



**NOTICE OF
THE ANNUAL
GENERAL MEETING
OF MEMBERS
2012**

Date: 20 June 2012

Time: 10:00

Venue: Century City Clubhouse,
3 Park Lane, Grand Central, Century City
Cape Town



CAPE TOWN

N1

NORTHERN SUBURBS

SABLE ROAD

RATANGA JUNCTION

VIRGIN ACTIVE

CRYSTAL TOWERS

COLOSSEUM

BMW CENTURY WAY

RATANGA RD

DAIMLER CHRYSLER

CENTURY BOULEVARD

CANAL WALK

KNIGHTSBRIDGE

MANHATTAN

CENTURY WAY

PARK LANE

CENTURY CITY CLUBHOUSE

LIBERTY

CENTURY BOULEVARD

BOSMANSDAM ROAD

S
W
N
E

MONTAGUE GARDENS

PORSCHE

KEY



ROUTE TO CENTURY CITY CLUBHOUSE



Scheme Office

7th Floor, East Tower, Century City Offices,
Century City Boulevard, Century City, 7441
Postnet Suite 116, Private Bag X19, Milnerton, 7435
Telephone (021) 555 4727 Fax (021) 555 4721

Administrator Office

Discovery Building, Heron Crescent, Canal Walk, 7441
Postnet Suite 116, Private Bag X19, Milnerton, 7435
Telephone (021) 527 1138 Fax (021) 527 1946

Principal Officer

AM DE KOKER

Administrator

DISCOVERY HEALTH (PTY) LIMITED

Principal Banker

FIRST NATIONAL BANK

External Auditor

KPMG INC

Notice of the Annual General Meeting of members

Notice is hereby given that the above-mentioned Annual General Meeting of LA Health Medical Scheme will be held at the Century City Clubhouse, 3 Park Lane, Grand Central, Century City, Cape Town on 20 June 2012 at 10:00

AGENDA

1. **Welcome**
2. **Notice of the Meeting**
3. **Minutes of the Annual General Meeting of members held on 22 June 2011**
4. **Chairperson's Introduction**
5. **Audited Financial Statements and Auditor's Report for the year ended 31 December 2011**
6. **Board of Trustees Annual Report as provided for in Section 37(1) of the Medical Schemes Act (1998)**
7. **Consideration: Notices of Motion for reference to the Board of Trustees for final decision**

(**Note Rule 26.1.5:** Every notice of motion to be placed before the Annual General Meeting for referral to the Board for final decision must reach the Principal Officer not later than seven (7) days prior to the date of the meeting, failing which such notice shall be invalid.)



AM DE KOKER
PRINCIPAL OFFICER

10 May 2012

Minutes of the

Annual General Meeting of members of the LA Health Medical Scheme held in the Old Trafford Meeting Room, Centurion Lake Hotel, Lenchen Avenue North, Centurion on Wednesday, 22 June 2011 at 10h00

PRESENT:

LA Health Board of Trustees

Mr GJ Beukman	(Chairperson)	Mr R Field
Mr HA Deyssel	(Deputy Chairperson)	Mr F Hoffman
Mr R Barnard		Mr SA Kaunda
Mr AJ Bennett		Mr A Lemmer
Mr R Bosman		Mr ME Mattheus
Mr DL Carstens		Mr MCT Schultz
Mr R de Bruyn		Ms L Sibiya

LA Health Audit Committee

Mr A Vorster	(Chairperson)
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LA Health Executive Management and Staff

Mr AM de Koker	(Principal Officer)
Mr L Schrönen	(Marketing and Operations Manager)
Ms R du Toit	(Personal Assistant to Principal Officer)
Ms Y Brand	(Public Relations/Liaison Officer)

LA Health Consultants/Technical Advisors

Ms R Solomon	(KPMG – External Auditor)
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Representatives of the Administrator (Discovery Health)

Ms D du Toit	(Fund Manager)
Mr M Jacobs	(Divisional Manager: Scheme Finance)

Members

A total of 30 members and 6 observers attended the meeting as per the attendance register.

Apologies

Mr R Denge	(Trustee)
Mr S Johnston	(General Manager: Discovery Health)
Mr H Symeonidis	(Member)

AGENDA

1. WELCOME

The Chairperson welcomed all in attendance and declared the meeting properly constituted since a quorum was in attendance.

(Proceedings commenced with a MOMENT of REFLECTION observed by all).

2. NOTICE OF THE ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting was taken as read.

3. MINUTES OF THE ANNUAL GENERAL MEETING 2010

The Chairperson called for a proposer and a seconder for the adoption of the Minutes of the 2010 Annual General Meeting as a true reflection of the relevant proceedings.

Proposer: Mr A Lemmer

Seconder: Mr A Vorster

Resolved: That the minutes of the LA Health Medical Scheme Annual General Meeting, held on 13 August 2010, be **CONFIRMED.**

4. CHAIRPERSON'S INTRODUCTION

The Chairperson of the Board of Trustees reminded the meeting that the Scheme's Audited Financial Statements and Auditor's Report for the year ended 31 December 2010 was testimony that LA Health was extremely well managed and that it had consistently been in a strong financial position. He reiterated the fact that the Board of Trustees was committed to good Corporate Governance and applied good governance principles.

The Chairperson of the Board of Trustees also paid tribute to the Deputy Chairperson of the Board of Trustees, Mr HA Deysel, for his support and encouragement throughout as well as to his fellow Trustees, the Scheme's Management Team, the Administrator, the Legal Adviser, the Scheme's Actuaries and other Advisers for their sterling work always in the best interest of the Scheme and its membership.

The Chairperson of the Board of Trustees thereafter introduced the Chairpersons of the following Committees/Task Team:

Mr AJ Bennett, Chairperson: Finance Committee:

Mr Bennett delivered a presentation and the main points highlighted are as follows:

- Summary of Financial Performance: 2009/2010:
The Scheme ended the year with a surplus of just over R36.8 million.
- Members Funds: December 2003 to December 2010:
This continued to show an increasing trend with funds amounting to nearly R300 million at the end of the financial year;
- Scheme Solvency: 2003 to 2010:
The Scheme's solvency ratio had been maintained above the 25% level required by the Registrar;
- Membership: December 2003 to December 2011:
The total membership of the Fund continued to show substantial increases year on year;
- Scheme Profile Change:
While the membership continued to increase, the average age of members was decreasing which was a trend many Medical Schemes strive to achieve. From an average age of 66 years in 2005, the LA Health average age had decreased to 48 years at the end of the financial year;
- Cash position as at 31 December 2010:
The Scheme's overall cash position increased by 7% to R348 million;
- Governance: Extract from *The Sunday Times* of 3 April 2010:
This article indicated what the ideal Scheme should look like and it was highlighted that LA Health compared very favourably to the ideal Scheme;
- Solvency Trend: LA Health vs. Competing Schemes: 2005 to 2009:
During this period LA Health's solvency ratio was being maintained above the 25% level; whilst there was an increase in membership and the average age of members decreased from previous years. This placed LA Health in a very strong position to achieve its goal of being the Medical Scheme of choice in Local Government.

In conclusion, Mr Bennett indicated that although the Scheme had achieved an excellent set of results for the 2010 financial year, the Trustees were not complacent and would continue to exercise financial discipline in the running of the affairs of the Scheme.

He also expressed his sincere thanks and appreciation for the ongoing commitment and dedication on the part of the members of the Finance Committee, as custodians of the Scheme's finances.

In reply to a question from the floor relating to Scheme's solvency levels being consistently way above the required minimum, the Principal Officer confirmed that it was the intent of the Board of Trustees to maintain solvency levels as close to 25% as possible, taking investment income and its member growth strategy into account.

Mr M Mattheus, Chairperson of the Marketing Committee:

Mr Mattheus informed the meeting that:

- The Scheme had grown its membership by almost 6000 members since the previous AGM, held in Cape Town during 2010. The Scheme had not been hampered by this growth in membership and the solvency was still consistently above the prescribed 25%;
- LA Health was officially the second largest Scheme in local government and was moving towards becoming the largest by the following window period;
- LA Health did not introduce benefit reductions and had a single digit contribution increase during 2011. The Product and Pricing Task Team was currently engaged in a process of fine-tuning the benefits being offered for 2012; and
- The phenomenal growth in the membership contributed positively to lowering the average age of the Scheme.

Mr Mattheus thanked the Board of Trustees, the Principal Officer and staff of LA Health as well as the Administrator and its distribution network for their continued, unwavering support, making the tremendous growth in membership possible.

In conclusion, Mr Mattheus informed the meeting that the 2011 LA Health Trustee Challenge Charity Golf Day was once again a resounding success. LA Health was able to raise R 70 000 through the generosity of the Scheme's business partners, which it donated to the Pioneer School for the Visually Impaired in Worcester (previously known as Worcester School for the Blind). The first golf day to raise funds to benefit the broader community was held during 2008, and on such occasion R 37 100 was raised.

Mr HA Deysel, Chairman of the Product and Pricing Task Team

Mr Deysel paid tribute to the Chairman of the Board of Trustees for his leadership, stewardship and ongoing personal support.

Mr Deysel introduced the members of the Product and Pricing Task Team and thereafter informed the meeting that the activities of the Task Team commences each year in February and that it considers motions from the previous AGM together with input from various sources, including the:

- Executive Management of the Scheme;
- Scheme Actuaries;
- Administrator; and
- the Clinical Risk Management team.

During the budgetary process:

- Product design proposals are made to the Marketing Committee;
- Pricing proposals are made to the Finance Committee; and
- A final, consolidated proposal is prepared and made to the Board of Trustees for them to consider budgetary and Rule changes for the following year.

In conclusion, Mr Deysel confirmed that in formulating its proposals for benefits and contribution changes, the Product and Pricing Task Team is mindful of the following guiding principles already adopted by the Board of Trustees:

- Maintain a solvency level in excess of 25%;
- Reduce cross-subsidy between Options;
- Any changes to products should make the Scheme more competitive; and
- Achieve rapid growth in membership without jeopardising the future well-being of the Scheme.

All attendees extended a warm round of applause.

5. SUMMARISED AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Mr Bennett conveyed his thanks and appreciation to the Principal Officer and the Administrator for the tremendous effort in ensuring the timeous preparation of the 2010 Annual Financial Statements, which were of exceptional quality. He also expressed the Trustees' appreciation to Discovery Group Internal Audit and the Scheme's External Auditor, KPMG, for their sterling efforts in ensuring that all the deadlines were achieved.

Resolved unanimously: That the Summarised Audited Annual Financial Statements for the year ended 31 December 2010, be **ACCEPTED**.

6. BOARD OF TRUSTEES ANNUAL REPORT AS PROVIDED FOR IN SECTION 37(1) OF THE MEDICAL SCHEMES ACT

Resolved: That the Annual Report of the Board of Trustees, be **ACCEPTED**.

7. NOTICES OF MOTION

The Principal Officer tabled the following motion received compliant with Rule 26.1.5 of the Rules of the Scheme:

"1. Motion from LA Health Board of Trustees

During 2010 the Board of Trustees, on the recommendation of its Audit Committee, adopted the principles of good corporate governance contained in King III. Arising there from the Board of Trustees at their meeting held on 13 May 2011 resolved to submit to the Registrar of Medical Schemes several changes to Rule 18, relating to the Management of the Scheme in line with King III.

After due consideration of the rule changes submitted by the Board of Trustees, the Registrar of Medical Schemes requested that the following two changes be approved by the AGM:

- (1) To increase the number of Trustees from fifteen to sixteen;
- (2) To make provision that trustees are 100% member elected;

Motivation:

LA Health Medical Scheme is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders and applies good governance principles through the adoption of King III.

To make provision for continuity on the Board of Trustees, which currently consists of 15 members, it is necessary to increase the Board by one additional position to achieve rotation on a 50/50 basis in future.

Strategically the Board of Trustees adopted a management model which supports 100% member control through an elected Board of Trustees, by members from amongst members. Therefore it is necessary that the current provision in the Rules for the appointment of five trustees be deleted, and that provision be made for all trustees to be elected by members. The Registrar of Medical Schemes has commended the Scheme for its pro-active approach in steering the Scheme towards 100% member elected trustees, which is envisaged to be included in future legislative requirements.

Recommendations:

That the number of trustees be increased from fifteen to sixteen; and that all members of the Board of Trustees of the Scheme in future be 100% member elected, **BE APPROVED.**"

DISCUSSION ENSUING

Resolved unanimously: That the above-mentioned motion be **ADOPTED** and be referred to the Board of Trustees for finalisation.

THE MEETING CONCLUDED AT 10h55.

Chairperson

Date



LA Health Medical Scheme

Summarised Annual Financial Statements

For the year ended 31 DECEMBER 2011

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SCHEME DETAILS

BOARD OF TRUSTEES

Mr GJ Beukman	Elected (Chairperson)
Mr HA Deysel	Elected (Deputy Chairperson)
Mr RC Barnard	Elected
Mr A Bennett	Elected
Mr R Bosman	Elected
Mr R Field	Elected
Mr F Hoffman	Elected
Mr A Lemmer	Elected
Mr ME Mattheus	Elected
Mr MCT Schultz	Elected
Mr DL Carstens	Appointed
Mr R de Bruyn	Appointed
Mr R Denge	Appointed
Mr SA Kaunda	Appointed
Ms L Sibija	Appointed

PRINCIPAL OFFICER

Mr AM de Koker

REGISTERED OFFICE

7th Floor
East Tower Offices
Century City Boulevard
Canal Walk, Century City
7435

POSTAL ADDRESS

Postnet Suite 116
Private Bag X19
Milnerton
7435

AUDITOR

Registered address of auditor

KPMG Inc
85 Empire Road
Parktown
Johannesburg
2193

ADMINISTRATOR

Registered address of administrator

Discovery Health (Pty) Ltd
155 West Street
SANDTON
2146

TRUSTEES' RESPONSIBILITY AND APPROVAL

The Trustees are responsible for the preparation and presentation of the summarised annual financial statements of the Scheme derived from the audited annual financial statements, comprising the statement of financial position at 31 December 2011, and the statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and the related notes to the summarised annual financial statements, which include a summary of accounting policies and other explanatory notes in accordance with the applied criteria as set out by Circular No 38 of 2007, issued by the Council for Medical Schemes.

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

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

The auditor is responsible for reporting on whether the summarised annual financial statements of the Scheme are fairly presented in accordance with the applied criteria as set out by Circular No 38 of 2007, issued by the Council for Medical Schemes.

Approval of the summarised annual financial statements

The summarised annual financial statements of LA Health Medical Scheme, as identified in the first paragraph, were approved by the Trustees on 12 April 2012 and are signed on their behalf by:



GJ BEUKMAN
CHAIRPERSON



F HOFFMAN
TRUSTEE



AM DE KOKER
PRINCIPAL OFFICER

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

LA Health Medical Scheme is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Scheme is committed to good Corporate Governance and applies good governance principles. Ten Trustees are proposed and elected by the members of the Scheme and five are appointed by the elected Board of Trustees.

BOARD OF TRUSTEES

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

All Trustees have access to the advice and services of the Principal Officer and, where appropriate, the Board may seek independent professional advice at the expense of the Scheme.

INTERNAL CONTROL

The Administrator of the Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the summarised 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.



GJ BEUKMAN
CHAIRPERSON



F HOFFMAN
TRUSTEE



AM DE KOKER
PRINCIPAL OFFICER

12 April 2012

REPORT OF THE AUDIT COMMITTEE

The Audit Committee hereby presents its report for the year ended 31 December 2011.

Audit Committee Members and attendees

The Audit Committee consists of the members listed below and meets at least once a quarter as per the approved terms of reference. During the financial year under review five meetings were held.

			Meetings attended
Mr A Vorster	(Chairperson)	Independent	5
Mr AJ Bennett		Trustee	5
Ms N Chowthee		Independent	4
Mr J Davis	(Deputy Chairperson)	Independent	4
Mr A Lemmer		Trustee	5

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities as contained in the Medical Schemes Act of South Africa (the Act), and the Corporate Governance Guide to Audit Committees for Medical Schemes as issued by the South African Institute of Chartered Accountants.

The Audit Committee reports that it has, as far as possible, complied with the formal terms of reference/audit committee charter, as approved by the Board of Trustees, regulated its affairs in compliance with the charter and discharged its responsibilities as contained therein.

The effectiveness of internal control

The Audit Committee has received reports from various assurance providers on the effectiveness of the internal financial control environment and as such has not found any significant or material non-compliance with prescribed policies and procedures.

Further, the Audit Committee comments that management controls taken during the year of assessment, e.g. the maintaining of an internal audit activity by the Scheme's administrator, has enhanced the internal control structure.

Risk management

The Board of Trustees also appointed the Audit Committee as the Risk Committee of the Scheme. A risk register was compiled and is reviewed on a regular basis. These risks are monitored by this Committee.

REPORT OF THE AUDIT COMMITTEE (continued)

Evaluation of financial statements

The Audit Committee has:

- Noted that the annual financial statements of the Scheme have been prepared in accordance with International Financial Reporting Standards (IFRS);
- Noted no changes in the accounting policies as adopted for LA Health Medical Scheme; and
- Reviewed and discussed with the Principal Officer and external auditors the audited annual financial statements.

Governance

The Board of Trustees adopted the governance principles of the King Code and the King III Report. Further initiatives are currently being developed to achieve alignment with the code. E.g. Combined Assurance, Ethics Management and IT Governance.

Non-compliance matters

In terms of Section 33(2) of the Act, one of the five benefit options was not self-sustaining.

In terms of Section 35(8) of the Medical Schemes Act of South Africa, a medical scheme shall not invest any of its assets in the business of any medical scheme administrator. The Scheme held shares in Liberty Holdings Limited which are traded on the Johannesburg Stock Exchange.

In terms of Section 26(7) of the Medical Schemes Act of South Africa, all contributions shall be paid directly to a medical Scheme not later than three days after payment thereof becoming due. There are instances where the Scheme received contributions after three days of becoming due.

The Committee takes note of the Board of Trustees' comments as contained in the Board of Trustees Report in this regard.

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the external auditor.



A VORSTER
CHAIRPERSON - AUDIT COMMITTEE



AM DE KOKER
PRINCIPAL OFFICER

12 April 2012

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2011.

1. DESCRIPTION OF MEDICAL SCHEME

1.1 Terms of registration

LA Health Medical Scheme is a not-for-profit restricted Scheme registered in terms of the Medical Schemes Act, No 131 of 1998 (the Act), as amended.

1.2 Benefit options within LA Health Medical Scheme

The Scheme offers five Benefit Options to members within local government.

LA Core;
LA Comprehensive;
LA Active;
LA Focus; and
LA KeyPlus.

1.3 Medical savings account

On some of the Benefit Options members pay an agreed sum, less than or limited to 25% of their gross contributions, into a Medical Savings Account (MSA). The full annual amount is made available for use on 1 January of each year although members only contribute towards this monthly. The MSA provides members with adequate cover for medical expenses that may incur outside of hospital, up to a prescribed limit, for different types of medical treatment such as dental care, optometry and acute medicine.

The balance remaining in the MSA at the end of each calendar year is carried over to the following year for the benefit of the member.

The liability to the members in respect of the MSA is reflected as a current liability in the financial statements and is repayable in terms of Regulation 10 of the Act.

In January 2007 the High Court of South Africa, in terms of the OmniHealth judgement, ruled that savings plan accounts constitute trust property as defined in Section 1 of the Financial Institutions (Protection of Funds) Act 28 of 2001. Section 4(2) of this Act allows for trust property to be invested in the name of a medical scheme in its capacity as trustee. It also ordered that interest accrued on these balances must be paid to the member. If the member cannot be located, the balances of such accounts should be paid over to the Guardian Fund.

Subsequent to the above court case, the Council issued Circular 38 of 2011 and Circular 5 of 2012 in terms of which it will be mandatory, from 1 January 2012, for medical schemes to retain medical savings in a separate bank account.

1.3 Medical savings account (continued)

An extension was granted until 31 December 2012 to implement the full requirements of Circular 38 of 2011 with regards to medical savings accounts on condition that the interest earned on medical savings accounts from January 2012 must be allocated to medical savings accounts until such time as medical schemes have developed systems that enable appropriate allocation of such interest. The interest must be held in a suspense account for the members and may not be used as income by the Scheme.

1.4 Risk transfer arrangements

The Scheme entered into three risk transfer arrangements. Centre for Diabetes and Endocrinology to protect the medical scheme from any unusual exposure to high cost incidence claims for its members on the LA Comprehensive and LA Core options. Iso Leso (Pty) Ltd and Dental Risk Company to manage some of the primary care cost on the LA KeyPlus Option.

REPORT OF THE BOARD OF TRUSTEES (continued) for the year ended 31 December 2011

2. MANAGEMENT

2.1 Board of Trustees in office during the year under review

Mr GJ Beukman	Elected (Chairperson)
Mr HA Deysel	Elected (Deputy Chairperson)
Mr RC Barnard	Elected
Mr A Bennett	Elected
Mr R Bosman	Elected
Mr R Field	Elected
Mr F Hoffman	Elected
Mr A Lemmer	Elected
Mr ME Mattheus	Elected
Mr MCT Schultz	Elected
Mr DL Carstens	Appointed
Mr R de Bruyn	Appointed
Mr R Denge	Appointed
Mr SA Kaunda	Appointed
Ms L Sibiya	Appointed

REPORT OF THE BOARD OF TRUSTEES (continued) for the year ended 31 December 2011

2. MANAGEMENT (continued)

2.2 Principal Officer

AM de Koker
7th Floor, East Tower Offices
Century City Boulevard
Century City
7435

2.3 Registered office address and postal address

7th Floor, East Tower Offices	Postnet Suite 116
Century City Boulevard	Private Bag X19
Century City	Milnerton
7435	7435

2.4 Scheme's administrator during the year

Discovery Health (Pty) Ltd	PO Box 652509
155 West Street	Benmore
Sandton	2010
Johannesburg	
2000	

2.5 Principal Banker

First National Bank
PO Box 1153
Johannesburg
2000

2.6 Auditor

KPMG Inc.	Private Bag 9
KPMG Crescent	Parkview
85 Empire Road	2122
Parktown	
2193	

REPORT OF THE BOARD OF TRUSTEES (continued) for the year ended 31 December 2011

3. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

3.1 Operational statistics

2011	LA CORE	LA COMPREHENSIVE	LA FOCUS	LA ACTIVE	LA KEYPLUS	TOTAL
Number of members at end of the accounting period	6,074	3,069	4,099	19,227	4,783	37,252
Average number of members for the accounting period	6,189	3,127	3,944	18,424	4,404	36,088
Average number of beneficiaries for the accounting period	10,420	5,012	9,601	47,308	10,656	82,997
Beneficiaries per member	1.68	1.60	2.43	2.57	2.42	2.30
Average age per beneficiary	57.53	57.55	27.32	27.45	25.74	32.48
Pensioner ratio (beneficiaries > 65 years old)	44.70%	46.58%	3.63%	3.36%	1.19%	10.45%
Average net contribution per member per month	R 3,355.85	R 3,705.52	R 1,490.51	R 2,056.95	R 1,237.29	R 2,260.62
Average net contribution per beneficiary per month	R 1,993.22	R 2,311.88	R 612.29	R 801.08	R 511.36	R 982.94
Average relevant healthcare expenditure per member per month	R 2,762.85	R 3,569.08	R 1,040.09	R 1,621.46	R 916.78	R 1,836.43
Average relevant healthcare expenditure per beneficiary per month	R 1,641.00	R 2,226.76	R 427.26	R 631.47	R 378.90	R 798.50
Average administration fee per member per month	R 207.24	R 207.26	R 207.23	R 207.21	R 102.24	R 194.41
Average other administration expense per member per month	R 27.23	R 27.23	R 27.23	R 27.23	R 27.23	R 27.23
Average broker fees per member per month	R 45.94	R 45.65	R 51.88	R 55.70	R 49.59	R 51.99
Average managed care: management services per member per month	R 52.11	R 52.11	R 53.81	R 51.74	R 51.41	R 52.02
Accumulated funds per member at 31 December						R 9,454
Average savings per member at 31 December	R 6,087	R 3,845	R 2,448	R 1,675	R 0	R 2,876

REPORT OF THE BOARD OF TRUSTEES (continued) for the year ended 31 December 2011

3. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (continued)

3.1 Operational statistics

2010	LA CORE	LA COMPREHENSIVE	LA FOCUS	LA ACTIVE	LA KEYPLUS	TOTAL
Number of members at end of the accounting period	6,304	3,211	3,553	13,232	3,960	30,260
Average number of members for the accounting period	6,351	3,274	3,312	12,100	3,491	28,528
Average number of beneficiaries for the accounting period	10,844	5,295	7,890	30,910	8,709	63,647
Beneficiaries per member	1.71	1.62	2.38	2.55	2.49	2.23
Average age per beneficiary	57.26	57.31	28.01	27.63	25.98	34.39
Pensioner ratio (beneficiaries >65 years old)	43.93%	45.94%	4.30%	4.04%	1.31%	13.18%
Average net contribution per member per month	R 3,063.26	R 3,352.83	R 1,366.70	R 1,891.64	R 1,213.32	R 2,176.18
Average net contribution per beneficiary per month	R 1,794.14	R 2,072.78	R 573.71	R 740.53	R 486.38	R 975.41
Average relevant healthcare expenditure per member per month	R 2,708.08	R 3,392.08	R 970.77	R 1,425.24	R 923.68	R 1,822.38
Average relevant healthcare expenditure per beneficiary per month	R 1,586.11	R 2,097.04	R 407.51	R 557.95	R 370.27	R 816.83
Average administration fee per member per month	R 198.23	R 198.23	R 198.23	R 198.23	R 99.13	R 186.10
Average other administration expense per member per month	R 42.32	R 42.32	R 42.32	R 42.32	R 42.32	R 42.32
Average broker fees per member per month	R 35.50	R 24.16	R 46.70	R 51.33	R 30.24	R 41.57
Average managed care: management services per member per month	R 59.35	R 59.73	R 49.40	R 49.40	R 49.40	R 52.80
Accumulated funds per member at 31 December						R 9,688
Average savings per member at 31 December	R 6,131	R 3,433	R 2,351	R 1,758	R 0	R 3,247

3.2 Results of operations

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

REPORT OF THE BOARD OF TRUSTEES (continued) for the year ended 31 December 2011

3. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (continued)

3.3 Reserve accounts

There are no reserve accounts.

3.4 Outstanding claims

Movements on the outstanding claims provisions are clearly set out in the notes to these financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

3.5 Accumulated funds ratio	2011	2010
	R	R
The accumulated funds ratio is calculated on the following basis:		
Total members' funds per statement of financial position	341,178,683	276,388,257
Less: Cumulative net gains on re-measurement to fair value of financial instruments	(1,081,207)	(1,347,789)
Accumulated funds per Regulation 29	340,097,476	275,040,468
Gross contribution income	1,187,875,634	898,106,571
Accumulated funds ratio per Regulation 29	28.63%	30.62%

4. INVESTMENT AND FIXED ASSET POLICY

The Board of Trustees continue to invest excess funds in line with the requirements of Annexure B of the Regulations of the Act. There has been no change in the policy during the current year.

REPORT OF THE BOARD OF TRUSTEES (continued) for the year ended 31 December 2011

5. AUDIT COMMITTEE

An Audit Committee, established in accordance with the provisions of the Act, 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 of which two are members of the Board of Trustees. The majority of the members, including the chairperson, are not officers of the Scheme or its third party administrator. The Committee met five times during 2011.

The Chairman of the Board, the external auditor and the internal auditors of the Administrator are invited to attend all Audit Committee meetings and have unrestricted access to the Chairperson of the Committee.

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

6. NON-COMPLIANCE MATTERS

6.1. Sustainability of benefit option

In terms of Section 33(2) of the Act, each Benefit Option shall be self-sustaining in terms of membership and financial performance and be financially sound.

At 31 December 2011 one of the Scheme's Benefit Options did not comply with Section 33(2):

Option	Net healthcare result
LA Comprehensive	(R7,347,959)

The Board of Trustees addresses the sustainability of all Options during the annual strategic session and subsequent budgetary process. Fair consideration was given to the affordability of the benefits in this Option for its registered beneficiaries, by taking into account investment income. The Board of Trustees is also comfortable with the continuous decrease in the annual deficit on the LA Comprehensive Option.

6.2. Investment in any medical scheme administrator

In terms of Section 35(8) of the Medical Schemes Act, No 131 of 1998, as amended, a medical scheme shall not invest any of its assets in the business of any medical scheme administrator.

The Scheme had shares in Liberty Holdings Limited to the value of R166,908. Investments were made at the sole discretion of the asset manager.

These shares were sold subsequent to 31 December 2011.



REPORT OF THE BOARD OF TRUSTEES (continued) for the year ended 31 December 2011

6. NON-COMPLIANCE MATTERS (continued)

6.3. Contributions not received within three days of it becoming due

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

There were instances, during the year, where the Scheme received contributions after three days of becoming due, however, there are no contracts in place agreeing to this arrangement.

The procedures that the Scheme follows regarding these contributions are set out in the Annual Financial Statements.

REPORT OF THE BOARD OF TRUSTEES (continued) for the year ended 31 December 2011

7. BOARD OF TRUSTEE, SUB-COMMITTEE AND AUDIT COMMITTEE MEETING ATTENDANCE REGISTER

TRUSTEE MEMBER	BOARD OF TRUSTEES						AUDIT				Strategy Conference	AGM	Product and Pricing Task Team	Product and Pricing Task Team	Product and Pricing Task Team	Combined Finance and Audit
	23-02-2011	14-04-2011	22-06-2011	18-08-2011	20-10-2011	01-12-2011	13-04-2011	21-07-2011	19-10-2011	30-11-2011	11-05-2011	22-06-2011	23-03-2011	13-04-2011	04-08-2011	17-08-2011
R Barnard	√	√	√	√	√	√	√				√	√				√
A Bennett *		√	√	√	√	√	√	√	√		√	√	√	√	√	√
GJ Beukman	√	√	√	√	√	√		√	√		√	√	√	√	√	√
R Bosman	√	√	√	√	√	√					√	√				
DL Carstens			√		√	√						√				
R de Bruyn	√	√	√	√	√	√					√	√				
R Denge	√			√	√						√					√
HA Deysel	√		√	√	√	√					√	√	√		√	√
R Field	√		√	√	√	√					√	√	√	√	√	
F Hoffman	√	√	√	√	√	√					√	√	√	√	√	
SA Kaunda	√		√	√	√	√						√				√
A Lemmer *	√	√	√	√	√	√	√	√	√		√	√	√	√	√	√
ME Mattheus	√	√	√	√	√	√					√	√	√	√	√	
MCT Schultz	√	√	√	√	√	√	√				√	√	√	√	√	√
L Sibiya	√	√	√	√	√	√					√	√				
AUDIT COMMITTEE																
J Davis							√	√	√	√						
N Chowthee							√	√	√	√						
A Vorster		√	√	√	√	√	√	√	√	√	√	√				√

* Trustee Audit Committee members

INDEPENDENT AUDITOR'S REPORT ON SUMMARISED ANNUAL FINANCIAL STATEMENTS TO THE MEMBERS OF THE LA HEALTH MEDICAL SCHEME

The accompanying summarised financial statements of LA Health Medical Scheme, set out on pages 26 to 44, which comprise the summarised statement of financial position at 31 December 2011, the summarised statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and related notes, are derived from the audited annual financial statements of LA Health Medical Scheme for the year ended 31 December 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 12 April 2012.

The summarised financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the audited annual financial statements of LA Health Medical Scheme. Reading the summarised financial statements, therefore, is not a substitute for reading the audited annual financial statements of LA Health Medical Scheme.

Trustees' Responsibility for the Summarised Financial Statements

The Trustees are responsible for the preparation of a summary of the audited annual financial statements in accordance with the applied criteria of Circular No 38 of 2007 issued by the Council for Medical Schemes, together with other disclosures considered by the Trustees to be relevant.

Auditor's Responsibility

Our responsibility is to express an opinion on the summarised annual financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the summarised financial statements derived from the audited financial statements of LA Health Medical Scheme for the year ended 31 December 2011 are consistent, in all material respects, with those financial statements, in accordance with, as a minimum, the content and disclosure requirements of Circular No 38 of 2007 issued by the Council for Medical Schemes together with other disclosures considered by the Trustees to be relevant.

KPMG Inc



Per M Fouché
Chartered Accountant (SA)
Registered Auditor
Director
12 April 2012

STATEMENT OF FINANCIAL POSITION at 31 December 2011

	Note	2011 R	2010 R
ASSETS			
Non-current assets		506,636	2,107,031
Equipment		185,319	230,383
Held-to-maturity investments		-	1,464,999
Loans to employees		321,317	411,649
Current assets		487,843,903	398,510,527
Investments held at fair value through profit or loss		1,985,059	2,141,035
Trade and other receivables		57,666,325	48,475,093
Cash and cash equivalents		428,192,519	347,894,399
Total assets		488,350,539	400,617,558
FUNDS AND LIABILITIES			
Members' funds		341,178,683	276,388,257
Accumulated funds		341,178,683	276,388,257
Non-current liability		2,522,000	2,909,000
Post retirement healthcare funding liability		2,522,000	2,909,000
Current liabilities		144,649,856	121,320,301
Outstanding claims provision	2	23,500,000	19,200,000
Members' savings accounts		91,131,049	81,288,845
Trade and other payables		30,018,807	20,831,456
Total funds and liabilities		488,350,539	400,617,558

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2011

	Note	2011 R	2010 R
Net contribution income	3	978,976,733	744,986,662
Relevant healthcare expenditure		(795,278,509)	(623,866,149)
Net claims incurred		(795,044,833)	(621,613,882)
Claims incurred		(796,349,442)	(622,668,438)
Third party claims recoveries		1,304,609	1,054,556
Net expense on risk transfer arrangements	4	(233,676)	(2,252,267)
Risk transfer arrangement fees/premiums paid		(6,530,328)	(12,887,563)
Recoveries from risk transfer arrangements		6,296,652	10,635,296
Gross healthcare results		183,698,224	121,120,513
Managed care: management services fees		(22,527,892)	(18,075,722)
Broker services fees		(22,515,035)	(14,232,058)
Administration fees		(84,191,225)	(63,709,556)
Other operating expenses		(9,628,120)	(13,593,491)
Net impairment losses		(2,165,511)	(895,613)
Net healthcare results		42,670,441	10,614,073
Other income		22,119,985	26,190,446
Investment income	5	21,695,337	22,630,412
Sundry income		424,648	3,560,034
Surplus for the year		64,790,426	36,804,519
Total comprehensive income for the year		64,790,426	36,804,519

STATEMENT OF CHANGES IN FUNDS AND RESERVES for the year ended 31 December 2011

	2011	2010
	R	R
	Accumulated funds	Accumulated funds
Balance at 1 January	276,388,257	239,583,738
Total comprehensive income for the year		
Surplus for the year	64,790,426	36,804,519
Total comprehensive income	64,790,426	36,804,519
Balance at 31 December	341,178,683	276,388,257

STATEMENT OF CASH FLOWS for the year ended 31 December 2011

	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from operations before working capital changes	6	42,774,743	14,150,667
Working capital changes			
• Increase in trade and other receivables		(9,191,232)	(27,172,348)
• Increase in members' savings accounts		9,842,204	5,471,206
• Increase in outstanding claims provision		4,300,000	3,400,000
• Increase in trade and other payables		9,187,351	3,473,200
Net cash flows from operating activities		56,913,066	(677,275)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to equipment		(21,590)	(89,633)
Disposals of equipment		-	4,487
Disposals of investments		1,354,393	1,346,330
Decrease/(increase) in loans to employees		90,332	(306,486)
Interest income		21,904,777	22,556,603
Dividend income		57,142	49,840
Net cash flows from investing activities		23,385,054	23,561,141
NET INCREASE IN CASH AND CASH EQUIVALENTS		80,298,120	22,883,866
Cash and cash equivalents at beginning of year		347,894,399	325,010,533
CASH AND CASH EQUIVALENTS AT END OF YEAR		428,192,519	347,894,399

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2011

GENERAL INFORMATION

LA Health Medical Scheme is a not-for-profit restricted Scheme registered under the Medical Schemes Act of South Africa.

The Scheme offers the insurance of hospital, chronic illness and day-to-day benefits and is administered by Discovery Health (Pty) Ltd, a wholly-owned subsidiary of Discovery Holdings Limited, listed in the insurance sector of the JSE Limited.

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

1.1 Basis of preparation

These summarised financial statements have been derived from the audited annual financial statements of the Scheme. In addition these summarised financial statements have been prepared in accordance with the applied criteria as set out by Circular No 38 of 2007 issued by the Council for Medical Schemes.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2011

	2011 R	2010 R
2. OUTSTANDING CLAIMS PROVISION		
Outstanding claims provision - not covered by risk transfer arrangements	23,500,000	19,200,000
Analysis of movement in outstanding claims		
Balance at beginning of year	19,200,000	15,800,000
Payments in respect of prior year	(18,231,631)	(15,655,868)
Over provision in respect of prior year	968,369	144,132
Adjustment for the current year	22,531,631	19,055,868
Not covered by risk transfer arrangements	22,531,631	19,055,868
Balance at end of year	23,500,000	19,200,000
Analysis of outstanding claims provision		
Estimated gross claims	26,725,189	22,245,463
Less:		
Estimated recoveries from members' savings accounts	(3,225,189)	(3,045,463)
Balance at end of year	23,500,000	19,200,000

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2011

2. OUTSTANDING CLAIMS PROVISION (CONTINUED)

The Scheme's rules, in terms of the Act, provide that claims may only be paid if the Scheme is notified of the claim and documentation is submitted within 4 months following the month in which the service was rendered.

The outstanding claims provision is an estimate of the proportion of the claims liability incurred in the current financial year that is expected to be reported and only paid after the reporting date. The cost of outstanding claims is estimated as the difference between the risk management facility's estimate of claims incurred in 2011 and the actual claims reported and paid in 2011, for services provided in 2011.

The claims incurred by service date estimates are based on the Scheme's actual demographic structure and past claims. Due to differences in claiming patterns, risk claims are grouped into in-hospital, chronic and out-of-hospital claim categories, and the claims incurred are assessed separately for each category. Results from the assessment are regularly reconciled with actual paid claims and adjustments made where necessary to ensure that these results remain accurate.

Process used to determine the assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

This is done via a sophisticated multi-simulation actuarial model which incorporates updated demographic and claims data. The outstanding claims provision is calculated as the difference between the claims projected for the period less the claims paid up to the end of that period. This process is done on a monthly basis and regularly reconciled with the actual experience.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued) **for the year ended 31 December 2011**

2. OUTSTANDING CLAIMS PROVISION (continued)

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the expected claims ratios for the most recent benefit years for the in-hospital, chronic and out-of-hospital categories of claims. These are used for assessing the outstanding claims provisions for the 2011 and 2010 benefit years.

The assumptions used in estimating the claims incurred for the Scheme are as follows:

Membership

The actual demographics of the Scheme were used, incorporating all membership movements for the period January to December. Membership is analysed on a beneficiary level by option, age, gender, area, type of dependant and chronic status of dependant.

Reasonability checks

This estimation was tested against estimations produced by the following calculations:

- Actual claims paid in 2011 for 2010;
- Traditional "chain ladder" methods, using claims development patterns derived from 2010 and 2011 as well as an analysis of the development patterns of December 2010 in isolation (i.e adjustments for seasonality); and
- An analysis of claims already paid in 2012 for 2011.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2011

	2011 R	2010 R
3. NET CONTRIBUTION INCOME		
Gross contributions	1,187,875,634	898,106,571
Risk contributions	978,976,733	744,986,662
Members savings account contributions	208,898,901	153,119,909
Less:		
Members savings account contributions	(208,898,901)	(153,119,909)
Net contribution income	978,976,733	744,986,662
4. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS		
Capitation fees paid	(6,530,328)	(12,887,563)
Recoveries under risk transfer arrangements	6,296,652	10,635,296
	(233,676)	(2,252,267)

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued) **for the year ended 31 December 2011**

4. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS (continued)

During 2011 the Scheme had three risk transfer arrangements in place. The methodologies used to determine the claims covered by these arrangements are set out below.

1. Risk transfer arrangement providing optometry services for members on the LA KeyPlus Option.

The utilisation experience for these members is obtained from the service provider. The average cost to the Scheme for consultations, lenses, frames and contact lenses is calculated and multiplied to the utilisation experience to estimate the claims under this arrangement.

2. Risk transfer arrangement providing dentistry services to members on the LA KeyPlus Option.

The Scheme had access to the actual claims relating to these members and has disclosed these claims paid under this arrangement.

3. Risk transfer arrangement covering treatment for LA Comprehensive and LA Core Benefit Option members diagnosed with diabetes.

Members have a choice of using this managed care organisation for their diabetes related treatment or not. As the risk profile of the two groups of members are similar, the claims experience of the LA Comprehensive and LA Core plan members who have not elected to use this provider, was used to estimate the members' fee-for-service cost for those who have elected to use this provider.

The cost of providing the capitated services was estimated as follows:

- The claims experience of the non-CDE members was used to estimate the CDE members' fee-for-service cost;
- Per life per month estimates were calculated for consultations, procedures, medication and hospital admissions to the extent that these services were covered under this risk transfer arrangement for the LA Comprehensive and LA Core Benefit Option members who have not elected this provider;
- The expected fee-for-service cost was calculated by multiplying the calculated per life per month costs by the number of members exposed for the period on this programme; and
- The costs were split based on whether the member was a Type I or Type II diabetic.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2011

4. NET EXPENSE ON RISK TRANSFER ARRANGEMENTS (continued)

Service providers in 2011		Nature of risk covered	Term	Basis of fees
Optical Management	Iso Leso Optics Limited	Iso Leso Optics Limited is an accredited managed care organisation providing services to and in respect of optometric services and/or optical dispensing services and supplies, as stipulated in the Agreement. This relates to the LA KeyPlus Option only.	Renewable annually.	The capitation fee is based on the number of members on the LA KeyPlus Option.
Dental Benefit Management	Dental Risk Company (Proprietary) Limited	Dental Risk Company (Proprietary) Limited is a managed care organisation providing services relating to Dental Services rendered by the DRC Network of Dental Providers, as stipulated in the Agreement. This relates to the LA KeyPlus Option only.	Renewable annually.	The capitation fee is based on the number of principal members on the LA KeyPlus Option.
Disease Management	CDE Holdings (Pty) Ltd	CDE Holdings (Pty) Ltd is an accredited managed care organisation providing services to and in respect of the treatment of Diabetes as stipulated in the Agreement. This relates to the LA Comprehensive Option only.	Renewable annually.	The capitation fee is based on the number of enrolled beneficiaries and varies per diabetes type.
Primary Care Network	Discovery Health (Pty) Ltd	Discovery Health (Pty) Ltd provided services related to the provision of primary healthcare services at designated service providers, and acute and chronic medicines to the beneficiaries registered on the LA KeyPlus Option.	Contract cancelled effective 30 September 2010.	The capitation fee is based on the number of enrolled beneficiaries per month.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

	2011	2010
	R	R
5. INVESTMENT INCOME		
Income from investments	21,961,919	22,606,443
Cash and cash equivalents' interest income	21,904,777	22,556,603
Dividends	57,142	49,840
Net (losses)/gains on investments	(266,582)	23,969
Amortisation on held-to-maturity investments held at fair value through profit or loss	(110,606)	(158,576)
Unrealised (losses)/gains on revaluation of investments	(155,976)	182,545
	<u>21,695,337</u>	<u>22,630,412</u>
6. CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES		
Surplus for the year	64,790,426	36,804,519
Adjustments for:		
Depreciation	66,654	64,560
Unrealised losses/(gains) on revaluation of investments held at fair value through profit or loss	155,976	(182,545)
Amortisation	110,606	158,576
Provision for post retirement healthcare funding	(387,000)	(88,000)
Interest received	(21,904,777)	(22,556,603)
Dividends received	(57,142)	(49,840)
Cash flows from operations before working capital changes	<u>42,774,743</u>	<u>14,150,667</u>

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2011

7. RELATED PARTY TRANSACTIONS

Ten trustees are proposed and elected by the members of the Scheme and five appointed by the elected Board of Trustees.

Parties with significant influence over the Scheme:

Administrator and managed care organisation

Discovery Health (Pty) Ltd has significant influence over the Scheme as Discovery Health (Pty) Ltd participates in the Scheme's financial and operating policy decisions, but does not control the Scheme. Discovery Health (Pty) Ltd provides administration services. These transactions are done at arm's length. The Administrator does not fall within the definition of a related party, however, due to the significance of the outsourcing relationship the information has been included.

Key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees, Principal Officer and ex-deputy Principal Officer [2010]. This disclosure deals with full-time personnel who are compensated on a salary basis (Principal Officer and ex-deputy Principal Officer [2010]), and Board of Trustee members who are paid a monthly retainer and reimbursed for costs incurred.

Close family members include close family members of the Board of Trustees and Principal Officer.

Transactions with related parties

The following provides the total transaction amounts, which have been entered into with related parties for the relevant financial year.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2011

7. RELATED PARTY TRANSACTIONS (continued)

Key management personnel (Board of Trustees, Principal Officer and ex-deputy Principal Officer [2010]) and their close family members

	2011	2010
	R	R
Statement of comprehensive income		
Gross contributions received	832,023	794,062
Claims incurred	(460,577)	(417,239)
Office of the Principal Officer	(2,248,719)	(2,557,550)
Board of Trustees' reimbursements and remuneration	(2,103,346)	(1,926,674)
Statement of financial position		
Medical savings account balances	(40,611)	(40,867)
Outstanding loan balances with full time personnel	411,649	495,059

The terms and conditions of the related party transactions were as follows:

Transaction	Nature of transactions and terms and conditions thereof
Contributions received	This constitutes the contributions paid by the related parties as members of the Scheme, in their individual capacity. All contributions were on the same terms as those applicable to other members.
Claims incurred	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 other members.
Contribution debtors	This constitutes outstanding contributions receivable. The amounts are due immediately. No impairments have been raised on these amounts.
Claims reported not yet paid	These are claims that have been reported, but not yet paid due to the fact that the Scheme's year end fell between the claims payment runs. Claims are settled within 30 days of being received.
Medical Savings Account balances	The amounts owing to the related parties relate to Medical Savings Account balances to which the parties have a right. The amounts are all current, and would need to be payable on demand should an appropriate claim be issued, or should the member resign from the Scheme.
Loan to full time personnel	The loan carries interest at 8% and is repayable over 72 months.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2011

7. RELATED PARTY TRANSACTIONS (continued)

Transactions with entities that have significant influence over the Scheme

	2011	2010
	R	R
Discovery Health (Pty) Ltd - Administrator		
Statement of comprehensive income		
Administration fees paid	84,191,225	63,709,556
Medical emergency call centre	264,171	210,227
Keycare capitation fees	-	10,105,648
Income derived from cancellation of risk transfer arrangement	-	3,198,567
Discovery Health (Pty) Ltd - managed care organisation		
Statement of comprehensive income		
Managed care fees paid	22,327,096	16,911,420
Statement of financial position		
Balance due to Discovery Health (Pty) Ltd at year end	(9,688,644)	(5,766,303)

The terms and conditions of the transactions with entities with significant influence over the Scheme were as follows:

Administration and managed care management service agreements

The administration and managed care agreements are entered into in terms of the Rules of the Scheme and in accordance with instructions given by the Board of Trustees. The agreement is automatically renewed each year, unless notification of termination is received or following the cancellation of the Administrator's accreditation or the issue of a lawful directive to this effect by the Council for Medical Schemes in terms of the Act. The Scheme and the Administrator are entitled to terminate the agreement by giving notice in writing of not less than 90 days and not more than 180 days. Outstanding balances bear no interest and is due within 7 days. Annual administration fee increases are negotiated by the Board of Trustees in accordance with the relevant terms of these agreements.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2011

8. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION

2011	LA CORE	LA COMPREHENSIVE	LA FOCUS	LA ACTIVE	LA KEYPLUS	TOTAL
	100%, no limit Yes Covering: PMB plus HIV plus Additional conditions	100%, no limit Yes Covering: PMB plus HIV plus Additional conditions	100%, no limit Yes Covering: PMB plus HIV	100%, no limit Yes Covering: PMB plus HIV	100%, no limit No Covering: PMB plus HIV	
	R	R	R	R	R	R
In-hospital costs covered	249,232,248	139,045,877	70,543,089	454,767,406	65,388,113	978,976,733
Medical Savings Account	(205,191,008)	(133,926,130)	(49,225,391)	(358,485,783)	(48,450,197)	(795,278,509)
Chronic conditions	(205,586,592)	(134,070,302)	(49,225,391)	(358,485,783)	(48,013,565)	(795,044,833)
	336,800	219,998	(49,306,166)	588,249	78,787	1,304,609
Net contribution income	58,784	144,172	-	-	(436,632)	(233,676)
Relevant healthcare expenditure	(449,706)	(2,762,909)	-	-	(3,317,713)	(6,530,328)
Net income/(expense) on risk transfer arrangements	508,490	2,907,081	-	-	2,881,081	6,296,652
Claims incurred						
Claims recoveries from third parties			80,775			
Gross healthcare results	44,041,240	5,119,747	21,317,698	96,281,623	16,937,916	183,698,224
Managed care: management services fees	(3,870,065)	(1,955,549)	(2,546,882)	(11,438,602)	(2,716,794)	(22,527,892)
Broker service fees	(3,412,220)	(1,713,109)	(2,455,412)	(12,313,536)	(2,620,758)	(22,515,035)
Administration fees	(15,391,080)	(7,777,138)	(9,807,933)	(45,811,747)	(5,403,327)	(84,191,225)
Other operating expenses *	(1,651,198)	(834,270)	(1,052,242)	(4,915,442)	(1,174,968)	(9,628,120)
Net impairment losses *	(371,380)	(187,640)	(236,665)	(1,105,558)	(264,268)	(2,165,511)
Net healthcare results	19,345,297	(7,347,959)	5,218,564	20,696,738	4,757,801	42,670,441
Other income *	3,793,521	1,916,682	2,417,457	11,292,912	2,699,413	22,119,985
Surplus/(deficit) for the year	23,138,818	(5,431,277)	7,636,021	31,989,650	7,457,214	64,790,426
Average membership	6,189	3,127	3,944	18,424	4,404	36,088

* Allocated to the respective options using the average membership.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2011

8. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION (continued)

2010	LA CORE		LA COMPREHENSIVE		LA FOCUS		LA ACTIVE		LA KEYPLUS		TOTAL
	100%, no limit Yes	100%, no limit No	100%, no limit Yes	100%, no limit No	100%, no limit Yes	100%, no limit No	100%, no limit Yes	100%, no limit No	100%, no limit Yes	100%, no limit No	
In-hospital costs covered Medical Savings Account Chronic conditions	Covering: PMB plus HIV plus Additional conditions	Covering: PMB plus HIV plus Additional conditions	Covering: PMB plus HIV plus Additional conditions	Covering: PMB plus HIV plus Additional conditions	Covering: PMB plus HIV plus Additional conditions	Covering: PMB plus HIV plus Additional conditions	Covering: PMB plus HIV plus Additional conditions	Covering: PMB plus HIV plus Additional conditions	Covering: PMB plus HIV plus Additional conditions	Covering: PMB plus HIV plus Additional conditions	
	R	R	R	R	R	R	R	R	R	R	R
Net contribution income	233,457,136	131,706,518	54,316,869	274,674,176	50,831,963	744,986,662					
Relevant healthcare expenditure	(206,388,016)	(133,247,977)	(38,581,378)	(206,950,974)	(38,697,804)	(623,866,149)					
Net claims incurred	(206,388,016)	(132,997,154)	(38,581,378)	(206,950,974)	(36,696,360)	(621,613,882)					
Claims incurred	(206,550,775)	(133,094,134)	(38,724,233)	(207,579,687)	(36,719,609)	(622,668,438)					
Claims recoveries from third parties	162,759	96,980	142,855	628,713	23,249	1,054,556					
Net expense on risk transfer arrangements	-	(250,823)	-	-	(2,001,444)	(2,252,267)					
Risk transfer arrangement fees	-	(2,781,915)	-	-	(10,105,648)	(12,887,563)					
Recoveries from risk transfer arrangements	-	2,531,092	-	-	8,104,204	10,635,296					
Gross healthcare results	27,069,120	(1,541,459)	15,735,491	67,723,202	12,134,159	121,120,513					
Managed care: management services fees	(4,523,189)	(2,346,518)	(1,963,307)	(7,173,092)	(2,069,616)	(18,075,722)					
Broker service fees	(2,705,875)	(949,195)	(1,855,958)	(7,454,036)	(1,266,994)	(14,232,058)					
Administration fees	(15,107,487)	(7,786,898)	(7,878,266)	(28,783,847)	(4,153,058)	(63,709,556)					
Other operating expenses *	(3,026,221)	(1,559,814)	(1,578,117)	(5,765,770)	(1,663,569)	(13,593,491)					
Net impairment losses *	(199,384)	(102,769)	(103,975)	(379,880)	(109,605)	(895,613)					
Net healthcare results	1,506,964	(14,286,653)	2,355,868	18,166,577	2,871,317	10,614,073					
Other income *	8,207,323	4,630,220	1,909,542	9,656,333	1,787,028	26,190,446					
Surplus/(deficit) for the year	9,714,287	(9,656,433)	4,265,410	27,822,910	4,658,345	36,804,519					
Average membership	6,351	3,274	3,312	12,100	3,491	28,528					

* Allocated to the respective options using the average membership.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2011

9. NON-COMPLIANCE MATTERS

9.1 Sustainability of benefit option

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound.

At 31 December 2011 one of the Scheme's Benefit Options did not comply with Section 33(2):

Option	2011 Net healthcare result R	2010 Net healthcare result R
LA Comprehensive	(7,347,959)	(14,286,653)

The Board of Trustees addresses the sustainability of all Options during the annual strategic session and subsequent budgetary process. Fair consideration was given to the affordability of the benefits in this Option for its registered beneficiaries, by taking into account investment income. The Board of Trustees is also comfortable with the continuous decrease in the annual deficit on the LA Comprehensive Option.

9.2 Investment in any medical scheme administrator

In terms of Section 35(8) of the Medical Schemes Act, No 131 of 1998, as amended, a medical scheme shall not invest any of its assets in the business of any medical scheme administrator.

The Scheme had shares in Liberty Holdings Limited to the value of R166 908. Investments were made at the sole discretion of the asset manager.

These shares were sold subsequent to 31 December 2011.

NOTES TO THE SUMMARISED ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2011

9.3 Contributions not received within three days of it becoming due

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

There were instances, during the year, where the Scheme received contributions after three days of becoming due, however, there are no contracts in place agreeing to this arrangement.

The procedures that the scheme follows regarding these contributions are set out below:

- Actively pursuing all contributions not received after 3 days of becoming due, as required by S26(7) of the Medical Schemes Act of South Africa;
- Monthly reconciliations between the Administrator and the Employer are discussed for possible suspension;
- Ageing and pursuing arrear accounts on a monthly basis.

10. COMMITMENTS AND OTHER CONTINGENT LIABILITIES.

The Scheme does not have any commitments or contingent liabilities outstanding at 31 December 2011.

Our way of giving back to the Community

When the first LA Health golf day was held in 2008 as an LA Health Trustees' initiative to raise funds in service to the Scheme's broader community, R37 100 was raised and donated to the Hensie Vroom Child Relief Centre in Bellville. Since then the event was held annually and has just been more successful each year.

The Scheme's business partners are extremely generous and the event is fully sponsored. The generous donations from the sponsors prompted the Trustees' decision that from 2012 the funds raised would be distributed to three charities, determined by the top three Trustees' teams on the day.

Every Trustee nominates two charities of their choice and selects teams from the playing field.

At the 2012 Golf Challenge a staggering total of R76 251 was raised! The donations were handed over to the three winning charities on three separate occasions:



The LA Health Chairman, Mr Gavie Beukman, hands the biggest cheque to the winning charity, the Durbanville Children's Home. They will use the donation of R38 126 to buy equipment for the Centre's sports programme, which will benefit all the children in their care.



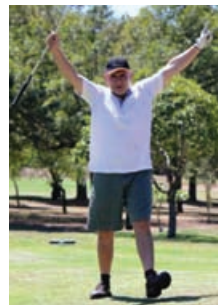
Mr Tokkie Deysel, the Scheme's Vice Chairperson, whose four ball team ended second at the LA Health Golf Challenge, hands over a donation of R22 875 to a representative of Huis John Voster Old Age Home in Queenstown.



Mr Alan Bennett looks well pleased to be handing over a cheque to the value of R15 250 to representatives of CHOC after one of Alan's teams achieved a third place in the 2012 LA Health Golf Challenge.

Our way of giving back to the community

No one would have benefitted from the LA Health Golf Challenge if there were no willing players and sponsors and we thank all those that participated in this event. We honour some of them by way of the pictures here below:







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