

PATHFINDER MEDICAL SCHEME

Dear member

The seventh annual general meeting of members of the PATHFINDER Medical Scheme will be held on 25th June 2008 and the details are.

Date : 25 June 2008
Time : 15h00
Venue : Hippo Boardroom
Ground Floor
Building A
Lakefield Office Park
Centurion
0043



The rules of PATHFINDER Medical Scheme require attendees to notify the Principal Officer of any motions for discussion or nominations for Trustees at least seven days before the date of the meeting. Please notify the Principal Officer of any motions. Contact details are:

Telephone : (012) 675 6781
Fax : (012) 673 5542
Email : pietern@pathfinderhealth.co.za

AGENDA

1. Opening and Welcome
2. Constituting
3. Minutes of the previous meeting
4. Board of Trustees and Auditors report
5. Financial statements for year ended 31 December 2007
6. Appointment of auditors
7. General

The complete 2007 Audited Financial Statements, the Trustee's report and minutes of the 2007 Annual General Meeting will be available on our website www.pathfinderhealth.co.za

ABRIDGED REPORT BY THE EXTERNAL AUDITORS OF THE SCHEME

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The trustees are responsible for the preparation, integrity, and fair presentation of the financial statements of Pathfinder Medical Scheme. The financial statements presented on pages 15 to 45 have been prepared in accordance with International Financial Reporting Standards (IFRS) and include amounts based on judgements and estimates made by management.

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

The trustees are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Scheme at year-end. The trustees also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The trustees have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Scheme to enable the trustees to ensure that the financial statements comply with the relevant legislation.

Pathfinder Medical Scheme operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

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

Whilst Investec Bank will continue to support the fund in terms of the R5 million guarantees lodged with the Council for Medical Schemes, the trustees are of the view that there is sufficient reason for the Scheme to now not need further funding from the sponsor.

Pathfinder finds itself in a position of stagnation in membership, risk sharing on all its options to prevent unnecessary peaks and troughs as was the scenario in 2006-2007 with solvency ratio's operational expenditure in line with the size of the Scheme and a possible merger with another Medical Scheme. The board of trustees and the management of Pathfinder Medical Scheme are extremely positive and passionate about future of the "new" Pathfinder.

Pathfinder executive and management understands the current predicament that they are under and that similar suggestions and motivations from the past did not realise, but we believe that the recent culture and focus change has already started reaping benefits. Enormous capital was ploughed into the Scheme as a specific strategy to assist with the roll out of Government's focus on uncovered members.

The Code of Corporate Practices and Conduct has been adhered to. The Scheme's external auditors, SAB&T Chartered Accountants Incorporated, audited the financial statements.

Operational Statistics	2007	2006
Members funds	(R0,8 m)	(R1,8m)
Solvency Ratio	(3.59%)	(9.39%)
Membership (Lives)	2 630	6 234
Accumulated funds per member	(R470)	(R807)

**BALANCE SHEET
AS AT 31 DECEMBER 2007**

	2007 R	2006 R
ASSETS		
Non-current assets	56,106	71,903
Property, plant and equipment	56,106	71,903
Current assets	2,287,711	3,649,079
Trade and other receivables	1,046,380	1,100,551
Cash and cash equivalents	1,241,331	2,548,528
Total assets	2,343,817	3,720,982
FUNDS AND LIABILITIES		
Member's funds	(812,173)	(1,898,643)
Accumulated funds	(812,173)	(1,898,643)
Current liabilities	3,155,990	5,619,625
Savings plan liability	712,719	1,627,420
Trade and other payables	2,443,271	3,992,205
Total funds and liabilities	2,343,817	3,720,982

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 R	2006 R
Net contribution income	22,831,384	19,311,911
Relevant healthcare expenditure	(16,671,630)	(15,950,342)
Net claims incurred	130,272	(21,109)
Claims incurred	130,272	(21,109)
Net expense on risk transfer arrangements	(16,891,902)	(15,929,233)
Risk transfer arrangements premiums paid	(16,891,902)	(15,929,233)
Gross healthcare result	6,069,754	3,361,569
Acquisition cost	(414,797)	(451,788)
Administration expenses	(4,806,742)	(3,658,427)
Net impairment income/(losses) on healthcare receivables	113,903	295,011
Net healthcare result	962,118	(453,635)
Other income	45,994	71,578
	78,361	3,034
Net surplus / (deficit) for the year	1,086,473	(379,023)

**STATEMENT OF CHANGES IN FUNDS AND RESERVES FOR THE YEAR ENDED
31 DECEMBER 2007**

	Accumulated funds R	Total Members' funds R
Balance as at 1 January 2006	(1,519,623)	(1,519,623)
Net deficit for year	(379,023)	(379,023)
Balance at 31 December 2006	(1,898,646)	(1,898,646)
Net surplus for the year	1,086,473	1,086,473
Balance at 31 December 2007	(812,173)	(812,173)

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 R	2006 R
Cash flows from operating activities		
Cash flows from operations before working capital changes	951,826	(727,970)
Working capital changes	(2,295,563)	(983,411)
- (Increase) / decrease in trade and other receivables	(150,519)	(455,439)
- Increase / (decrease) in trade and other payables	(1,548,934)	232,831
- Decrease in outstanding claims provision	-	(14,794)
- Decrease in savings plan liability	(596,111)	(746,009)
Cash utilized in operations	(1,343,737)	(1,711,381)
Net cash from operating activities	(1,343,737)	(1,711,371)
Cash flows from investing activities		
- Purchase of property, plant and equipment	(18,178)	(39,002)
- Proceeds from sale of property, plant and equipment	8,725	-
- Interest received	45,994	71,578
Net decrease in cash and cash equivalents	(1,307,196)	(1,678,805)
Cash and cash equivalents at beginning of period	2,548,528	4,227,333
Cash and cash equivalents at the end of the year	1,241,331	3,548,528

CASH FLOWS FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES

	2007 R	2006 R
Surplus / for (Deficit) for the year	1,086,473	(379,023)
Adjustments for:		
- Depreciation	25,250	18,299
- Impairment gains	(113,903)	(295,668)
- Investment income	(45,994)	(71,578)
- Other realised gains	-	-
Cash flows from operations before working capital	951,826	(727,970)

Matters of Non-Compliance with the Medical Schemes Act 131 of 1998, as amended.

Contravention of Regulation 29

Although Pathfinder Medical Scheme did not comply with the regulation as the Scheme had a negative solvency ratio of (3.59%) as at 31 December 2007, the ratio did improve from the previous financial year where the Scheme had a negative solvency ratio of (9.39%)

Contravention of Regulation 30

Pathfinder Medical Scheme's assets were less than the aggregate fair value of its liabilities and the minimum accumulated funds to be maintained in terms of Regulation 29 at 31 December 2007 with an amount of R7,576,107 (R7,804.748).

Contravention of Section 33(2) (b)

This section states that any approved option shall be self supporting in terms of membership and financial performance. It was noted that the operations of the following options resulted in losses for the year under review:

- Trial option – R635,355
- Lane option – R198,197

A strategic decision was taken to remove the Lane option for 2008 and measures were put in place to ensure that the Trail option can be self supportive.

Contravention of Regulation 36(10)

Pathfinder Medical Scheme did have an audit committee during the 2007 financial year but only three members were appointed and not the required five members. This was due to resignations within Pathfinder Medical Scheme.

Chairman's Review

It is with pleasure that I present the sixth Chairman's Review of the Pathfinder Medical Scheme.

The Scheme had specific objectives for 2007.

1. Develop a marketing strategy to enhance market competitiveness
2. Increasing member numbers
3. Containing operational expenses

The results were as follows:

- Only selected healthcare brokers were approached to market the scheme and to create awareness. Acceptance was good but member growth did not materialize as anticipated.
- Strict control over operational expenses resulted in an actual decrease from 2006 to 2007

Appreciation

I would like to thank my fellow Trustees for their support during the past year as well as the Principle Officer and the Pathfinder staff, whose efficient and professional performance have greatly assisted in the process of continuous improvement in Pathfinder's services to its members.

Dr. J.M. Laubscher
Chairman

