenses	31 363 368	26 581 390
Net impairment losses		
Trade and other receivables	(369 224)	37 794
<b>Net underwriting (deficit)/surplus</b>	<b>(5 754 657)</b>	6 794 581
Net Investment income	10 531 117	11 451 510
Net fair value gains on financial assets at fair value through profit and loss	15 978 894	923 886
Other operating income	11 168	7 715 849
Interest paid on savings plan accounts	(429 845)	(460 775)
<b>Net surplus for the year</b>	<b>20 336 677</b>	26 425 051

**SELFMED MEDICAL SCHEME  
STATEMENT OF CHANGES  
IN FUNDS AND RESERVES  
for the year ended 31 December 2005**

**STATEMENT OF CHANGES IN FUNDS AND RESERVES**

for the year ended 31 December 2005

	<i>Accumulated funds</i>	<i>Available-for- sale reserve</i>	<i>Total members' funds</i>
<b>Balance as at 1 January 2004</b>	91 204 483	-	91 204 483
Surplus for the year as previously reported	25 501 165	-	25 501 165
Unrealised gain on revaluation of available-for-sale investments	-	923 886	923 886
Effect of first time adoption of IFRS	923 886	(923 886)	-
<b>Restated balance as at 31 December 2004</b>	<b><u>117 629 534</u></b>	<b><u>-</u></b>	<b><u>117 629 534</u></b>
Surplus for the year	20 336 677	-	20 336 677
<b>Balance as at 31 December 2005</b>	<b><u>137 966 211</u></b>	<b><u>-</u></b>	<b><u>137 966 211</u></b>
		<b>2005</b>	<b>2004</b>
<b>Solvency</b>			
Gross annual contributions		260 366 865	259 059 138
Accumulated Funds		137 966 211	117 629 534
Less: Unrealised gains on investments		15 978 894	923 886
		<u>121 987 317</u>	<u>116 705 648</u>
Statutory minimum solvency requirement		25%	25%
Solvency as calculated		47%	45%

**SELFMED MEDICAL SCHEME  
CASH FLOW STATEMENT  
for the year ended 31 December 2005**

	2005 R	2004 R Restated
<b>Cash flows from operating activities</b>		
Cash flows from operations before working capital changes	(6 999 038)	13 243 813
Working capital changes		
Decrease in trade and other receivables	552 404	1 324 702
Decrease in trade and other payables	(2 614 470)	(1 160 853)
Increase/(decrease) in outstanding claims provision	1 000 000	(1 747 749)
Increase in savings plan liability	1 466 905	1 562 182
Net purchase of investments	(26 635 046)	(99 384 678)
Interest received	10 289 791	11 529 389
Dividends received	1 335 464	44 606
<b>Net cash from operating activities</b>	<b><u>(21 603 990)</u></b>	<b><u>(74 588 588)</u></b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(190 696)	(163 418)
<b>Net cash used in investing activities</b>	<b><u>(190 696)</u></b>	<b><u>(163 418)</u></b>
<b>Cash flows from financing activities</b>		
Increase in lease liability	149 005	-
<b>Net cash from financing activities</b>	<b><u>149 005</u></b>	<b><u>-</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b><u>(21 645 681)</u></b>	<b><u>(74 752 006)</u></b>
Cash and cash equivalents at the beginning of the year	60 668 927	135 420 933
<b>Cash and cash equivalents at the end of the year</b>	<b><u>39 023 246</u></b>	<b><u>60 668 927</u></b>

## SELFMED MEDICAL SCHEME: NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2005

### 23. CONTINGENCIES

It is reported that the Scheme is involved with two legal cases as at 31 December 2005:

1. Sanlam Health Risk Management Ltd.

This matter was taken off the Cape High Court Roll following all three parties consenting to Arbitration. Topmed Medical Scheme and Selfmed Medical Scheme are co-plaintiffs and all costs are shared equally. The subject matter revolves around the alleged stripping of all the assets of both Schemes during 1997/8. Proceedings started during October 2005 and a verdict of the first component, i.e. prescription, is expected during May 2006. The value of the claim can not be accurately determined and is of a sensitive nature.

2. Council for Medical Schemes and Registrar for Medical Schemes

Following a defamatory statement by the above against Selfmed's Board of Trustees and the Chairman, the matter was taken up with the Registrar. Since no agreement could be reached, the case was handed over to the Scheme's legal counsel who issued summons against the two parties to the amount of R500 000.

3. Legal expenses of R1.4m could be incurred in respect of these matters.

### 25. POST BALANCE SHEET EVENTS

Change of administrator and service providers Selfmed Medical Scheme has:

- changed the administration of the scheme from Old Mutual Healthcare (Pty) Ltd with effect from 1 January 2006;
- embarked on a joint administration model with V Medical Aid Administrators (Pty) Ltd;
- contracted the services of Medscheme Holdings (Pty) Ltd trading as Solutio Health Risk Management to manage the scheme's Managed Health Care initiatives;
- established an Excellence Centre to deal with all member and provider queries and as such have employed the necessary call centre staff required for this function;
- established its own financial department to deal with all operational expenditure and reporting requirements as well as placement of scheme investments after due consideration by the scheme's Investment Committee;
- employed the necessary financial staff required for this function;
- contracted the services of Alexander Forbes Compensation Technologies (Pty) Ltd to assist with the recovery process of Road Accident Fund claims;
- contracted the services of Snyman en Vennote (Pty) Ltd to assist with the recovery process of bad debts;
- contracted the services of Trans Union ITC (Pty) Ltd to assist with the tracing of defaulting members.

### 26. RELATED PARTY TRANSACTIONS

Identity of related parties	Nature of relationship
Old Mutual Healthcare (Pty) Ltd	Administration and managed care services
Alexander Forbes Healthcare Consultants	Consulting actuarial services and principal officer fees
The Trustees	Management of the Scheme
Key Management Personnel	Principal officer
	Financial director
	Marketing director
	Member services director

	2005	2004
	R	R
<b>Transactions</b>		
Net administration fees, managed care:		
management services fees, performance bonus	18 792 707	11 966 831
Principal officer's fees	474 372	410 400
Consulting fees	488 376	432 060
Remuneration and other benefits: Trustees	590 615	443 457
Remuneration and other benefits: Key management personnel	2 111 858	1 731 842
Contribution received: Trustees and Key Management Personnel*	94 576	-
Claims paid: Trustees and Key Management Personnel*	176 514	-

Balances including terms and conditions	Terms		
Owing to Old Mutual Healthcare (Pty) Ltd			
- Administration and managed care fees	30 days	3 519	977 034
- Claims payments	30 days	4 717	-
- Supplier and hospital discounts	30 days	-	1 059 617
Owing to Trustees and Key Management			
- Savings balances*		22 400	-

\*2004 Figures not available and considered to be immaterial.

### 30. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

#### (a) Basis of transition to IFRS

For the year ended 31 December 2004, the Scheme prepared its financial statements under statements of South African Generally Accepted Accounting Practice ("SA GAAP"). In accordance with the Council for Medical Schemes' decision as detailed in Circular 59/2005, the Scheme is required to prepare its financial statements in accordance with IFRS for the year ended 31 December 2005.

This requirement applies to all financial reporting for accounting periods beginning on or after 1 January 2005 and consequently the Scheme's first full set of IFRS results will be for the year ended 31 December 2005. The date of transition to IFRS for the Scheme is 1 January 2004.

In order to explain the effect of the adoption of IFRS on the Scheme's reported performance and financial position, the Scheme is required to restate information previously published under SA GAAP to the equivalent basis under IFRS. This restatement follows the guidelines set out in IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). The adoption of IFRS has resulted in certain adjustments to comparative information that may not be repeated in future reporting periods.

#### (b) Transitional arrangements

The date of transition to IFRS for the Scheme is 1 January 2004. As required by IFRS 1, the Scheme's opening balance sheet at 1 January 2004 has been restated to reflect all IFRS statements applicable at 31 December 2005. In preparing these financial statements in accordance with IFRS 1, the Scheme has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS. The Scheme elected to apply the following optional exemptions in accordance with IFRS 1:

##### 1. Fair value as deemed cost – property, plant and equipment

The Scheme has not elected to measure certain items of property, plant and equipment at fair value and to use these fair values as the items' deemed costs as at 1 January 2004.

##### 2. Designation of previously recognised financial instruments

The Scheme has reclassified its securities as "at fair value through profit and loss" at transition date (1 January 2004).

	2004
	R
Fair value of financial assets reclassified	101 232 450

#### 3. Insurance contracts

The Scheme has elected to apply the exemption within IFRS 1 that allows the Scheme to apply the transitional provisions within IFRS 4 *Insurance Contracts* with respect to changes in accounting policies and presentation of comparative information. The Scheme will therefore apply IFRS 4 prospectively.

#### 4. Comparatives

In terms of IFRS 1 *an entity need not disclose comparative information that complies with IAS 32 Financial Instruments: Disclosure and Presentation, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 4 Insurance Contracts* in its first set of IFRS annual financial statements. In the interests of comparable disclosure, the Scheme has not applied this exemption.

#### 5. Leases

The Scheme has elected the exemption within IFRS 1 and, therefore, will determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date.

#### 6. Fair value measurement of financial assets or liabilities

The Scheme has elected to apply this exemption within IFRS 1 and, therefore, has applied the requirements of paragraphs AG76 and AG76A of IAS 39 - *Financial Instruments: Recognition and Measurement* prospectively to transactions entered into after 1 January 2004.

The Scheme has applied the following mandatory exceptions from retrospective application in accordance with IFRS 1:

##### 1. Estimates

Estimates under IFRS as at 1 January 2004 is consistent with the estimates made at the same date under SA GAAP unless there is objective evidence that those estimates were in error. The Scheme did not adjust any estimates it had made under SA GAAP for information it received subsequent to the date of transition to IFRS.

##### 2. Derecognition of financial assets and liabilities

In accordance with IFRS, the Scheme will apply the derecognition requirements in IAS 39 prospectively for transactions occurring on or after 1 January 2004. In other words, if the Scheme derecognised non-derivative financial assets or non-derivative financial liabilities under SA GAAP as a result of a transaction that occurred before 1 January 2004, it shall not recognise those assets and liabilities under IFRS (unless they qualify for recognition as a result of a later transaction or event).

##### 3. Cash flow statement

There have been reclassifications to the cash flow statement in respect of cash utilised by operating activities. Cash flows which are integral to the operations, such as purchasing

and disposing of investments to fund the insurance liabilities and the resultant incomes and expenses, which were previously presented under investing activities, are now included under operating activities. Other than the aforementioned changes, other cash flows from investing activities and cash flows from financing activities remain unchanged as a result of the adoption of IFRS.

### (c) Reconciliation between IFRS and SA GAAP

The adoption of IFRS has not led to any material adjustments being necessary to the SA GAAP financial statements.

#### i) Reconciliation of equity at 1 January 2004 :

There were no adjustments of opening accumulated funds as a result of the adoption of IFRS.

#### ii) Reconciliation of surplus for the year ended 31 December 2004:

	R
Reported under SA GAAP	25 501 165
Reclassification of available-for-sale reserve	923 886
	<hr/>
Reported under IFRS	<u>26 425 051</u>

#### iii) Reconciliation of equity at 31 December 2004:

The reclassification of equity is disclosed in the statement of changes in funds and reserves.

Members may inspect a copy of the full set of financial statements, without charge, at the Scheme's registered office at Canal Edge 2, Tyger Waterfront, Carl Cronjé Drive, Bellville. Alternatively, members may request their own copy of the full financial statements at a cost of R30 per copy by contacting the Scheme on 0860 787 372.

## NOMINATIONS: SELFMED BOARD OF TRUSTEES ELECTION 2006

The Rules of the Selfmed Medical Scheme determine that the Scheme must be governed by a Board comprising five member elected Trustees. As per the Rules, two Trustees will retire at the 2006 Annual General Meeting but are available for re-election. The election process will be conducted at the Annual General Meeting by means of ballot paper.

The following two Trustees will retire at the annual general meeting in terms of rule 29 of Selfmed's rules and are duly regarded as nominated for the vacancies arising from their retirement :

**Mr Gus Gregory**

**Mr Barry Reide**

Members who so wish may nominate, in writing, other members for election as trustee provided that the nominees are 21 years of age or older. Please note that the following persons may not hold the position of trustee:

- an employee, officer, director, consultant or contractor of V-Medical Scheme Administrators or of a holding company, subsidiary, joint venture or associate of this administrator;
- a broker;
- the principal officer of the Scheme;
- the auditor of the Scheme;
- any person, including a legal person, associated with the administrator of the Scheme or of any controlling or subsidiary company of the administrator;
- any person disqualified in terms of scheme rule 35.1.

All nominations must be in writing and signed by the nominating Member and by the nominee and must be received by Selfmed at PO Box 5543, Tygervalley, 7536 by no later than 09h00 on Friday 23 June 2006 or, via fax, to 021 914 5927.

Nominations should be accompanied by a one page curriculum vitae of the nominee. A nomination form is attached.

**NOMINATION OF TRUSTEE**

I \_\_\_\_\_ (Insert name and surname)

Selfmed Member Number: \_\_\_\_\_

hereby nominate: \_\_\_\_\_ (Insert name of Nominee)

I hereby accept the nomination to stand for election as Trustee of Selfmed Medical Scheme's Board of Trustees at the 2006 Annual General Meeting, and I attach my curriculum vitae.

**DETAILS OF NOMINEE**

Name and Surname: \_\_\_\_\_

Membership Number: \_\_\_\_\_

Identity Number: \_\_\_\_\_

Address: \_\_\_\_\_

E-mail / Cellphone / Other: \_\_\_\_\_

Signature of nominating member \_\_\_\_\_

Date \_\_\_\_\_

Signature of nominee \_\_\_\_\_

Date \_\_\_\_\_



**Selfmed Medical Scheme  
Annual General Meeting 2006**

**Proxy:**

**Complete in full if you cannot attend the meeting in person**

I, (full names) \_\_\_\_\_

of (full address) \_\_\_\_\_

being a member of the SELFMED MEDICAL SCHEME with membership number

4 9 0 \_\_\_\_\_ hereby appoint

(full names) \_\_\_\_\_

of (full address) \_\_\_\_\_

as my proxy to vote for me and on my behalf at the Annual General Meeting of the Scheme to be held on 28 June 2006, and at any resumption of an adjournment thereof, as he/she sees fit.

Signed at \_\_\_\_\_ on D D M M Y Y Y Y

\_\_\_\_\_  
Signature of Principal Member

\_\_\_\_\_  
Witness

**Note:**

The proxy form must be returned to Mrs Karin Claassen at PO Box 5543, Tygervally, 7536 or faxed to 021 914 5927 by **no later than 23 June 2006.**



**Selfmed Medical Scheme  
Annual General Meeting 2006**

**Confirmation of Attendance:**

*(Completion of this form is requested for catering purposes only.)*

Complete in full **ONLY** if you are going to attend the meeting

Surname:

First names:

Date of Birth:

Full current address:

Membership number:

**Declaration:**

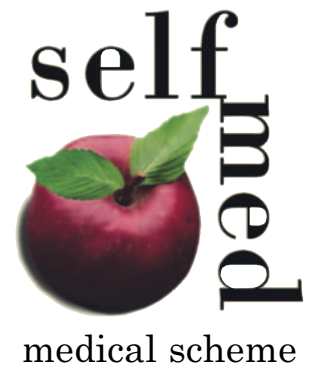
I declare that the above particulars apply to me, that I am entitled to vote in terms of my membership of SELFMED, and/or by proxy of a member of SELFMED and that I will attend this meeting.

\_\_\_\_\_  
Signature

**Note:**

The Confirmation of Attendance form must be returned to Mrs Karin Claassen at PO Box 5543, Tygervalley, 7536 or faxed to 021 914 5927 by **no later than 23 June 2006.**

# Notice of the 2006 Annual General Meeting and Board of Trustees Election



[www.selfmed.co.za](http://www.selfmed.co.za)

*Simplicity* — *Sincerity* — *Security*