

**The South African Medical Association Benevolent Fund
Annual financial statements
for the year ended 31 December 2017
CH Martin CA (S.A.)
Financial Manager
Nexia SAB&T
Registered Auditors**

The South African Medical Association Benevolent Fund

Annual Financial Statements for the year ended 31 December 2017

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Non profit organisation that operates principally in South Africa. It provides benefits to the members of the medical profession and their families.
Directors	Dr LJ Mphatswe Dr MJ Grootboom (Chairperson) Dr MM Stoltz Dr MR Abbas Prof MW Sonderup (Vice-Chairperson) Dr S Sham Dr SNE Mazaza Dr Y Baldeo Prof A Dhai
Registered office	Block F Castle Walk Corporate Park Nossob Street Erasmuskloof Ext 3 Pretoria 0181
Bankers	Standard Bank Limited
Auditors	Nexia SAB&T Registered Auditors
Secretary	Advocate Y Lemmer
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The annual financial statements were internally compiled by: CH Martin CA (S.A.) Financial Manager

The South African Medical Association Benevolent Fund

Annual Financial Statements for the year ended 31 December 2017

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Management Committees' Responsibilities and Approval

The management committee are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The management committee acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the management committee to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The management committee are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The management committee have reviewed the company's cash flow forecast for the year and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 14, which have been prepared on the going concern basis, were approved by the board on 26 October 2018 and were signed on its behalf by:

Approval of financial statements



Director

Dr MR Abbas



Director

Dr MJ Grootboom

Independent Auditor's Report

To the shareholder of The South African Medical Association Benevolent Fund

Opinion

We have audited the annual financial statements of The South African Medical Association Benevolent Fund set out on pages 8 to 15, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of The South African Medical Association Benevolent Fund as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Management Committees' Report as required by the Companies Act 71 of 2008 of South Africa, which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nexia SAB&T
Registered Auditors
K. Rama

07 August 2018

The South African Medical Association Benevolent Fund

Annual Financial Statements for the year ended 31 December 2017

Management Committees' Report

The management committee have pleasure in submitting their report on the annual financial statements of The South African Medical Association Benevolent Fund for the year ended 31 December 2017.

1. Nature of business

The fund is engaged in a non profit organisation that operates principally in South Africa, it provides benefits to the members of the medical profession and their families.

There have been no material changes to the nature of the fund's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the fund are set out in these annual financial statements.

3. Management Committee

The directors in office at the date of this report are as follows:

Dr LJ Mphatswe
Dr MJ Grootboom
(Chairperson)
Dr MM Stoltz
Dr MR Abbas
Prof MW Sonderup (Vice-
Chairperson)
Dr S Sham
Dr SNE Mazaza
Dr Y Baldeo
Prof A Dhai

There have been no changes to the directorate for the year under review.

4. Trustees' interests in shares

To our knowledge none of the trustees had any interest in contracts that were entered into during the year under review.

5. Events after the reporting period

The management committee are not aware of any material event which occurred after the reporting date and up to the date of this report.

6. Going concern

The management committee believe that the fund has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The management committee have satisfied themselves that the fund is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The management committee are not aware of any new material changes that may adversely impact the fund. The management committee are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the fund.

7. Secretary

The fund's secretary is Mr Advocate Y Lemmer.

The South African Medical Association Benevolent Fund

Annual Financial Statements for the year ended 31 December 2017

Management Committees' Report

Business address:

Block F Castle Walk Corporate Park
Nossob Street
Erasmuskloof Ext 3
Pretoria
0181

The South African Medical Association Benevolent Fund

Annual Financial Statements for the year ended 31 December 2017

Statement of Financial Position as at 31 December 2017

	Note(s)	2017 R	2016 R
Assets			
Non-Current Assets			
Other financial assets	3	31 693 913	31 144 130
Current Assets			
Loans to group companies	2	615 355	922 484
Trade and other receivables	4	223 496	175 202
Cash and cash equivalents	5	3 719 633	1 567 277
		4 558 484	2 664 963
Total Assets		36 252 397	33 809 093
Equity and Liabilities			
Equity			
Reserves		17 047 947	18 475 306
Retained income		19 204 450	15 333 787
		36 252 397	33 809 093

The South African Medical Association Benevolent Fund

Annual Financial Statements for the year ended 31 December 2017

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2017 R	2016 R
Revenue	6	1 829 251	1 867 497
Other operating gains (losses)		3 220 815	-
Other operating expenses		(2 284 094)	(1 868 935)
Operating profit (loss)	7	2 765 972	(1 438)
Investment income		1 171 204	994 816
Profit for the year		3 937 176	993 378
Other comprehensive income		-	-
Total comprehensive income for the year		3 937 176	993 378

The South African Medical Association Benevolent Fund

Annual Financial Statements for the year ended 31 December 2017

Statement of Changes in Equity

	Fair value adjustment assets- available-for- sale reserve R	Other NDR R	Total reserves R	Retained income R	Total equity R
Balance at 01 January 2016	16 461 902	294 745	16 756 647	14 340 409	31 097 056
Profit for the year	-	-	-	993 378	993 378
Other comprehensive income	-	294 745	294 745	-	294 745
Total comprehensive income for the year	-	294 745	294 745	993 378	1 288 123
Transfer between reserves	1 718 659	(294 745)	1 423 914	-	1 423 914
Total contributions by and distributions to owners of company recognised directly in equity	1 718 659	(294 745)	1 423 914	-	1 423 914
Balance at 01 January 2017	18 180 561	294 745	18 475 306	15 333 787	33 809 093
Profit for the year	-	-	-	3 937 176	3 937 176
Other comprehensive income	-	294 745	294 745	-	294 745
Total comprehensive income for the year	-	294 745	294 745	3 937 176	4 231 921
Transfer between reserves	(1 427 359)	(294 745)	(1 722 104)	(66 513)	(1 788 617)
Total contributions by and distributions to owners of company recognised directly in equity	(1 427 359)	(294 745)	(1 722 104)	(66 513)	(1 788 617)
Balance at 31 December 2017	16 753 202	294 745	17 047 947	19 204 450	36 252 397

Note(s)

The South African Medical Association Benevolent Fund

Annual Financial Statements for the year ended 31 December 2017

Statement of Cash Flows

	Note(s)	2017 R	2016 R
Cash flows from operating activities			
Cash used in operations	9	(503 137)	(63 558)
Interest income		621 393	450 947
Dividend income		549 811	543 869
Net cash from operating activities		668 067	931 258
Cash flows from investing activities			
Loans advanced to group companies		307 129	(12 745)
Movement of financial assets		(549 783)	(2 333 078)
Movement in fair value of investments		1 726 943	1 718 659
Net cash from investing activities		1 484 289	(627 164)
Total cash movement for the year		2 152 356	304 094
Cash at the beginning of the year		1 567 277	1 263 183
Total cash at end of the year	5	3 719 633	1 567 277

The South African Medical Association Benevolent Fund

Annual Financial Statements for the year ended 31 December 2017

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

These accounting policies are consistent with the previous period.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Trade receivables, Held to maturity investments and Loans and receivables

The fund assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the fund makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The fund reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

1.3 Financial instruments

Classification

The fund classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

The South African Medical Association Benevolent Fund

Annual Financial Statements for the year ended 31 December 2017

Accounting Policies

1.3 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the fund becomes a party to the contractual provisions of the instruments.

The fund classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.4 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the fund's right to receive payment has been established.

The South African Medical Association Benevolent Fund

Annual Financial Statements for the year ended 31 December 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
2. Loans to (from) group companies		
Holding company		
The South African Medical Association	615 355	922 484
The loan is unsecured, interest free and has no fixed terms of repayment.	<u> </u>	<u> </u>
3. Other financial assets		
Available-for-sale		
Coronation Fund Managers	7 101 204	6 634 329
Old Mutual Wealth	11 560 316	-
Allan Grey Unit Trust	13 032 393	11 797 705
Sasfin Securities	-	12 712 096
	<u>31 693 913</u>	<u>31 144 130</u>
Non-current assets		
Available-for-sale	<u>31 693 913</u>	<u>31 144 130</u>
4. Trade and other receivables		
Trade receivables	<u>223 496</u>	<u>175 202</u>
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	8 200	24 174
Short-term deposits	3 711 433	1 543 103
	<u>3 719 633</u>	<u>1 567 277</u>
Credit quality of cash at bank and short term deposits, excluding cash on hand		
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. None of the financial institutions with which bank balances are held defaulted in prior periods and as a result a credit rating of high are ascribed to the financial institutions. The fund's maximum exposure to credit risk as a result of the bank balances held is limited to the carrying value of the balances as detailed above. All bank balances are held with one banking institution increasing the related concentration risk. However, to mitigate the risk of loss, the fund only transacts with highly reputable financial institutions.		
6. Revenue		
Donations	<u>1 829 251</u>	<u>1 867 497</u>
7. Operating profit (loss)		
Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:		
Auditor's remuneration - external		
Audit fees	<u>38 190</u>	<u>35 769</u>
Remuneration, other than to employees		
Administrative and managerial services	<u>144 000</u>	<u>144 000</u>

The South African Medical Association Benevolent Fund

Annual Financial Statements for the year ended 31 December 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
7. Operating profit (loss) (continued)		
Other		
Other operating gains (losses)	3 220 815	-
8. Taxation		
The company is exempt from taxation interm of section 10(1)(d)(iv)(bb) of the Income Tax Act of 1962.		
9. Cash used in operations		
Profit before taxation	3 937 176	993 378
Adjustments for:		
Gains on disposals, scrappings and settlements of assets and liabilities	(3 220 815)	-
Dividend income	(549 811)	(543 869)
Interest income	(621 393)	(450 947)
Changes in working capital:		
Trade and other receivables	(48 294)	(62 120)
	(503 137)	(63 558)
10. Related parties		
Relationships		
Holding company	The South Medical Association	
Related party balances		
Loan accounts - Owing (to) by related parties		
The South African Medical Association	615 355	922 484
Related party transactions		
Administration fees paid to (received from) related parties		
The South African Medical Association	144 000	144 000
11. Risk management		
Liquidity risk		
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.		
The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.		
Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Financial assets exposed to credit risk at year end were as follows:		
Financial instrument	2017	2016
Cash and cash equivalents	8 200	24 174
Trade and other receivables	223 496	175 200
Loan to group companies	615 355	922 484

The South African Medical Association Benevolent Fund

Annual Financial Statements for the year ended 31 December 2017

Detailed Income Statement

	Note(s)	2017 R	2016 R
Revenue			
Donations		1 829 251	1 867 497
Other operating gains (losses)			
Gains on disposal of assets or settlement of liabilities		3 220 815	-
Other operating expenses			
Administration and management fees		144 000	144 000
Auditors remuneration	7	38 190	35 769
Bank charges		82 090	22 095
Benevolence		1 947 038	1 652 354
Commission paid		59 288	-
Delegates expenses		326	1 789
Delegates expenses- honoraria		13 162	12 928
		2 284 094	1 868 935
Operating profit (loss)	7	2 765 972	(1 438)
Investment income		1 171 204	994 816
Profit for the year		3 937 176	993 378