

Notice of the Annual General Meeting



See
inside for
details of
virtual
meeting

TO BE HELD ON 30 JUNE 2022
Including the annual financial statements
for the year ended 31 December 2021

IMPORTANT NOTICES TO ALL MEMBERS

TWENTY-SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the twenty-sixth Annual General Meeting of Members of the Imperial and Motus Medical Aid will be held on Thursday, 30 June 2022 at 10:00.

The Scheme has made provision for members or their proxies to participate in the meeting by way of an electronic platform hosted by The Meeting Specialist (Pty) Ltd – TMS. Should you or your proxy wish to participate, please use the link in the email received to access and complete the electronic participation form by no later than 10:00 on 23 June 2022.

Upon receipt of the required information, you or your proxy will be provided with a secure code and instructions on how to access the virtual meeting. Please note that access to the meeting will be at the expense of members who wish to make use of the facility.

UNDESIRABLE BUSINESS PRACTICE

The Council for Medical Schemes (“CMS”) is enjoined to protect the interests of the beneficiaries at all times. To this end, the CMS monitors medical schemes’ compliance with rules and the provisions of the Medical Schemes Act, No. 131 of 1998 (“the Act”), as well as other legislation relating to medical schemes.

The CMS continues to monitor medical schemes’ general meetings, especially against the background of incidents where meetings have previously been disrupted by members who were disgruntled with the process that schemes follow in convening general meetings, as well as meetings convened contrary to the Rules of the Scheme, and elections conducted in a questionable manner.

The Registrar of Medical Schemes (“the Registrar”) has, based on findings from medical scheme monitoring and inspection initiatives, and with the concurrence of the CMS and the Minister of Health, declared some practices related to medical scheme practices, irregular and undesirable, as described in Notice 943 of 2017 in the Government Gazette published on 5 December 2017.

This relates specifically to approaching or persuading a person to stand as a candidate, the canvass of proxies for a particular person, and funding or organising the election of a candidate. For more detail please access the Notice on the CMS website at www.medicalschemes.com under Circulars (Circular 15 of 2018).

AGENDA

1. CONFIRMATION OF MINUTES

To confirm the minutes of the Imperial and Motus Medical Aid Annual General Meeting held on 16 July 2021.

2. ADOPTION OF REPORTS AND ACCOUNTS

To receive and adopt the report of the Board of Trustees, as well as the Auditor's report and statements of accounts for the twelve (12) months ended 31 December 2021.

3. APPOINT AUDITORS

To appoint Auditors in terms of Rule 22.1.

4. OTHER BUSINESS

To transact such other business as may be transacted at the Annual General Meeting.

If you are unable to attend the meeting, you may nominate a proxy or the Chairman to vote on your behalf. A proxy form is included on page 65.

Notice of motions to be placed before the Annual General Meeting must reach The Meeting Specialist (Pty) Ltd no later than seven (7) days before the meeting and can be sent to proxy@tmsmeetings.co.za.

BY ORDER OF THE BOARD OF TRUSTEES



Johannes Jacobus van der Walt

Principal Officer

Imperial and Motus Medical Aid

MINUTES OF THE TWENTY-FIFTH ANNUAL GENERAL MEETING

**OF THE IMPERIAL AND MOTUS MEDICAL AID HELD VIRTUALLY ON
16 JULY 2021 AT 15:00**

WELCOME AND APOLOGIES

Mr. Janse van Rensburg, Chairman of the Board of Trustees welcomed everyone present at the 25th Annual General Meeting of Imperial and Motus Medical Aid. He extended a welcome to his fellow Trustees and Scheme Officials present.

He indicated that given the COVID-19 pandemic is still with us, the Board of Trustees of Imperial Motus Med ("Board") has, in the circumstances, determined that it is necessary, prudent, and preferable that the AGM be held by way of electronic participation only, and not by way of a physical meeting. The AGM was accordingly held through electronic communication, as was permitted by the Council for Medical Schemes and the registered Scheme Rules. The Scheme has retained the services of The Meeting Specialist Proprietary Limited ("TMS") who hosted the AGM remotely on an interactive electronic platform and facilitated electronic participation. In addition, TMS has been appointed to act as scrutineer for purposes of checking Proxy Forms deposited for this meeting.

In terms of Rule 23.3.1 of the Registered Scheme rules, only persons who have been reasonably verified had the right to participate in the meeting. This extends to persons who were in possession of a valid Proxy Form which was filed in accordance with the Notice of the Annual General Meeting, and members who are reflected in the Register as at the Record Date for this meeting.

Mr. Janse van Rensburg further extended a welcome to Mr. Mokoatedi from the Council for Medical Schemes who was in attendance.

Mr. Janse van Rensburg briefly explained the process forward and how members could participate in the meeting. After allowing some time for members joining the virtual meeting, it was confirmed that a quorum was present in terms of the Rules of the Scheme and the meeting was properly constituted. Thirty-six (36) members were virtually present at the meeting and one proxy was received.

1. APPROVAL OF THE MINUTES OF THE ANNUAL GENERAL MEETING HELD ON 29 SEPTEMBER 2020

The minutes of the Annual General Meeting held on 29 September 2020 was distributed to all members in advance. Mr. C Van Wyk proposed the adoption of the minutes of 29 September 2020, which was seconded by Ms. A Sarria. The content of the minutes was therefore **adopted** as a true reflection by the meeting attendees.

2. ADOPTION OF REPORTS AND ACCOUNTS

The Report of the Board of Trustees, including the Auditor's Report and the statement of accounts for the year ended 31 December 2020, were distributed to all members with the AGM Notice. Mr. K Volschenk proposed the adoption of the Reports and Accounts which was seconded by Mr. J de Beer. The content of these documents was therefore **adopted** by the attendees of the meeting.

3. APPOINTMENT OF AUDITORS

The Chairman informed the members in attendance that the Audit Committee proposed and recommended the re-appointment of Deloitte at the 13 April 2021 Audit Committee Meeting for the ensuing year. Ms. L Robinson proposed the adoption of the re-appointment of Deloitte which was seconded by Mr. N Simelane. The proposal was therefore **adopted** by the attendees and Deloitte was re-appointed for the ensuing year.

4. OTHER BUSINESS

The Chairman requested Scheme Management to provide the members of the Scheme with an overview on COVID-19 and the vaccination roll-out.

Mr. Van Wyk commented that the Scheme consisted of 15 924 beneficiaries, as at 31 May 2021. A total of 10 932 COVID-19 tests were conducted up to 12 July 2021, which was 68% of all beneficiaries, but it needs to be noted that one beneficiary may have had more than one test. A total of 1 595 or 14% of all tests conducted had a positive outcome, 167 or 10% of all positive cases were hospitalised, 29 or 1% of all positive cases were in ICU and 26 or 1% of all positive cases passed away. The 26 Scheme deaths translates to 0.0016% of beneficiaries. A total of 425 beneficiaries (only 2% of beneficiaries) has been vaccinated thus far.

Mr. Van Wyk informed the members that international experience indicates that vaccinating the population have a positive impact on the severity of the illness, with a significant reduction in hospitalisation and deaths in populations where the majority of adults were vaccinated. The Scheme therefore wish to encourage and assist all its members to get vaccinated. In South Africa, the government controls procurement and implemented a central roll-out, governing the eligibility for vaccines according to the vulnerability of populations. In the last few weeks, we have experienced an acceleration of the vaccination roll-out and weekly there are more and more vaccination centers (both public and private) available for members to utilise to get vaccinated. Registration for all adults 35 and older are available and it appears that the country has secured enough vaccines to vaccinate the adult population of SA.

The Scheme's administrator, Momentum Health Solutions, have opened several vaccination centers to assist the national vaccination drive and the members of the Schemes they administer to roll out the vaccinations as soon as possible. With Government being the only entity to procure and distribute vaccinations, all parties still have to adhere to the Government's priorities and therefore vaccinations will only be available for 35 and older adults at the moment.

Mr. Janse van Rensburg thanked Mr. Van Wyk for the summary around COVID-19 and the vaccinations and confirmed that the Scheme has sufficient reserves to fund the vaccines for all beneficiaries.

There being no further discussions the Chairman closed the meeting.

Chairman

Date

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Registration number: 01559

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A copy of the complete set of the Annual Financial Statements can be obtained from:

Imperial and Motus Medical Aid
No. 1 South Park
66 South Road
Linden Extension
Gauteng 2194
South Africa

REPORT OF THE BOARD OF TRUSTEES

Registration number: 01559

The Board of Trustees hereby presents its report for the year ended 31 December 2021.

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

The Imperial and Motus Medical Aid (“the Scheme”) is a “not for profit restricted membership scheme” registered in terms of the Medical Schemes Act 131 of 1998, as amended (“the Act”).

1.2 Benefit options within the Imperial and Motus Medical Aid

Two benefit options are available to eligible members of the Scheme. Both benefit options cover prescribed minimum benefits in full. The Imperial Motus Med Health Plan is a traditional plan that provides unlimited private hospital cover and major medical expenses at 100% of the Medical Scheme Rate. Day-to-day benefits are covered at 85% of the Medical Scheme Rate up to generous annual limits. The Imperial Motus Med Budget Plan provides low-cost cover for essential, basic healthcare with unlimited in-hospital cover at 100% of the Medical Scheme Rate, only prescribed minimum benefit chronic conditions, a general practitioner network with specialist referrals and day-to-day benefits at 85% of the Medical Scheme Rate, with relatively low annual limits.

2. MANAGEMENT

2.1 Trustees in office during the year under review

OJ Janse van Rensburg	Employer representative: Chairman
CFP de Klerk	Employer representative
ADSS Sarria	Member representative
S Woodward	Employer representative: Appointed 1 July 2021
JD Berman	Member representative
S Tewary-Ahmed	Member representative
JN Nzimande	Employer representative: Terminated 30 June 2021

2.2 Principal Officer JJ van der Walt

Waterkloof Marina 180
 296 Orion Avenue
 Waterkloof Ridge
 0181

2. MANAGEMENT (CONTINUED)

2.3 Registered office address and postal address

No. 1 South Park
66 South Road
Linden Extension
2195

2.4 Medical Scheme Administrator during the year

Momentum Health Solutions (Pty) Ltd

268 West Avenue	PO Box 7400
Centurion	Centurion
0157	0046

Accreditation number: 13

2.5 Investment managers during the year

Coronation Asset Management (Pty) Ltd

7th Floor, Montclare Place
C/o Campground and Main Roads
Cape Town
7708

Financial Service Provider Number: 548

Investec Asset Management SA (Pty) Ltd

36 Hans Strijdom Avenue
Cape Town
8001

Financial Service Provider Number: 587

Sygnia Asset Management (Pty) Ltd

7th Floor, The Foundry
Cardiff Street
Cape Town
8001

Financial Service Provider Number: 873

2. MANAGEMENT (CONTINUED)

2.6 Investment consultant and advisor during the year

Sygnia Asset Management (Pty) Ltd

7th Floor, The Foundry
 Cardiff Street
 Green Point
 Cape Town
 8001

Financial Service Provider Number: 873

2.7 Actuary

Mr Gary Scott (B.Sc FASSA)

NMG Consultants and Actuaries (Pty) Ltd

Nicol Way West Office Block
 C/o William Nicol Drive and Wedgewood Link
 Bryanston
 Gauteng
 2021

2.8 Auditors

Deloitte & Touche

The Ridge	PO Box 578
6 Marina Road	Cape Town
Portwood District	8000
V&A Waterfront	
Cape Town	
8000	

3. INVESTMENT STRATEGY OF THE SCHEME

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

These policies are reviewed annually, taking into consideration compliance with the Act, the risk and returns of the various investment instruments and surplus funds available. The Scheme invested in insurance policies and cash instruments during 2020.

3. INVESTMENT STRATEGY OF THE SCHEME (CONTINUED)

Sygnia Asset Management (Pty) Ltd (“Sygnia”) is an independent asset manager that provides outsourced services which facilitates the unitisation of the assets held by the Scheme.

4. MANAGEMENT OF INSURANCE RISK

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

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

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

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

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES

5.1 Operational statistics – 2021

	2021 IMPERIAL MOTUS MED HEALTH PLAN	2021 IMPERIAL MOTUS MED BUDGET PLAN	2021 TOTAL	2020 IMPERIAL MOTUS MED HEALTH PLAN	2020 IMPERIAL MOTUS MED BUDGET PLAN	2020 TOTAL
Number of members at the end of the year	6 175	897	7 072	6 051	731	6 782
Average number of members for the year	6 153	822	6 975	6 364	785	7 149
Number of beneficiaries at the end of the year	14 455	1 690	16 145	14 216	1 432	15 648
Average number of beneficiaries for the year	14 925	1 690	16 615	14 925	1 519	16 444
Average age per beneficiary	31	27	30	30	27	30
Dependent ratio to members at 31 December	1,34	0,88	1,28	1,35	0,96	1,31
Pensioner ratio	3,96%	2,25%	3,78%	3,97%	2,37%	3,83%
Average net contributions per member per month	R5 200	R2 640	R4 899	R4 977	R2 543	R4 710
Average net contributions per beneficiary per month	R2 144	R1 284	R2 056	R2 122	R1 314	R2 048
Average relevant healthcare expenditure per member per month	R4 535	R2 238	R4 170	R3 947	R2 068	R3 649
Average relevant healthcare expenditure per beneficiary per month	R1 870	R1 089	R1 751	R1 683	R1 069	R1 586
Average administration cost per member per month	R303	R303	R303	R294	R294	R294
Average administration cost per beneficiary per month	R125	R148	R127	R125	R152	R128
Average healthcare management expense per member per month	R94	R94	R94	R91	R91	R91
Average healthcare management expense per beneficiary per month	R39	R46	R39	R39	R47	R40
Non-healthcare expenditure per average beneficiary per month	R125	R147	R127	R126	R152	R128
Non-health administration expenses as a percentage of gross contribution income	5,83%	11,48%	6,19%	5,93%	11,60%	6,26%
Gross claims as a percentage of gross contributions	87,20%	84,78%	87,05%	79,30%	81,35%	79,42%
Average accumulated funds per member at 31 December	R90 650	R90 650	R90 650	R77 490	R77 490	R77 490
Return on investments as a percentage of investments	13,49%	13,49%	13,49%	5,34%	5,34%	5,34%

5.2 Results of the Scheme

The results of the Scheme are set out in the financial statements that accompany this report.

The Scheme has seen an increase in membership during 2021.

5.3 Solvency ratio

The solvency ratio is calculated as follows:

Total members' funds per statement of financial position

641 078 898

525 538 554

Less:

Cumulative unrealised gains on financial assets at fair value through profit and loss

(76 114 065)

(38 137 979)

Accumulated funds per regulation 29

564 964 833

487 400 575

Gross contributions

410 022 356

404 040 599

Accumulated funds ratio

137,8%

120,6%

The accumulated funds ratio remains well in excess of the statutory requirement of 25% of gross annual contributions, and the Scheme remains in a sound financial position.

5.4 Reserve accounts

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves on page 22.

There have been no other unusual movements in reserves that the Trustees believe should be brought to the attention of the members of the Scheme.

5.5 Outstanding claims

Movements in the outstanding claims provision are set out in note 5 to the financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

6. ACTUARIAL SERVICES

The Scheme's actuaries have been consulted in the determination of the contribution and benefit levels, as well as the calculation of the incurred-but-not-reported claims provision.

7. CONTINGENCIES

There were no potential liabilities contingent on the outcome of litigations, claims, guarantees or suretyships at 31 December 2021.

8. LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE SCHEME AND TO OTHER RELATED PARTIES

The Scheme has not made any loans to participating employers of Scheme members or other related parties.

9. EVENTS AFTER REPORTING DATE

At the date of finalisation of the financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the financial statements.

10. COVID-19

The worldwide COVID-19 pandemic that developed in 2020, is continuing to create significant uncertainties that may have an impact on the Scheme going forward.

COVID-19 had the following impact on the Scheme since the start of the pandemic:

	2021	2020
» Total member lives infected by COVID-19	2 156	925
» Total member lives recovered from COVID-19	2 083	899
» Total member deaths from COVID-19	29	19
» Total COVID-19-related claims in rands	R35 610 478	R22 276 423

The Board of Trustees is of the opinion that these events, given the existing profile of the Scheme's membership and the level of reserves held, will not have a material impact on the Scheme's solvency. The Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

11. GOING CONCERN

Following the outbreak of the coronavirus pandemic, the Trustees continue to be of the opinion that the Scheme will be able to continue as a going concern; refer to note 24 of the notes to the financial statements for additional disclosure on events after the reporting date.

12. RELATED PARTY TRANSACTIONS

Refer to related parties and related party transactions disclosed in note 16 to the financial statements.

13. AUDIT COMMITTEE

The Audit Committee is mandated by the Board of Trustees by means of a written terms of reference as to its membership, authority and duties. The Committee, at year end, consists of six members of whom two are members of the Board of Trustees. The majority of its members, including the chairman, are not officers of the Scheme or its third-party administrator. The Committee met on two occasions during the course of the year, as follows:

- » 13 April 2021
- » 10 November 2021.

The Chairman of the Scheme, the administrator's financial manager and the external auditors have unrestricted access to the Chairman of the Audit 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 internal and external auditors formally report to the Committee on critical findings arising from audit activities.

The committee comprises:

- » Mr F Seedat (Chairman)
- » Mr J Berman (Member representative)
- » Mr CFP de Klerk (Employer representative)
- » Mr JG de Beer
- » Ms U Ragunanund
- » Ms B Francis.

No fees were paid to the Audit Committee members in 2021.

14. TRUSTEE MEETING ATTENDANCE

The schedule overleaf sets out Board of Trustee meeting attendances and attendances by members of the Board at committee meetings.

14. TRUSTEE MEETING ATTENDANCE (CONTINUED)

	TRUSTEE/ CONTRIBUTION REVIEW MEETINGS		ANNUAL GENERAL MEETING		BENEFIT REVIEW	
	A	B	A	B	A	B
Board of Trustee members (BOT)						
OJ Janse van Rensburg: Chairman	4	4	1	1	1	1
CP de Klerk	4	4	1	1	1	1
ADSS Sarria	4	4	1	1	1	1
J Nzimande - Resigned 30 June 2021	3	3	0	0	0	0
JD Berman	4	4	1	1	1	1
S Tewary-Ahmed	4	4	1	1	1	1
SJ Woodward - Appointed 1 July 2021	1	1	1	1	1	1

	TRUSTEE/ CONTRIBUTION REVIEW MEETING		AUDIT COMMITTEE MEETINGS		ANNUAL GENERAL MEETING		BENEFIT REVIEW	
	A	B	A	B	A	B	A	B
Principal Officer								
JJ van der Walt	4	4	2	2	1	1	1	1

	AUDIT COMMITTEE MEETINGS	
	A	B
Audit Committee members		
F Seedat (Chairman)	2	2
JG de Beer	2	2
U Ragunanund	2	2
B Francis	2	2
J Berman	2	1
CFP de Klerk	2	2

A – total possible number of meetings could have attended

B – actual number of meetings attended

15. NON-COMPLIANCE MATTERS

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

Contravention of Section 26(7)

Nature and impact

In terms of Section 26(7) of the Act, contributions must be paid directly to a medical scheme by no later than three business days after payment becomes due. Amounts were received after the prescribed three business days of the month following the last business day in which it became due, as stipulated in the Rules.

Causes for the failure

Contribution reconciliations typically take more than three days to be resolved, and instances of non-compliance might occur. This is common in the industry and is not viewed as material.

Corrective action

The Scheme has strict credit control policies to minimise the risk of non-recovery.

Contravention of Section 35(8)(a) and (c)

Nature and impact

In terms of Section 35(8)(a) and (c) of the Act, a Scheme shall not invest any of its assets in an employer who participates in the medical scheme or any administrator associated with the medical scheme.

Causes for the failure

The Scheme holds indirect investments in Imperial Limited and Motus Holdings Limited through its linked insurance policy investment with Sygnia Life Limited.

The Scheme also holds indirect investments in Momentum Metropolitan Limited (holding company of the administrator), Liberty Holdings, Sanlam Limited and Discovery Holdings (holding companies of medical scheme administrators) through its linked insurance policy investment with Sygnia Life Limited.

Corrective action

The non-compliance is as a result of the Scheme's assets being invested in a linked policy of insurance. The Scheme does not dictate to the asset managers which investment holding to purchase. These investments are part of the total insured portfolio and selling this non-compliant investment would result in the complete sale of the entire portfolio.

A new application for exemption was submitted to the Registrar on 18 October 2019 and approved by the Registrar. The exemption will be valid for a period of three years, effective 1 December 2019 to 30 November 2022.



Chairman



Trustee



Principal Officer

Date: 22 April 2022

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation, integrity and fair presentation of the financial statements of Imperial and Motus Medical Aid, comprising the statement of financial position at 31 December 2021, the statement of comprehensive income, the statement of changes in funds and reserves, the statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act of South Africa.

The Trustees' responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Trustees' responsibilities also include maintaining adequate accounting records and an effective system of risk management. The Trustees have ultimate responsibility for the system of internal control.

The Trustees are satisfied that the information contained in the financial statements fairly presents the financial performance 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.

Imperial and Motus Medical Aid operates 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 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. These financial statements support the viability of the Scheme.

The Scheme's external auditors are responsible for auditing the financial statements in terms of International Standards on Auditing and their report is presented on pages 14 to 19.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements of Imperial and Motus Medical Aid set out on pages 20 to 64, as identified in the first paragraph, were approved by the Board of Trustees on 22 April 2022 and are signed on its behalf by:



Chairman



Trustee



Principal Officer

Date: 22 April 2022

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Imperial and Motus Medical Aid is committed to the principles and practices of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Trustees are proposed and elected by the members of the Scheme and the employers, ensuring equal representation of elected and appointed members.

BOARD OF TRUSTEES

The Trustees meet regularly and monitor the performance of the administrator. 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, may seek independent professional advice at the expense of the Scheme.

INTERNAL CONTROL

The administrators of the Scheme maintain internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the 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.

The Trustees have reviewed the most recent Service Organisation Review Report of the administrator, produced for the administration platform, to assist in assessing the adequacy of the internal control environment.

The control objectives that were not achieved have been noted as have the action points initiated by the administrator to rectify these weaknesses. The Trustees agree with the conclusion reached by the administrator that overall operational control was achieved in 2021.



Chairman



Trustee



Principal Officer

Date: 22 April 2022

INDEPENDENT AUDITOR'S REPORT

To the Trustees of Imperial and Motus Medical Aid

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Imperial and Motus Medical Aid (the Scheme), set out on pages 20 to 64, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, the statement of changes in members' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Imperial and Motus Medical Aid as at 31 December 2021, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Scheme 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 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 corresponding sections of the International Ethics Standards Board for Accountants' International Code of ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

FINANCIAL STATEMENT ITEM	KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p>OUTSTANDING CLAIMS PROVISION</p>	<p>IFRS requires the Scheme to make provision for all future cash outflows for which a past event has occurred. In doing so the Scheme calculates a best estimate of claims payments for claim events occurring prior to year-end but for which the Scheme has not been notified.</p> <p>This amount is disclosed on the face of the statement of financial position as well as in note 5 of the financial statements.</p> <p>This matter is considered a key audit matter as the underlying calculation requires the use of significant assumptions, estimates and judgement by management.</p>	<ul style="list-style-type: none"> • We assessed the competence of the person and organisation performing the calculation; • We performed testing on the claims listing post year end to ensure that it is accurate and complete; • We performed a reasonability test on the IBNR by obtaining the value of claims paid in the first three months post year end with service dates in 2021 but payment dates in 2022, which we then compared to the IBNR recorded and recommended adjustments where necessary; • We challenged key assumptions over future claims to be paid and the calculation methodology therein; and • We engaged with management around the rationale for any adjustments or decisions over and above the numeric calculation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

FINANCIAL STATEMENT ITEM	KEY AUDIT MATTERS	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
CLAIMS EXPENSE	<p>Risk claims incurred is a key audit focus area and represents a significant expense in the Statement of Comprehensive Income. The validity and accuracy of the claims are dependent on the Scheme's administration and IT system involved in the processing of claims.</p> <p>Due to extensive audit focus and the high volume of claims processed by the Scheme, risk claims incurred is considered a key audit matter.</p>	<ul style="list-style-type: none"> • We assessed the report of internal audit over the claims control environment. • We compared a sample of the claim expenses paid to the actual claim submitted to assess the accuracy and validity of claims paid. • We used data analytic techniques on the claims population in order to identify exceptions based on set criteria which were then subjected to further testing. • We verified that contributions were up to date at the date of treatment where claims were paid.

Other Information

The Scheme's Trustees are responsible for the other information. The other information comprises the Report of the Board of Trustees, Statement of Responsibility by the Board of Trustees and Statement of Corporate Governance by the Board of Trustees as required by the Medical Schemes Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Scheme's Trustees for the Financial Statements

The Scheme's Trustees are responsible for the preparation and fair presentation of the financial statements, in accordance with International Financial Reporting Standards and the requirements of the Medical Schemes Act of South Africa, and for such internal control as the Scheme's Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Scheme's Trustees are responsible for assessing the Scheme'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 Scheme's Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

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

- » Identify and assess the risks of material misstatement of the 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 Scheme's internal control.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- » Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's Trustees.
- » Conclude on the appropriateness of the Scheme's Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the Scheme'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 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 Scheme to cease to continue as a going concern.
- » Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Scheme's Trustees 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.

From the matters communicated with the Scheme's Trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa that have come to our attention during the course of our audit. These have been fully disclosed in Note 24 of the Financial Statements to which this report refers.

Audit tenure

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that Deloitte & Touche has been the auditor of the Imperial Medical Scheme for fourteen years. The engagement associate director below has been responsible for the audit for two years.



DELOITTE & TOUCHE

Registered Auditor

Per: Ilze de Villiers
Associate Director
29 April 2022

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021 R	2020 R
ASSETS			
Non-current assets			
Financial assets at fair value through profit and loss	2	444 889 854	366 542 676
Current assets			
Trade and other receivables	3	218 703 507	188 364 697
Cash and cash equivalents	4	4 919 584	4 383 892
		213 783 923	183 980 805
Total assets		663 593 361	554 907 373
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		641 078 898	525 538 554
		641 078 898	525 538 554
Current liabilities			
Outstanding claims provision	5	22 514 463	29 368 819
Trade and other payables	6	10 208 702	11 524 254
		12 305 761	17 844 565
Total funds and liabilities		663 593 361	554 907 373

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
		R	R
Net contribution income	7	410 022 356	404 040 599
Relevant healthcare expenditure		(356 910 837)	(320 880 341)
Net claims incurred	8	(349 036 049)	(313 039 147)
Claims incurred		(350 197 263)	(314 369 872)
Third party claim recoveries		1 161 214	1 330 725
Managed care: Management services	9	(7 874 788)	(7 841 194)
Gross healthcare result		53 111 519	83 160 258
Administration and other expenses	10	(25 400 029)	(25 223 495)
Net impairment on healthcare receivables	11	29 820	(82 733)
Net healthcare result		27 741 310	57 854 030
Other income and expenditure		87 799 034	28 369 399
Investment income	12	2 232 706	2 438 112
Realised gains on financial assets	13	48 641 144	27 520 210
Other income		203 635	3 904
Asset management fees		(1 254 537)	(1 007 546)
Unrealised gains/(losses) on financial assets at fair value through profit and loss	2, 4	37 976 086	(585 281)
Total comprehensive income for the year		115 540 344	86 223 429

STATEMENT OF CHANGES IN FUNDS AND RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2021

	Accumulated funds	Total members' funds
	R	R
Balance as at 1 January 2020	439 315 125	439 315 125
Total comprehensive income for the year	86 223 429	86 223 429
Balance as at 31 December 2020	525 538 554	525 538 554
Total comprehensive income for the year	115 540 344	115 540 344
Balance as at 31 December 2021	641 078 898	641 078 898

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

Notes	2021	Restated 2020
	R	R
Cash flow from operating activities		
Cash receipts from members and providers	409 520 264	403 045 806
Cash receipts from members - contributions	409 531 996	403 024 023
Cash receipts from members and providers - others	(11 732)	21 783
Cash paid to providers, employees and members	(385 030 931)	(338 919 322)
Cash paid to providers, employees and members - claims	(363 766 298)	(318 831 899)
Cash paid to providers, employees and members - non-healthcare expenditure	(26 658 436)	(26 094 256)
Sundry income	203 635	3 904
Investment income	5 199 134	5 976 981
Movement in the accrued interest	(8 966)	25 948
Net cash from operating activities	24 489 333	64 126 484
Cash flows from investing activities		
Purchase of investments	2 (390 820 903)	(146 645 324)
Proceeds on disposal of investments	2 393 901 982	100 352 000
Interest received	2 232 706	2 438 112
Net cash flows from investing activities	5 313 785	(46 293 324)
Net increase in cash and cash equivalents	29 803 118	20 271 272
Cash and cash equivalents at the beginning of the year	183 980 805	163 709 533
Cash and cash equivalents at the end of the year	4 213 783 923	183 980 805

The direct method was used to report cash flows from operating activities, as requested by the Council for Medical Schemes in Circular 52 of 2021 for the financial year ended 31 December 2021 onwards.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. PRINCIPAL ACCOUNTING POLICIES

The following are the principal accounting policies used by the Scheme that are consistent with those of the previous year, unless otherwise indicated.

1.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS comprise International Financial Reporting Standards, International Accounting Standards ("IAS") and the interpretations originated by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standards Interpretations Committee ("SIC"). The standards referred to are set by the International Accounting Standards Board ("IASB"). The financial statements are prepared on a going concern basis using the historical cost convention, except for investments, which are carried at fair value. All monetary information and figures presented in these financial statements are stated in South African Rand.

1.2 Financial instruments

The Scheme classifies its financial assets in the following categories: at fair value through profit or loss, at fair value through other comprehensive income at amortised cost. The classification depends on the purpose for which the financial assets were acquired.

(a) Financial assets at fair value through profit or loss

- » Debt investments that do not qualify for measurement at either amortised cost or fair value through other comprehensive income. Equity investments that are held for trading and equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.
- » Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(b) Trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Schemes' loans and receivables comprise 'trade and

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

(b) Trade and other receivables (continued)

other receivables' and 'cash and cash equivalents' in the statement of financial position. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Scheme holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(c) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as a separate line item in the statement of profit or loss.

(d) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Scheme commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Scheme has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Scheme measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(e) Debt instruments

Subsequent measurement of debt instruments is at FVTPL.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

(f) Equity instruments

The Scheme subsequently measures all equity investments at fair value.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Dividends from such investments continue to be recognised in profit or loss as other income when the Scheme's right to receive payments is established.

(g) Fair value measurement

The Scheme measures its investments in financial instruments, such as equity instruments, debentures, other interest bearing investments and derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market must be accessible for the Scheme. The fair value of the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions, adjusted as necessary, and reference to current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

(h) Trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.2 Financial instruments (continued)

(h) Trade and other receivables (continued)

as current assets. The Scheme's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Scheme holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(i) Cash and cash equivalents

Cash and cash equivalents comprise current accounts and deposits held on call with banks. Cash and cash equivalents are subsequently measured at amortised cost, using the effective interest rate method.

(j) Financial liabilities

Financial liabilities are initially measured at fair value and are subsequently measured at amortised cost.

(k) Offsetting of financial instruments

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all financial effects are offset.

1.3 Provisions

Provisions are recognised when the Scheme has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Outstanding claims

Claims outstanding comprise provisions for the Scheme's estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date and related internal and external claims handling expenses. Claims outstanding are determined as accurately as possible based on a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the nature and number of members according to

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.3 Provisions (continued)

gender and age, trends in claims frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim.

The Scheme does not discount its provision for outstanding claims, since the effect of the time value of money is not considered material.

1.4 Insurance contracts

Contracts under which the Scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary are classified as insurance contracts. The contracts issued compensate the Scheme's members for healthcare expenses incurred.

1.5 Contribution income

Contributions are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. The earned portion of net contributions received is recognised as revenue. Net contributions are earned from the date of attachment of risk over the indemnity period.

1.6 Relevant healthcare expenditure

Relevant healthcare expenditure consists of net claims incurred and net income or expense from risk transfer arrangements.

Claims

Gross claims incurred comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Scheme is responsible, whether or not reported by the end of the year.

Net claims incurred comprise:

- » claims submitted and accrued for services rendered during the accounting period, net of recoveries from members for co-payments and savings plan accounts;
- » claims for services rendered during the previous year not included in the outstanding claims provision for that year, net of recoveries from members for co-payments; and
- » charges for managed care: healthcare services (excluding risk transfer arrangements).

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.6 Relevant healthcare expenditure (continued)

Liability adequacy test

The liability for insurance contracts is tested for adequacy by comparing current best estimates of all future contractual cash flows, including related cash flows such as claims handling costs, and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made and the Scheme recognises the deficiency in income for the year.

1.7 Investment income

Interest income is recognised on a yield to maturity basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Scheme.

Realised income from insurance policies are recognised on disinvestment. All other amounts credited under insurance policies are reflected as unrealised income and raised directly in other comprehensive income.

Income from insurance policies are recognised when entitlement to revenue is established.

1.8 Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

1.9 Managed care: Management services expenses

These expenses represent internal expenditure and the amounts paid or payable to the third party Scheme administrators, related parties and other third parties for managing the utilisation, costs and quality of healthcare services to the Scheme.

1.10 Road Accident Fund (“RAF”)

The Scheme grants assistance to its members in defraying expenditure incurred in connection with rendering of any relevant health service. Such expenditure may be in connection with a claim that is also made to the RAF, administered in terms of the Road Accident Scheme Act No. 56 of 1996. If the member is reimbursed by the RAF, they are obliged contractually to cede that payment to the Scheme to the extent that they have already been compensated. A reimbursement from the RAF is a possible asset that arises from claims submitted to the

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.10 Road Accident Fund (“RAF”) (continued)

RAF and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme. The contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, an entity discloses the contingent asset. Any recoveries are credited against claims expense in the year of receipt.

1.11 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

1.12 Critical judgments and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Scheme’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 21.

1.13 Functional and presentation currency

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity bank ra (“the functional currency”). The financial statements are presented in South African Rand (“the presentation currency”), which is the functional currency of the Scheme.

1.14 Allocation of income and expenditure to benefit options

Income and expenditure are allocated to benefit options on a direct basis where this is determinable. Where income or expenditure is not directly attributable to a specific benefit option, the income or expense is allocated on the basis of the benefit option’s membership proportionate to the Scheme’s overall membership base.

The following items are directly allocated to benefit options:

- » Risk contribution income
- » Relevant healthcare expenditure

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.14 Allocation of income and expenditure to benefit options (continued)

The remaining items are apportioned based on the number of members on each related option:

- » Managed care: Management services;
- » Administration and other expenses;
- » Other income;
- » Other expenditure.

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2021	2020
	R	R
Fair value at the beginning of the year	366 542 676	299 301 567
Additions	390 820 903	146 645 324
Disposals	(393 901 982)	(100 352 000)
Net gain	81 428 257	20 947 785
Realised gain on disposal of financial assets at fair value through profit and loss	44 683 556	17 272 007
Unrealised gain on financial assets at fair value through profit and loss	36 744 701	3 675 778
Fair value at the end of the year	444 889 854	366 542 676
Invested with		
Sygnia Life Limited	444 889 854	366 542 676

3. TRADE AND OTHER RECEIVABLES

	2021	2020
	R	R
Insurance receivables		
Contributions outstanding	4 798 664	4 273 507
Recoveries from members	131 233	187 679
Supplier overpayments	277 561	256 552
	5 207 458	4 717 738
Less: Allowance for expected credit losses	(305 822)	(342 828)
	4 901 636	4 374 910
Non-insurance receivables		
Accrued investment income	17 948	8 982
	4 919 584	4 383 892
Analysis of movement in respect of insurance receivables		
Balance at the beginning of the year	4 717 738	3 720 167
Movements for current year	489 720	997 571
Balance at the end of the year	5 207 458	4 717 738

The carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these assets.

4. CASH AND CASH EQUIVALENTS

	2021	2020
	R	R
Call accounts	84 022 083	58 063 905
Current accounts	25 924 837	24 504 407
Money market	103 837 003	101 412 493
Total cash and cash equivalents	213 783 923	183 980 805

The Scheme's holding in the call and money market accounts are via linked policies of insurance. The Scheme does therefore not hold direct access to the accounts.

The weighted average effective interest rate on current accounts was 1.64% (2020: 2.31%) and deposits was 3.5% (2020: 3.25%). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.

The movement in money market instruments includes unrealised losses through profit and loss of R1 231 385 (2020: R4 261 059).

The movement in money market instruments includes realised gains through profit and loss of R3 957 588 (2020: R10 248 203).

5. OUTSTANDING CLAIMS PROVISION

	Not covered by risk transfer arrangements 2021	Not covered by risk transfer arrangements 2020
	R	R
Provision for outstanding claims – incurred but not yet reported	10 208 702	11 524 254
Provision arising from liability adequacy test	-	-
	10 208 702	11 524 254
Analysis of movements in outstanding claims		
Balance at beginning of year	11 524 254	15 375 190
Payments in respect of prior year	(12 614 406)	(15 790 835)
(Under)/over provision in the prior year	(1 090 152)	(415 645)
Adjustment for current year	11 298 854	11 939 899
Balance at end of year	10 208 702	11 524 254

Assumptions and sensitivity

Process used to determine the assumptions

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

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

5. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Method used to determine the assumptions

The Chain Ladder method is used to estimate the most likely cost of outstanding claims. This method extrapolates the development of paid and incurred claims to estimate the ultimate claim numbers for each benefit month based upon observed developments of earlier months. Run-off triangles (as per the Chain Ladder method) are used where it takes time after the treatment date until the full extent of the claims to be paid is known. It is assumed that payments will emerge in a similar way in each service month. The proportional increase in the known cumulative payments from one development month to the next can then be used to calculate payments for future development months.

The Chain Ladder method used varies by benefit month being considered, categories of claims and observed historical claims developments. To the extent that this method uses historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for. Such reasons include:

- » changes in processes that affect the development/recording of claims paid and incurred (such as changes in claim reserving procedures);
- » economic, legal, political and social trends (resulting in different than expected levels of inflation and/or minimum medical benefits to be provided);
- » changes in composition of members and their dependants; and
- » random fluctuations, including the impact of large losses.

The accuracy of the model is evaluated against actual known cumulative payments experienced after the reporting date insofar as these claims payments relate to the financial year end. The provision is revised if necessary, as with each additional month of claims payment data, the claims incurred and hence the provision at reporting date becomes an actual known amount.

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding claims provision are the expected percentages of claims settled after each of the first four months of the claims run-off period, before the claims turn stale.

The percentages used as assumptions are listed in the table below. The table also outlines the sensitivity of these percentages, and the impact on the Scheme's liabilities if an incorrect assumption is used.

5. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Other assumptions

- » the claims provision is not discounted;
- » a constant proportion of total claims arising within a service month in subsequent month;
- » the claims are assumed to be fully run off within one year;
- » the pattern of the inflation in the existing data will be projected into the future;
- » any distortions as a result of once-off events are isolated from the claims data set; and
- » claims are assumed to have a stable run-off pattern.

The assumed percentages of claims outstanding at the end of the period:

	2021	2020
	%	%
Claims outstanding for:		
» December	30	37
» November	6	7
» October	2	2
» September	1	1
» August and prior	0	0

Changes in assumptions and sensitivities to changes in key variables

The table below outlines the sensitivity of insured liability estimates to particular movements in assumptions used in the estimation process. It should be noted that this is a deterministic approach with no correlations between the key variables.

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, assessment of changes to that variable in the future may be required.

An analysis of sensitivity around various scenarios for the general medical insurance business provides an indication of the adequacy of the Scheme's estimation process. The Scheme believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

5. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Changes in assumptions and sensitivities to changes in key variables (continued)

The impact of the sensitivity of the assumed percentages for the four-month period September until December are set out below:

	Increase in liability 2021	Increase in liability 2020
	R	R
Effect of a 1% increase in assumed percentage	1 229 182	1 220 068
Effect of a 2% increase in assumed percentage	2 486 990	2 470 419
Effect of a 3% increase in assumed percentage	3 774 459	3 752 253

The existing accounting policy relating to the outstanding claims provision considers current estimates of all future contractual cash flows, therefore in terms of paragraph 15 to 19 of IFRS 4, no further liability adequacy test is required.

6. TRADE AND OTHER PAYABLES

Insurance payables

Contributions overpaid or unmatched contributions

213 149 342 531

Claims reported not yet paid

9 049 359 14 775 231

Claims members and providers credit balances

1 926 055 1 605 734

Non-insurance payables

1 117 198 1 121 069

Audit fees

440 554 415 617

Sundry creditors

676 644 705 452

12 305 761 17 844 565

The carrying amounts of trade and other payables approximate their fair values due to the short-term maturities of these liabilities.

7. NET CONTRIBUTION INCOME

Gross and net contribution income

2021	2020
R	R
410 022 356	404 040 599

8. RELEVANT HEALTHCARE EXPENDITURE

Claims incurred, excluding claims incurred in respect of risk transfer arrangements

Current year claims

338 898 409 302 429 974

Movement in outstanding claims provision

11 298 854 11 939 898

(Over)/under provision in prior year

1 090 152 415 644

Provision balance at the end of the year

10 208 702 11 524 254

Total claims incurred

350 197 263 314 369 872

Less: Third party recoveries

(1 161 214) (1 330 725)

Total relevant healthcare expenditure

349 036 049 313 039 147

9. MANAGED CARE: MANAGEMENT SERVICES

Specialist, hospital referrals and pre-authorisations

2 332 224 2 328 052

Pharmacy Benefit Management

2 116 222 2 112 705

Disease Risk Management

1 877 326 1 874 359

Specialist network management

1 459 808 1 444 032

GP Network Management

89 208 82 046

7 874 788 7 841 194

10. ADMINISTRATION AND OTHER EXPENSES

	2021	2020
	R	R
Administrator's fees	15 207 776	15 181 365
Audit fees	440 554	411 100
Actuarial fees	897 000	874 851
Bank charges	158 161	148 341
Benefit management services: Europe Assist	154 780	158 724
Board of Healthcare Funders' levies	98 610	104 067
Commission	1 605 480	1 592 165
Consulting fees	145 950	-
Council for Medical Schemes' levies	301 691	301 183
Fidelity guarantee and professional indemnity insurance premium	72 000	48 000
Other expenses	-	6 514
Principal Officer's fees: JJ van der Walt	286 680	273 360
Printing and stationery	373 057	544 080
Scheme management services	5 658 290	5 579 745
	25 400 029	25 223 495

10.1 TRUSTEES' AND PRINCIPAL OFFICER'S EXPENSES

The following records the remuneration and consideration paid to officers of the Scheme during the year:

Fees for consultancy services

Paid to the Principal Officer

	2021	2020
	286 680	273 360

11. NET IMPAIRMENT ON HEALTHCARE RECEIVABLES

	2021	2020
	R	R
Trade and other receivables		
Contributions that are not collectable	(13 215)	(63 355)
Movement in the allowance account for expected credit losses	(13 215)	(63 355)
Members' and service providers' portions that are not recoverable	43 035	(19 378)
Movement in the allowance account for expected credit losses	50 221	(8,789)
Written off	(7 186)	(10 589)
	29 820	(82 733)

12. INVESTMENT INCOME

Interest income	2 232 706	2 438 112
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13. REALISED GAINS ON DISPOSAL OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Realised gains on disposal of financial assets at fair value through profit and loss	48 641 144	27 520 210
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14. SURPLUS AFTER INVESTMENT INCOME, OTHER INCOME AND OTHER EXPENDITURE PER BENEFIT OPTION

	Imperial Motus Med Health Plan	Imperial Motus Med Budget Plan	Imperial Motus Med
2021	R	R	R
Net contribution income	383 980 972	26 041 384	410 022 356
Relevant healthcare expenditure	334 833 572	22 077 265	356 910 837
Net claims incurred	327 887 314	21 148 735	349 036 049
Claims incurred	328 916 260	21 281 003	350 197 263
Third party claim recoveries	(1 028 946)	(132 268)	(1 161 214)
Managed care: Management services	6 946 258	928 530	7 874 788
Gross healthcare result	49 147 400	3 964 119	53 111 519
Administration and other expenses	(22 406 797)	(2 993 232)	(25 400 029)
Net impairment charges on healthcare receivables	27 021	2 799	29 820
Net healthcare result	26 767 624	973 686	27 741 310
Other income and expenditure	79 095 578	8 703 456	87 799 034
Investment income	2 080 724	151 982	2 232 706
Realised gains on financial assets at fair value through profit and loss	44 223 254	4 417 890	48 641 144
Sundry income	177 807	25 828	203 635
Asset management fees	(1 106 363)	(148 174)	(1 254 537)
Unrealised gains on financial assets at fair value through profit and loss	33 720 156	4 255 930	37 976 086
Total comprehensive income for the year	105 863 202	9 677 142	115 540 344

14. SURPLUS AFTER INVESTMENT INCOME, OTHER INCOME AND OTHER EXPENDITURE PER BENEFIT OPTION (CONTINUED)

	Imperial Motus Med Health Plan	Imperial Motus Med Budget Plan	Imperial Motus Med
2020	R	R	R
Net contribution income	380 089 461	23 951 138	404 040 599
Relevant healthcare expenditure	301 395 219	19 485 122	320 880 341
Net claims incurred	294 414 682	18 624 465	313 039 147
Claims incurred	295 598 892	18 770 980	314 369 872
Third party claim recoveries	(1 184 210)	(146 515)	(1 330 725)
Managed care: Management services	6 980 537	860 657	7 841 194
Gross healthcare result	78 694 242	4 466 016	83 160 258
Administration and other expenses	(22 453 676)	(2 769 819)	(25 223 495)
Net impairment charges on healthcare receivables	(73 625)	(9 108)	(82 733)
Net healthcare result	56 166 941	1 687 089	57 854 030
Other income and expenditure	26 269 234	2 100 165	28 369 399
Investment income	2 293 322	144 790	2 438 112
Realised gains on financial assets at fair value through profit and loss	25 383 000	2 137 210	27 520 210
Sundry income	3 469	435	3 904
Asset management fees	(897 101)	(110 445)	(1 007 546)
Unrealised losses on financial assets at fair value through profit and loss	(513 456)	(71 825)	(585 281)
Total comprehensive income for the year	82 436 175	3 787 254	86 223 429

15. PROFESSIONAL INDEMNITY AND FIDELITY GUARANTEE INSURANCE

In accordance with the rules, the Scheme has a fidelity policy underwritten by Hollard Insurance Company Ltd (policy number: SPL/SLFG/000001079) in the name of the Scheme which, at 31 December 2021, amounted to R40 million (2020: R40 million).

16. RELATED PARTY TRANSACTIONS

Background information

RELATED ENTITIES INCLUDE	RELATIONSHIP
Momentum Health Solutions (Pty) Ltd	Administrator
Momentum Health Solutions (Pty) Ltd	Managed care provider
NMG Consultants and Actuaries (Pty) Ltd	Actuaries
Imperial Limited and Motus Holdings Limited	Employer
Medi Call (Pty) Ltd	Key management personnel
Board of Trustees	Key management personnel
Principal Officer	Key management personnel

Parties with significant influence over the Scheme

Momentum Health Solutions (Pty) Ltd has significant influence over the Imperial and Motus Medical Aid, as Momentum Health Solutions (Pty) Ltd participates in Imperial and Motus Medical Aid's financial and operating decisions, but does not control Imperial Group Medical Scheme. Momentum Health Solutions (Pty) Ltd provides administration services.

Managed care organisation, Momentum Health Solutions (Pty) Ltd, a wholly owned subsidiary of Momentum Metropolitan Holdings Ltd, has significant influence over the Scheme as a managed care provider, but does not control the Scheme.

NMG Consultants and Actuaries (Pty) Ltd, has significant influence over the Scheme as the actuarial consultants, but does not control the Scheme.

Medi Call (Pty) Ltd has significant influence over the scheme as the Scheme's management services provider, but does not control the Scheme.

Key management personnel and their close family members

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 and the Principal Officer. The Trustees are employed by Imperial Group Limited.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Contributions received	This constitutes the contributions paid by the related party as a member of the Scheme, in its individual capacity. All contributions were at the same terms as 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.
Contribution debtor	This constitutes outstanding contributions payable. The amounts are due immediately. No provisions for doubtful debts have been raised on these amounts.

Transactions with entities that have significant influence over the Scheme:

	2021	2020
	R	R
Statement of comprehensive income		
Administration fees	15 207 776	15 181 365
Managed care fees	7 874 788	7 841 194
Actuarial fees	897 000	874 851
Statement of financial position		
Actuarial fees due	-	72 904
Managed care fees due	38 119	35 237
Scheme management service fees due	476 691	447 831
Transactions with key management personnel:		

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Statement of comprehensive income

Trustees' and Principal Officer's contributions received	453 372	495 880
Trustees' and Principal Officer's claims incurred	351 643	880 463
Principal Officer's fees - Jj van der Walt	286 680	273 360
Scheme management service	5 658 290	5 579 745

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

TRANSACTION	NATURE OF TRANSACTIONS AND TERMS AND CONDITIONS THEREOF
ADMINISTRATION FEES	The administration agreement is in terms of the Rules of the Scheme and in accordance with instructions given by the Trustees of the Scheme. The agreement shall continue for an initial period of three years from 1 January 2011; thereafter it is automatically renewed each year unless notification of termination is received. The Scheme has the right to terminate the agreement on six months' notice. The outstanding balance bears no interest and is due within seven days of the month to which it relates. The contract with Metropolitan Health Corporate (Pty) Ltd was ceded to Momentum Health Solutions (Pty) Ltd effective 1 January 2017.
MANAGED CARE FEES	The managed care agreement is in terms of the rules of the Scheme and in accordance with instructions given by the Trustees of the Scheme. The agreement shall continue for an initial period of three years from 1 January 2011; thereafter it is automatically renewed each year unless notification of termination is received. The Scheme has the right to terminate the agreement on six months' notice. The outstanding balance bears no interest and is due within seven days of the month to which it relates. The contract with Metropolitan Health Corporate (Pty) Ltd was ceded to Momentum Health Solutions (Pty) Ltd effective 1 January 2017.
ACTUARIAL FEES	The actuarial agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is automatically renewed each year unless notification of termination is received. Either party has the right to terminate the agreement on 120 days' notice. The outstanding balance bears no interest and is due within 30 days.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

SCHEME MANAGEMENT SERVICES

The Medi Call agreement is in terms of the agreement between the Scheme and Medi Call and in accordance with instructions given by the Trustees of the Scheme. The agreement is automatically renewed each year unless notification of termination is received. The Scheme or the Scheme Manager may terminate the agreement by giving the other party no less than 6 (six) calendar months' written notice. The outstanding balance bears no interest and is due within 30 days.

17. INSURANCE RISK MANAGEMENT

Risk management objectives, policies, processes and methods for mitigating insurance risk

The primary insurance activity carried out by the Scheme assumes the risk of loss from members and their dependants that are directly subject to the risk. These risks relate to the health of the Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and investment activities.

The Board of Trustees looks at overall risk, including insurance risk. The Board of Trustees is responsible for recommending any changes to the benefit options to ensure that the Scheme's exposure to insurance risk remain within the specified levels. Reference has also been made to the Medical Schemes Act when recommending changes.

The Board of Trustees determines whether or not the Scheme should enter into any risk transfer arrangements.

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

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. The Scheme analyses the distribution of claims per category of claim, average age of members per member group, average age per benefit option, actual number of members per benefit option and the geographic distribution of members.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims are greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The Scheme re-rates the Scheme benefits annually, to ensure that the necessary underwriting surplus or loss is maintained or minimised relative to the risk exposure. It is relatively easy to access the future claim payments since the large majority is lodged soon after the year-end before the four-month expiration of claims period comes into effect.

The table on the following page summarises the concentration of insurance risk, with reference to the carrying amount of the insurance claims incurred, by age group and in relation to the type of risk covered/benefits provided.

2021

AGE GROUPING (IN YEARS)		GENERAL PRACTITIONERS AND SPECIALISTS	DENTISTRY	OPTOMETRY	MEDICINES	HOSPITAL	OTHER	TOTAL
		R	R	R	R	R	R	R
< 26	Net	22 310 797	4 046 006	1 552 146	8 462 600	26 691 963	6 207 739	69 271 251
26 – 35	Net	18 485 757	1 767 172	1 401 982	6 199 903	18 047 070	2 987 880	48 889 764
36 – 50	Net	34 441 189	3 508 660	3 031 960	16 594 813	35 540 371	7 385 837	100 502 830
51 – 65	Net	23 175 827	1 897 410	1 542 579	12 930 341	28 027 937	5 667 947	73 242 041
> 65	Net	13 373 505	814 314	475 621	7 780 536	19 327 563	5 220 984	46 992 523
Total current year claims	Net	111 787 075	12 033 562	8 004 288	51 968 193	127 634 904	27 470 387	338 898 409

2020

AGE GROUPING (IN YEARS)		GENERAL PRACTITIONERS AND SPECIALISTS	DENTISTRY	OPTOMETRY	MEDICINES	HOSPITAL	OTHER	TOTAL
		R	R	R	R	R	R	R
< 26	Net	17 182 862	4 954 810	1 388 141	6 926 621	21 620 527	6 820 453	58 893 414
26 – 35	Net	14 653 536	2 881 376	1 424 993	4 709 622	14 907 953	3 796 940	42 374 420
36 – 50	Net	27 306 291	5 772 887	2 985 498	13 605 004	25 517 506	10 091 034	85 278 220
51 – 65	Net	20 106 669	3 687 261	1 484 078	11 896 970	26 311 896	7 285 272	70 772 146
> 65	Net	12 190 044	2 002 868	434 973	6 430 084	16 839 129	7 214 676	45 111 774
Total current year claims	Net	91 439 402	19 299 202	7 717 683	43 568 301	105 197 011	35 208 375	302 429 974

17. INSURANCE RISK MANAGEMENT (CONTINUED)

General practitioner benefits cover the cost of all visits by members to general practitioners and of the procedures performed by them.

Specialist benefits cover the cost of all visits by members to specialists and in- and out-of-hospital procedures performed by specialists. Specialist benefits also include radiology and pathology benefits provided to members.

Dentistry benefits cover the cost of all visits by members to dental practitioners and the procedures performed by them, up to a prescribed annual limit per member.

Optometry benefits cover the cost of all visits by members to optometrists, the cost of prescribed glasses and contact lenses and the cost of procedures performed by optometrists, up to a prescribed annual limit per member.

Medicine benefits cover the cost of all medicines prescribed to members, up to a prescribed annual limit per beneficiary.

Hospital benefits cover all costs incurred by members while they are in hospital to receive pre-authorised treatment for certain medical conditions.

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

The strategy is set out in the annual business plan, which specifies the benefits to be provided, the preferred target market and demographic split thereof.

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

18. CAPITAL MANAGEMENT

The Scheme's objective is to manage its capital in such a way that the annual contribution increase to members is as low as possible, and if possible in line with the participating employer's salary increases. The Scheme therefore decided to use some of its investment income to fund deficits that might occur as a result of operational losses.

Capital adequacy risk is the risk that there may be insufficient reserves to provide for adverse variations on actual and future experience.

The Scheme monitors capital using a solvency ratio, which is accumulated funds divided by gross contributions.

The Medical Schemes Act requires the Scheme to maintain a solvency ratio of 25%. The Scheme’s solvency ratio as at 31 December 2021 was 137.8% (2020: 120.6%), which is well above this required minimum.

This measure of capital is consistent with the prior year, and there have been no changes in the Scheme’s objectives, policies and procedures for managing capital from 31 December 2020 to 31 December 2021.

19. FINANCIAL RISK MANAGEMENT

The Scheme’s activities expose it to a variety of financial risks, including the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Scheme’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligations to its members. The most important components of these financial risks are market risk and credit risk.

Analysis of carrying amounts of financial assets and financial liabilities per category

	2021	2020
	R	R
Financial assets at fair value through profit and loss	444 889 854	366 542 676
Cash and cash equivalents	213 783 923	183 980 805
Trade and other receivables	4 919 584	4 383 892
Loans and receivables	17 948	8 982
Insurance receivables	4 901 636	4 374 910
Trade and other payables	10 379 706	16 238 831
Provisions and payables	1 117 198	1 121 069
Insurance payables	9 262 508	15 117 762

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management strategy and policy

Risk management and investment decisions are made under the guidance and policies approved by the Board of Trustees. The Trustees identify, evaluate and economically hedges (where appropriate) financial risks associated with the Scheme's investment portfolio. They provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

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

Market risk

Interest rate risk

The Scheme's investment policy is to hold the majority of investments in interest bearing instruments. The majority of the Scheme's investments are exposed to changes in market interest rates.

Interest rate risk - sensitivity analysis

Sensitivity of members' funds due to changes in the interest rate

The impact has been evaluated by looking at the change to total comprehensive income and total members' funds based on a decrease of 1% or decrease of 5% in the market interest rates applicable at 31 December 2021, for each class of financial instrument, with all other variables remaining constant as follows:

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk - sensitivity analysis (continued)

Sensitivity analysis table at 31 December 2021

	2021 Actual	Interest rate decreases by 1%	Interest rate decreases by 5%
	R	R	R
Change in interest bearing financial assets through profit and loss	128 226 682	(1 282 267)	(6 411 334)
Change in cash and cash equivalents	213 783 923	(2 137 839)	(10 689 196)
	2020 Actual	Interest rate decreases by 1%	Interest rate decreases by 5%
	R	R	R
Change in interest bearing financial assets through profit and loss	106 534 591	(1 065 346)	(5 326 730)
Change in cash and cash equivalents	183 980 805	(1 839 808)	(9 199 040)

The above sensitivity analysis is based on the following assumptions:

- » changes in the market interest rates affect the interest income or expense of variable interest financial instruments; and
- » the financial assets and liabilities at 31 December 2021 remain until maturity or settlement without any action by the Scheme to alter the resulting interest rate exposure.

Equity price risk management

The Scheme is exposed to equity price risks resulting from the equity investments in the underlying policies and portfolios it invests in. The equity instruments are indirectly held by the Scheme in terms of its investment strategy and restrictions exerted by the Medical Schemes Act.

No specific concentration of risk exist for the equity price risk, as the investments are diversified to minimise the risk to the Scheme.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table details the Scheme's sensitivity to a 1% or 5% decrease/increase in the fair value of the instruments. The sensitivity analysis includes equity backed investments and illustrates the impact on the surplus or deficit and total members' funds at year end.

Equity price risk sensitivity analysis

	2021 Actual	JSE ALSI decreases by 1%	JSE ALSI decreases by 5%
	R	R	R
Change in equity backed by financial assets through profit and loss	316 663 172	(913 390)	(4 566 952)
Total comprehensive income for the year	115 540 344	114 626 954	110 973 392
Total members' funds	641 078 898	640 165 508	636 511 946

	2020 Actual	JSE ALSI decreases by 1%	JSE ALSI decreases by 5%
	R	R	R
Change in equity backed by financial assets through profit and loss	260 008 085	(2 099 323)	(10 496 615)
Total comprehensive loss for the year	86 223 429	84 124 106	75 726 814
Total members' funds	525 538 554	523 439 231	515 041 939

The equity price sensitivity analysis is based on the following assumptions:

The sensitivity analysis for equity instruments are based on the assumption that all the shares per the Johannesburg Stock Exchange All Share index (JSE ALSI) decrease by 1% or 5%.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

The Scheme operates in South Africa and therefore its cash flows are denominated in South African Rand (ZAR). The investment managers invest in a foreign collective investment scheme comprising call accounts and unsettled cash balances, which exposes the Fund to foreign currency risk resulting from fluctuations in foreign exchange rates during the year.

For purposes of seeking investment diversification, the Scheme has invested 2.3% (2020: 0%) of its investable assets in an offshore account. As at 31 December 2021, this equates to R15.2m (2020: R0m).

Credit risk

The Scheme's principal financial assets exposed to credit risk are cash and cash equivalents, trade and other receivables and financial assets at fair value through profit and loss. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience is evidence of a reduction in the recoverability of the cash flows. Cash transactions are limited to high credit quality financial institutions.

The Scheme manages the credit risk, specifically relating to trade and other receivables, by ensuring it applies a strict credit policy.

Cash and cash equivalents

The credit risk on liquid funds is limited because the counter parties are financial institutions with high credit ratings.

CREDIT RISK EXPOSURE	AMOUNT	COUNTER PARTY	CREDIT RATING
2021	R		
Cash and cash equivalents	21 083 048	ABSA	BB+
	19 303 085	FirstRand	BB+
	18 137 988	Investec	BB+
	87 892 798	Nedbank	BB+
	52 134 124	Standard Bank	BB+
	22 787	HSBC	AA-
	10 267	China Construction Bank	A
	12 936	Citi Bank	
	15 184 026	International Bank	
	2 864	Standard Chartered Bank	

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK EXPOSURE	AMOUNT	COUNTER PARTY	CREDIT RATING
2020	R		
Cash and cash equivalents	19 750 712	ABSA	BB+
	15 617 769	FirstRand	BB+
	10 153 309	Investec	BB+
	72 173 307	Nedbank	BB+
	66 275 869	Standard Bank	BB+
	7 987	HSBC	AA-
	1 852	China Construction Bank	A
	-	Standard Chartered Bank	A

The credit risk exposure on trade and other receivables has been set out on page 58 of these financial statements.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations as they fall due in the ordinary course of business. The availability of funding through liquid holding cash positions with various financial institutions ensures that the Scheme has the ability to fund its day-to-day operations.

The table below summarises the Scheme's maturity analysis of insurance and other payables, as well as insurance and other receivables and the expected maturity analysis for the outstanding claims provision.

The liquidity risk analysis is based on the following assumptions:

- » The outstanding claims provision is based on an estimate of the payments to be made within the first four months after becoming due, as per the Scheme rules, or unless otherwise arranged; and
- » The maturity of trade and other payables is based on the pre-defined regulatory contractual terms.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	MORE THAN 3 MONTHS	TOTAL
	R	R	R	R
2021				
LIABILITIES				
Current liabilities				
Outstanding claims provision	6 584 259	3 624 443	-	10 208 702
Trade and other payables	12 305 761	-	-	12 305 761
Total current liabilities	18 890 020	3 624 443	-	22 514 463
ASSETS				
Current assets				
Cash and cash equivalents	213 783 923	-	-	213 783 923
Trade and other receivables	4 895 627	46 016	283 763	5 225 406
Total current assets	218 679 550	46 016	283 763	219 009 329
	199 789 530	(3 578 427)	283 763	196 494 866

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value measurements recognised in the statement of financial position
(continued)

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	MORE THAN 3 MONTHS	TOTAL
	R	R	R	R
2020				
LIABILITIES				
Current liabilities				
Outstanding claims provision	8 246 023	2 948 432	329 799	11 524 254
Trade and other payables	17 844 565	-	-	17 844 565
Total current liabilities	26 090 588	2 948 432	329 799	29 368 819
ASSETS				
Current assets				
Cash and cash equivalents	183 980 805	-	-	183 980 805
Trade and other receivables	4 311 245	81 844	333 631	4 726 720
Total current assets	188 292 050	81 844	333 631	188 707 525
	162 201 462	(2 866 588)	3 832	159 338 706

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable.

- » **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- » **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- » **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable market data).

	Level 1	Level 2	Level 3
	R	R	R
2021			
Financial assets at fair value through profit and loss			
Sygnia (insurance policy) (recurring)	-	444 889 854	-
Total available-for-sale investments	-	444 889 854	-

	Level 1	Level 2	Level 3
	R	R	R
2020			
Financial assets at fair value through profit and loss			
Sygnia (insurance policy) (recurring)	-	366 542 676	-
Total available-for-sale investments	-	366 542 676	-

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk - trade and other receivables

	FULLY PERFORMING	PAST DUE	IMPAIRMENT	NET
	R	R	R	R
2021				
Insurance receivables	4 877 678	329 780	(305 822)	4 901 636
- Contributions outstanding	4 794 554	4 109	-	4 798 663
- Recoveries from members	877	130 357	(130 078)	1 156
- Supplier overpayments	82 247	195 314	(175 744)	101 817
Other receivables	17 948	-	-	17 948
Cash and cash equivalents	213 783 923	-	-	213 783 923
	<u>218 679 549</u>	<u>329 780</u>	<u>(305 822)</u>	<u>218 703 507</u>
2020				
Insurance receivables	4 302 262	415 476	(342 828)	4 374 910
- Contributions outstanding	4 256 824	16 683	-	4 273 507
- Recoveries from members	7 378	180 301	(180 298)	7 381
- Supplier overpayments	38 060	218 492	(162 530)	94 022
Other receivables	8 982	-	-	8 982
Cash and cash equivalents	183 980 805	-	-	183 980 805
	<u>188 292 049</u>	<u>415 476</u>	<u>(342 828)</u>	<u>188 364 697</u>

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Age analysis of past due amounts

	30 DAYS	60 DAYS	90 DAYS +	NET
	R	R	R	R
2021				
Insurance receivables	21 640	13 417	294 723	329 780
- Contributions outstanding	4 109	-	-	4 109
- Recoveries from members	10 736	1 471	118 150	130 357
- Supplier overpayments	6 795	11 946	176 573	195 314
	21 640	13 417	294 723	329 780

2020				
Insurance receivables	39 118	9 912	366 446	415 476
- Contributions outstanding	16 683	-	-	16 683
- Recoveries from members	3 100	1 612	175 589	180 301
- Supplier overpayments	19 335	8 300	190 857	218 492
	39 118	9 912	366 446	415 476

20. TAXATION

The Scheme is exempt from income tax in terms of Section 10(1)(d) of the Income Tax Act.

21. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Scheme's accounting policies, the Trustees have made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

21. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

1. Provision for outstanding claims is made based on various factors as discussed in Note 5.
2. The Scheme's financial instruments are measured at fair value as indicated in Note 1 and it is usually possible to determine their fair values within a reasonable range of estimates.
3. Provision is made for impairment of debt according to historical trends in the recoverability based on the ageing. The following amounts are provided for:
 - » Arrear contributions older than 120 days;
 - » Any amounts due from pensioners, resigned members and deceased members; and
 - » Supplier debt over 120 days.

These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g. interest rates, volatility, estimated cash flows, etc.) and therefore cannot be determined with precision.

22. COMMITMENTS

There were no commitments for capital expenditure as at 31 December 2021 (2020: Nil).

23. NON-COMPLIANCE MATTERS

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

Contravention of Section 26(7)

Nature and impact

In terms of Section 26(7) of the Act, contributions must be paid directly to a medical scheme by no later than three business days after payment becomes due. Amounts were received after the prescribed three business days of the month following the last business day in which it became due, as stipulated in the rules.

Causes for the failure

Premiums reconciliations typically take more than three days to be resolved, and instances of non-compliance might occur. This is common in the industry and is not viewed as material.

Corrective action

The Scheme has strict credit control policies to minimise the risk of non-recovery.

23. NON-COMPLIANCE MATTERS (CONTINUED)

Contravention of Section 35(8)(a) and (c)

Nature and impact

In terms of Section 35(8)(a) and (c) of the Act, a Scheme shall not invest any of its assets in an employer who participates in the medical scheme or any administrator associated with the medical scheme.

Causes for the failure

The Scheme holds indirect investments in Imperial Limited and Motus Holdings Limited through its linked insurance policy investment with Sygnia Life Limited.

The Scheme also holds indirect investments in Momentum Metropolitan Limited (holding company of the administrator), Liberty Holdings, Sanlam Limited and Discovery Holdings (holding companies of medical scheme administrators) through its linked insurance policy investment with Sygnia Life Limited.

Corrective action

The non-compliance is as a result of the Scheme's assets being invested in a linked policy of insurance. The Scheme does not dictate to the asset managers which investment holding to purchase. These investments are part of the total insured portfolio and selling this non-compliant investment would result in the complete sale of the entire portfolio.

A new application for exemption was submitted to the Registrar on 18 October 2019 and approved by the Registrar. The exemption will be valid for a period of three years, effective 1 December 2019 to 30 November 2022.

24. EVENTS AFTER REPORTING DATE

At the date of finalisation of the financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the financial statements.

25. GOING CONCERN

Following the outbreak of the coronavirus pandemic the Trustees continue to be of the opinion that the Scheme will be able to continue as a going concern, refer to note 24 of the notes to the financial statements for additional disclosure on events after reporting date.

26. CHANGE IN THE ACCOUNTING POLICY RELATING TO THE FORMAT OF THE STATEMENT OF CASH FLOWS

During 2021 the Council for Medical Schemes (CMS) published Circular 52 of 2021: *Statement of Cash Flows*. In the circular it was noted that Paragraph 19 of IAS 7 encourage entities to report cash flows from operating activities using the direct method. The Council for Medical Schemes (CMS) introduced the direct method in its 2021 annual statutory return.

The Statement of Cash Flows (SOCF) has been aligned to the prescribed format as set out in Circular 52 of 2021, with the most notable changes being the reporting of cash flows from operating activities using the direct method. The cash flows from operating activities were previously reported using the indirect method.

The change in accounting policy will be applied in preparing the financial statements for the year ended 31 December 2021. The change is applied retrospectively, with the comparative period presented as if this accounting policy had always been applied.

Table 1 sets out the change in disclosure of the SOCF.

26. CHANGE IN THE ACCOUNTING POLICY RELATING TO THE FORMAT OF THE STATEMENT OF CASH FLOWS (CONTINUED)

	2020 Restated
	R
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from members and providers	403 045 806
Cash receipts from members - contributions	403 024 023
Cash receipts from members and providers - others	21 783
	(338 919 322)
Cash paid to providers, employees and members	(318 831 899)
Cash paid to providers, employees and members - claims	(26 094 256)
Cash paid to providers, employees and members - non-healthcare expenditure	3 904
Sundry income	5 976 981
Unrealised and realised gain on cash and cash equivalents	25 948
Movement in the accrued interest	
Net cash from operating activities	64 126 484

26. CHANGE IN THE ACCOUNTING POLICY RELATING TO THE FORMAT OF THE STATEMENT OF CASH FLOWS (CONTINUED)

	2020 Previously presented
	R
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash flows generated from operations before working capital changes	74 860 164
(Increase)/decrease in trade and other receivables (gross of impairments)	(982 212)
Increase/(decrease) in trade and other payables	6 039 367
Payments on outstanding claims provision	(15 790 835)
Net cash from operating activities	64 126 484

PROXY FORM

IMPERIAL AND MOTUS MEDICAL AID

I, _____,

being a member of Imperial and Motus Medical Aid, do hereby appoint

_____,

who is a member of this Scheme or, failing him/her, the Chairman of the meeting, as my proxy to attend and vote on my behalf at the Annual General Meeting convened for Thursday, 30 June 2022.

Dated this _____ day of _____ 2022.

Signature of member: _____

Membership number of member: _____

Signature of proxy: _____

Membership number of proxy: _____

Please return this proxy by email to proxy@tmsmeetings.co.za.

To reach the Principal Officer, through The Meeting Specialist (Pty) Ltd, by no later than 10:00 on 28 June 2022.



