

NOTICE OF THE ANNUAL GENERAL MEETING TO BE HELD ON 17 JULY 2014

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*INCLUDING A SUMMARY OF THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013*

NOTICE TO ALL MEMBERS

NOTICE IS HEREBY GIVEN THAT THE EIGHTEENTH ANNUAL GENERAL MEETING OF MEMBERS OF THE IMPERIAL GROUP MEDICAL SCHEME WILL BE HELD AT THE IMPERIAL LOGISTICS LEARNING CENTRE, GOLDFIELDS LOGISTICS PARK, 10 REFINERY ROAD, DRIEHOEK, GERMISTON, ON THURSDAY, 17 JULY 2014 AT 09:00.

AGENDA

1. CONFIRMATION OF MINUTES

To confirm the minutes of the Imperial Group Medical Scheme Annual General Meeting held on 19 July 2013

2. ADOPTION OF REPORT 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 2013

3. APPOINT AUDITORS

To appoint Auditors in terms of Rule 22.1

4. APPOINTMENT OF TRUSTEE

One member-elected Trustee to be appointed (a nomination form is included on **page 43**)

5. 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 Chairperson to vote on your behalf. A proxy form is included on **page 45**.

Notice of motions to be placed before the Annual General Meeting must reach the Principal Officer no later than seven (7) days before the meeting and can be sent to one of the following:

The Principal Officer Imperial Group Medical Scheme PO Box 2140 Houghton 2041	OR	The Principal Officer Imperial Group Medical Scheme 11 Park Lane Entrance 15 Junction Ave Parktown 2193	OR	Fax to 0866 738 093
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BY ORDER OF THE BOARD OF TRUSTEES



Johannes Jacobus van der Walt
 Principal Officer
 Imperial Group Medical Scheme

MINUTES OF THE SEVENTEENTH ANNUAL GENERAL MEETING

OF THE IMPERIAL GROUP MEDICAL SCHEME HELD IN THE BOARDROOM, HINGHAM OFFICE PARK, JEPPE QUONDAM, 79 BOEING ROAD EAST, BEDFORDVIEW ON 19 JULY 2013 AT 15:00

WELCOME AND APOLOGIES

Mr van der Walt, Principal Officer of the Scheme, informed the meeting that he had received an apology from Mr Tennick, the Chairperson of the Scheme, and requested that one of the Trustees stand in for him as Chairperson. Mr F Meier volunteered to act as Chairperson for the meeting, to which all the Trustees present gave their consent. Mr F Meier welcomed all present.

All Trustees except for Mr Tennick were in attendance, together with Mr R Mumford, the Chairperson of the Imperialmed Audit Committee. A quorum was present in terms of the rules of the Scheme and the meeting was properly constituted.

1. APPROVAL OF THE MINUTES OF THE ANNUAL GENERAL MEETING HELD ON 27 JULY 2012

The minutes of the Annual General Meeting held on 27 July 2012 was distributed to all members in advance and made available at the meeting. The contents of the minutes were approved as being a true reflection of the meeting. The minutes will be sent to Mr Tennick to be signed.

PROPOSED: Mr C van Wyk SECONDED: Ms L Robinson

2. ADOPTION OF REPORTS AND ACCOUNTS

The report of the Board of Trustees and the Auditor's letter confirming that the summarised financial statements substantially reflect the same position as the audited financial statements for the twelve months ended 31 December 2012, were adopted by the meeting. A full set of the Annual Financial Statements were available at the meeting.

PROPOSED: Mr D Smith SECONDED: Mr R Venter

3. APPOINTMENT OF AUDITORS

It was proposed that the registered Auditors, Deloitte & Touche, be appointed for the next financial year.

PROPOSED: Mr C van Wyk SECONDED: Ms M Lang

4. APPOINTMENT OF TRUSTEE

Ms Sarria was up for re-election and is eligible to serve another term of three years. Mr Meier confirmed that no Trustee nominations were received. Ms Sarria was asked whether she was willing to serve another term and she accepted the re-appointment as member-elected Trustee. The meeting congratulated Ms Sarria on her re-appointment.

5. OTHER BUSINESS

- a) Implementation of the Imperialmed Budget Plan – Mr van Wyk informed the meeting that the additional benefit plan, called the Imperialmed Budget Plan, was implemented on 1 July 2013.
- b) Other business to be transacted – Mr van der Walt confirmed that Mr Mahomed had tendered his resignation as a Trustee. He had been a Trustee since the inception of the Scheme in 1995 and had been an asset to the Scheme during his tenure. Mr Truscott was appointed as a replacement for Mr Mahomed and was welcomed as the new employer-appointed Trustee.

6. PROXIES

No proxies were received for this meeting.

There being no further issues to discuss, the acting Chairperson closed the meeting.

Chairperson

Date

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SUMMARISED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Registration number: 01559

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

Principal Officer: JJ van der Walt
Imperial Group Medical Scheme
11 Park Lane
Entrance 15 Junction Ave
Parktown
2193

REPORT OF THE INDEPENDENT AUDITOR

ON THE SUMMARISED ANNUAL FINANCIAL STATEMENTS TO THE MEMBERS OF IMPERIAL GROUP MEDICAL SCHEME

The accompanying summarised Annual Financial Statements, which comprise the summary statement of financial position as at 31 December 2013, the summary statement of comprehensive income, summary statement of changes in funds and reserves and summary statement of cash flows for the year then ended, and related notes as set out on pages 21 to 42, are derived from the audited financial statements of the Imperial Group Medical Scheme for the year ended 31 December 2013. We expressed an unmodified audit opinion on those financial statements in our report dated 30 April 2014. Those financial statements, and the summarised Annual Financial Statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summarised Annual Financial Statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarised Annual Financial Statements, therefore, is not a substitute for reading the audited financial statements of the Imperial Group Medical Scheme.

TRUSTEES' RESPONSIBILITY FOR THE SUMMARISED ANNUAL FINANCIAL STATEMENTS

The trustees are responsible for the preparation of a summary of the audited financial statements in accordance with Circular 6 of 2013 issued by the Council for Medical Schemes.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the summarised Annual Financial Statements based on our procedures, which were conducted in accordance with the International Standard on Auditing (ISA) 810, 'Engagements to Report on Summary Financial Statements'.

OPINION

In our opinion, the summarised Annual Financial Statements derived from the audited financial statements of the Imperial Group Medical Scheme for the year ended 31 December 2013 are consistent, in all material respects, with those financial statements, in accordance with Circular 6 of 2013 issued by the Council for Medical Schemes. Our report dated 30 April 2014 on the financial statements of the Imperial Group Medical Scheme for the year ended 31 December 2013

OPINION (CONTINUED)

includes an emphasis of matter paragraph drawing attention to matters of non-compliance with the Medical Schemes Act of South Africa.

The emphasis of matter paragraph draws attention to Note 26 of the audited financial statements which indicates that the Imperial Group Medical Scheme has matters of non-compliance with the Medical Schemes Act. This information is also reflected in Note 11 of the summarised Annual Financial Statements. Our emphasis of matter paragraph states that our audit opinion is not qualified in respect of this matter, and therefore those financial statements present fairly, in all material respects, the financial position of Imperial Group Medical Scheme as at 31 December 2013, and its financial performance and its 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.

OTHER REPORTS REQUIRED BY THE MEDICAL SCHEMES ACT OF SOUTH AFRICA

As part of our audit of the summarised Annual Financial Statements for the year ended 31 December 2013, we have read the report of the Board of Trustees for the purpose of identifying whether there are material inconsistencies between this report and the audited summarised Annual Financial Statements.

This report is the responsibility of the respective preparers. Based on reading the report we have not identified material inconsistencies between the report and the audited summarised Annual Financial Statements. However, we have not audited the report and accordingly do not express an opinion on it.



Deloitte & Touche
Registered Auditors

Per BC Africa
Partner
5 May 2014

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the year ended 31 December 2013.

Registration number: 01559

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

The Imperial Group Medical Scheme (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 Group Medical Scheme

Two benefit options are available to employees of the Imperial Group. The Imperialmed Health Plan is a traditional plan that provides unlimited private hospital cover at 100% of the Medical Scheme Rate and routine non-prescribed benefits at 85% of the Medical Scheme Rate up to generous annual limits. On 1 July 2013 the Scheme registered the Imperialmed Budget Plan to provide low-cost cover for essential, basic healthcare with unlimited in-hospital cover at 100% of the Medical Scheme Rate, no chronic non-prescribed minimum benefits, 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

AN Tennick	Chairperson and employer representative
AH Mahomed	Employer representative (resigned 29 May 2013)
R Truscott	Employer representative (appointed 1 June 2013)
RA Venter	Employer representative
ADSS Sarria	Member representative
PRW Meier	Member representative
DA Smith	Member representative

2.2 Principal Officer

JJ van der Walt

11 Park Lane	PO Box 2140
Entrance 15 Junction Ave	Houghton
Parktown	2041
2193	



2. MANAGEMENT (CONTINUED)

2.3 Registered office address and postal address

11 Park Lane	PO Box 2140
Entrance 15 Junction Ave	Houghton
Parktown	2041
2193	

2.4 Medical Scheme Administrator during the year Metropolitan Health Corporate (Pty) Ltd

61 St George's Mall	PO Box 4313
Cape Town	Cape Town
8001	8000

Accreditation number: 18

2.5 Investment manager during the year Investec Asset Management SA (Pty) Ltd

36 Hans Strijdom Avenue
Cape Town
8001

Financial service provider number: 587

Allan Gray Life Ltd

Granger Bay Court Beach Road
Cape Town
8001

Financial service provider number: 6663

Coronation Asset Management (Pty) Ltd

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

Financial service provider number: 548



2. MANAGEMENT (CONTINUED)

2.5 Investment manager during the year (continued)

Mazi Capital (Pty) Ltd

The Place, Ground Floor, South Wing
1 Sandton Drive
Johannesburg
2146

Financial service provider number: 27404

Stanlib Asset Management (Pty) Ltd

17 Melrose Boulevard
Melrose Arch
Johannesburg
2196

Financial service provider number: 719

Sygnia Asset Management (Pty) Ltd

7th Floor
The Foundry
Cardiff Street
Cape Town
8001

Financial service provider number: 873

2.6 Investment consultant and advisor during the year

Sygnia Asset Management (Pty) Ltd

7th Floor
The Foundry
Cardiff Street
Greenpoint
Cape Town
8001

Financial service provider number: 873

2. MANAGEMENT (CONTINUED)

2.7 Actuary

M Hulme (BSc, FASSA, CFP, HIA, MHP) Towers Watson (Pty) Ltd

Great Westerford Building Private Bag X30
2nd Floor, Suite 2 Rondebosch
South Wing 7701
240 Main Road
Rondebosch
7700

2.8 Auditors

Deloitte & Touche

1st Floor PO Box 578
The Square Cape Town
Cape Quarter 8000
27 Somerset Road
Greenpoint
8005

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.

The Scheme invested in insurance policies and cash instruments during 2013. This policy is reviewed annually, taking into consideration compliance with the Act, the risk and returns of the various investment instruments and surplus funds available.

Sygnia Asset Management (Pty) Ltd (Sygnia) is an independent asset manager that provides outsourced services, which facilitate the unitisation of the assets held by Imperial Group Medical Scheme and administered by Metropolitan Health Corporate (Pty) Ltd.

4. MANAGEMENT OF 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. 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 – 2013

	2013 IMPERIALMED HEALTH PLAN	2013 IMPERIALMED BUDGET PLAN	2013 TOTAL	2012 TOTAL
Number of members at the end of the year	7 353	81	7 434	7 359
Average number of members for the year	7 444	37	7 462	7 215
Number of beneficiaries at the end of the year	17 079	130	17 209	17 070
Average number of beneficiaries for the year	17 218	62	17 249	16 735
Average age per beneficiary	30	24	30	30
Dependant ratio to members at 31 December	1.32	0.60	1.31	1.32
Pensioner ratio	2.52%	-	2.50%	2.81%
Average net contributions per member per month	R3 081	R1 732	R3 078	R2 831
Average net contributions per beneficiary per month	R1 332	R1 034	R1 331	R1 221
Average net claims incurred per member per month	R2 836	R712	R2 831	R2 620
Average net claims incurred per beneficiary per month	R1 226	R425	R1 225	R1 130
Average administration cost per member per month	R202	R205	R202	R194
Average administration cost per beneficiary per month	R87	R122	R87	R84
Average healthcare management expense per member per month	R61	R619	R62	R56
Average healthcare management expense per beneficiary per month	R26	R369	R27	R24

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (CONTINUED)

5.1 Operational statistics – 2013 (continued)

	2013 IMPERIALMED HEALTH PLAN	2013 IMPERIALMED BUDGET PLAN	2013 TOTAL	2012 TOTAL
Non-healthcare expenditure per average beneficiary per month	R112	R489	R113	R104
Non-healthcare administration expense as a percentage of gross income	8.41%	47.29%	8.46%	8.55%
Gross claims as a percentage of gross contributions	92.05%	41.09%	91.98%	92.56%
Average accumulated funds per member at 31 December	R28 458	R28 458	R28 458	R27 569
Return on investments as a percentage of investments	3.98%	3.98%	3.98%	7.79%

Unrealised gains and losses arising from changes in the fair value of the available-for-sale investments are included in the available-for-sale reserve in the statement of financial position.

5.2 Results of the Scheme

The results of the Scheme are set out in the summarised Annual Financial Statements that accompany this report.

The Scheme has seen continued growth in membership during 2013. It is mainly due to increases in new Imperial employees joining the Scheme.

5. REVIEW OF THE ACCOUNTING PERIOD'S ACTIVITIES (CONTINUED)

5.3 Solvency ratio

The solvency is calculated as follows:

Total members' funds per statement of financial position

Less:

Available-for-sale reserve (when in surplus)

Accumulated funds per regulation 29

Gross contributions

Accumulated funds ratio

2013	2012
R	R
253 797 800	228 610 256
(42 244 528)	(25 729 694)
211 553 272	202 880 562
275 585 555	245 109 457
76.8%	82.8%

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

5.4 Reserve accounts

Movements in the reserves are set out in the statement of changes in equity. There have been no unusual movements 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 3 to the summarised Annual Financial Statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

6. ACTUARIAL SERVICES

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

7. CONTINGENCIES

There were no potential liabilities contingent on the outcome of litigations, claims, guarantees or suretyships at 31 December 2013.

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.

For all related party disclosures, please see Note 7 to the summarised Annual Financial Statements.

Metropolitan Health Corporate (Pty) Ltd, which is the contracted Administrator of the Scheme, is responsible for the administration and operation of the Scheme. Payments are made in terms of the administration and managed care agreements with Metropolitan Health Corporate (Pty) Ltd and Metropolitan Health Risk Management (Pty) Ltd respectively during the 2013 financial year.

These payments were as follows:

	2013	2012
	R	R
Administration and managed care fees:	15 751 895	14 268 092
» Administration fee	10 306 386	9 409 651
» Managed care fees	5 445 509	4 858 441

9. EVENTS AFTER REPORTING DATE

There have been no events that have occurred subsequent to the end of the accounting period that affect the summarised Annual Financial Statements and that the Trustees consider should be brought to the attention of the members of the Scheme.

10. RELATED PARTY TRANSACTIONS

Refer to related parties disclosed in Note 7 to the summarised Annual Financial Statements.

11. AUDIT COMMITTEE

The Audit Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee, at year-end, consists of six members, of which two are members of the Board of Trustees. The majority of its members, including the Chairperson, 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:

- » 15 April 2013; and
- » 16 October 2013.

11. AUDIT COMMITTEE (CONTINUED)

The Chairperson of the Scheme, the Administrator's financial manager and the external Auditors have unrestricted access to the Chairperson 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 external Auditors formally report to the committee on critical findings arising from audit activities.

The committee comprises:

- » Mr R Mumford (Chairperson)
- » Mr L Hollander
- » Mr PRW Meier (member representative)
- » Mr RA Venter (employer representative)
- » Mr G Nzalo
- » Ms A de Waal.

There were no fees paid to the Audit Committee members in 2013.

12. TRUSTEE MEETING ATTENDANCE

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

	TRUSTEE MEETINGS		ANNUAL GENERAL MEETING	
	A	B	A	B
Board of Trustee members				
AN Tennick (Chairperson)	6	6	1	-
AH Mahomed	3	3	-	-
R Truscott	3	3	1	1
RA Venter	6	5	1	1
ADSS Sarria	6	5	1	1
PRW Meier	6	4	1	1
DA Smith	6	5	1	1

12. TRUSTEE MEETING ATTENDANCE (CONTINUED)

	TRUSTEE MEETINGS		AUDIT COMMITTEE MEETINGS		ANNUAL GENERAL MEETING	
	A	B	A	B	A	B
Principal Officer						
JJ van der Walt (Principal Officer)	6	6	2	2	1	1

Audit Committee members
R Mumford (Chairperson) (C)
L Hollander (C)
PRW Meier
RA Venter
G Nzalo (C)
A De Waal (C)

A	B
2	2
2	2
2	1
2	2
2	2
2	2

A – total possible number of meetings could have attended
B – actual number of meetings attended
C – independent members

13. NON-COMPLIANCE MATTERS

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

Contravention of Section 26(7) of the Act

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

Contributions were identified that were received more than three business days after payment became due. These relate to debit order runs where a member does not have sufficient funds in his/her bank account or where the member closed his/her bank account, resulting in rejected debit orders. The Scheme would then need to follow up on these amounts to arrange payment.

13. NON-COMPLIANCE MATTERS (CONTINUED)

Contravention of Section 26(7) of the Act (continued)

Corrective action

The Administrator took remedial action through Medi Call (Pty) Ltd against defaulting members in accordance with the approved debt mandate provided by the Scheme.

Contravention of Section 35(8)(a) of the Act

Nature and impact

In terms of Section 35(8)(a) of the Act, the 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 an indirect investment in Imperial Holdings Limited through its linked insurance policy investment with Sygnia (Pty) Ltd.

The Scheme holds an indirect investment with MMI Holdings Limited, the holding company of Metropolitan Health Corporate (Pty) Ltd, through its linked insurance policy investment through Sygnia 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 the total insured portfolio and selling this non-compliant investment would result in the sale of the entire portfolio.

The Scheme applied for an exemption from Section 35 (8)(a) and (c), which was granted on 8 November 2013. This exemption is valid until 31 December 2014.

Contravention of Section 33(2)

Nature and impact

Section 33(2) of the Act states that: 'The Registrar shall not approve any benefit option under this Section unless the Council is satisfied that such benefit options (b) shall be self-supporting in terms of membership and financial performance and (c) be financially sound.' The Registrar may withdraw benefit options directly affecting the members on these options. The Imperialmed Health Plan incurred a net healthcare deficit, as disclosed in Note 15 to the Annual Financial Statements.

13. NON-COMPLIANCE MATTERS (CONTINUED)

Contravention of Section 33(2) (continued)

Nature and impact (continued)

The Imperialmed Health Plan reported the following net healthcare result for the year:

	2013	2012
	R	R
Net healthcare result	(1 246 323)	(2 727 468)
Surplus for the year	8 628 811	15 838 294

Causes for the failure

When updating the benefits and contributions, note is taken of other income. The Scheme earns significant other income mostly through the investment held with Sygnia. Due to this, a net healthcare deficit may result in an overall net surplus after other income is taken into account, as is the case in the current financial year.

Corrective course of action

Overall the Scheme is in a surplus position. The Scheme has an action plan in place to achieve break-even position at an operating level. Break-even position is expected to be reached by the end of 2014, in accordance with the Scheme's 2014 budget.

Contravention of Regulation 6(2)

Nature and impact

Regulation 6(2) of the Act states that if a medical scheme is of the opinion that an account, statement or claim is erroneous or unacceptable for payment, it must inform both the member and the relevant healthcare provider within 30 days of its receipt that it is erroneous or unacceptable for payment and state the reasons for such an opinion.

Causes for the failure

The claims in question were not paid within 30 days of the statutory timeframe due to clinical interventions by the Scheme's Administrator.

Corrective action

Enhanced and stringent monitoring will be implemented to ensure that the status of claims processing is communicated to members and healthcare providers within the legislative timeframes.

13. NON-COMPLIANCE MATTERS (CONTINUED)

Contravention of Regulation 8

Nature and impact

Regulation 8 of the Act states that any benefit option that is offered by a medical scheme must pay in full, without co-payment or the use of deductibles, for the diagnosis, treatment and care costs of the prescribed minimum benefit (PMB) condition. Five claim lines totalling R295 were not paid in full.

Causes for the failure

The identification of a claim as a PMB is a complex issue given the lack of workable industry (ICD-10) coding.

Corrective action

Additional reports will be introduced to pro-actively identify claims that could be potential PMBs.

Chairperson

Trustee

Principal Officer

5 May 2014

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

Notes	2013	2012
	R	R
ASSETS		
Non-current assets		
Available-for-sale investments	2 172 859 425	162 477 133
Current assets	95 175 119	84 548 328
Trade and other receivables	10 069 505	7 677 494
Cash and cash equivalents	85 105 614	76 870 834
Total assets	268 034 544	247 025 461
FUNDS AND LIABILITIES		
Members' funds	253 797 800	228 610 256
Accumulated funds	211 553 272	202 880 562
Available-for-sale reserve	42 244 528	25 729 694
Current liabilities	14 236 744	18 415 205
Outstanding claims provision	3 12 158 746	11 849 686
Trade and other payables	2 077 998	6 565 519
Total funds and liabilities	268 034 544	247 025 461

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

Notes	2013	2012
	R	R
Net contribution income	4 275 585 555	245 109 457
Relevant healthcare expenditure	253 472 941	226 876 433
Net claims incurred	253 472 941	226 876 433
Claims incurred	254 307 846	227 109 998
Third-party claim recoveries	(834 905)	(233 565)
Gross healthcare result	22 112 614	18 233 024
Managed care: Management services	(5 558 822)	(4 962 074)
Administration and other expenses	(18 090 221)	(16 676 745)
Net impairment reversals on healthcare receivables	334 776	678 327
Net healthcare result	(1 201 653)	(2 727 468)
Other income	10 392 349	19 025 077
Investment income	5 3 888 984	3 481 544
Realised gains on investments	6 6 370 470	15 161 414
Sundry income	132 895	382 119
Other expenditure	(517 986)	(459 315)
Asset management fees	(517 986)	(459 315)
Surplus for the year	8 672 710	15 838 294
Other comprehensive income		
Unrealised gain on revaluation of available-for-sale investments	2 16 514 834	8 230 353
Total comprehensive income for the year	25 187 544	24 068 647

STATEMENT OF CHANGES IN FUNDS AND RESERVES

AT 31 DECEMBER 2013

	Accumulated funds	Available-for-sale reserve	Total members' funds
	R	R	R
Balance as at 1 January 2012	187 042 268	17 499 341	204 541 609
Surplus for the year	15 838 294	-	15 838 294
Other comprehensive income	-	8 230 353	8 230 353
Reclassification adjustments relating to investments disposed of	-	(15 161 414)	(15 161 414)
Net gain arising from revaluation of investments	-	23 391 767	23 391 767
Balance as at 31 December 2012	202 880 562	25 729 694	228 610 256
Surplus for the year	8 672 710	-	8 672 710
Other comprehensive income	-	16 514 834	16 514 834
Reclassification adjustments relating to investments disposed of	-	(6 370 470)	(6 370 470)
Net gain arising from revaluation of investments	-	22 885 304	22 885 304
Balance as at 31 December 2013	211 553 272	42 244 528	253 797 800

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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 Annual 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 available-for-sale 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 Amendments to standards

Future amendments not early adopted in the 2013 Annual Financial Statements

The following standards, amendments to standards and interpretations, effective in future accounting periods, and which are relevant to the Scheme, have not been early adopted in these financial statements:

» IFRS 9 Financial instruments – effective for years commencing on or after 1 January 2015

The Scheme will adopt the above standards, interpretations or amendments on their effective dates. Per IFRS 9, the available-for-sale and held-to-maturity categories of financial instruments will be eliminated. Equity investments revaluations can still be adjusted through other comprehensive income if elected. Otherwise, the available-for-sale revaluations that are currently recognised in the other comprehensive income section of the statement of comprehensive income will have to be recognised through surplus or deficit.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.3 Financial instruments

The Scheme classifies its financial assets into available-for-sale investments and trade and other receivables. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of the Scheme's financial assets at initial recognition and re-evaluates this at every reporting date to ensure appropriate classification.

Measurement

Financial instruments are initially measured at fair value plus transaction costs. In the case of financial assets and liabilities not held at fair value through profit or loss, the transaction costs that are directly attributable to acquisition or issue of the financial asset or liability, are added to the fair value. Subsequent to initial recognition, these instruments are measured as set out below.

Available-for-sale investments

All purchases and sales of investments or transfer into and out of insurance policies are recognised on the trade date, which is the date that the Scheme commits to purchase or sell the asset or transfer funds. Cost of purchase includes transaction costs. Available-for-sale investments are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of the available-for-sale investments are recognised in other comprehensive income and accumulated in the available-for-sale reserve. Once an available-for-sale investment is sold, the realised gain or loss is included in the surplus or deficit for the year.

Trade and other receivables

Trade and other receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method and taking into account accumulated impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit in the statement of comprehensive income when there is objective evidence that the asset is impaired. Permanent impairments are written off to surplus or deficit in the statement of comprehensive income when identified.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term liquid investments that are readily convertible within a three-month period to a known amount of cash. Cash and cash equivalents are stated at amortised cost.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.3 Financial instruments (continued)

Financial liabilities

Financial liabilities, which consist of trade and other payables, are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial instruments

Financial assets

The Scheme derecognises a financial asset when:

- » the contractual rights to the cash flows arising from the financial assets have expired or have been forfeited by the Scheme; or
- » it transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- » it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset; or
- » it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

Financial liabilities

The Scheme derecognises financial liabilities once the obligation has been fully discharged.

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.4 Provisions (continued)

Outstanding claims (continued)

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

1.5 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.

1.6 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 on a straight-line basis.

1.7 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;
- » claims settled in terms of risk transfer arrangements; and
- » charges for managed care: healthcare services (excluding risk transfer arrangements).

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.7 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 net of any related assets (i.e. the value of business acquired). Where a shortfall is identified, an additional provision is made and the Scheme recognises the deficiency in income for the year.

1.8 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 is recognised when entitlement to revenue is established.

1.9 Impairment losses

Impairment of assets

The carrying amounts of the Scheme's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in surplus or deficit in the statement of comprehensive income.

Impairment of financial assets

(i) Available-for-sale investments

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in reserves and there is objective evidence that the asset is permanently impaired, the cumulative loss that had been recognised directly in reserves is recognised in surplus or deficit in the statement of comprehensive income even though the financial asset has not been derecognised.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.9 Impairment losses (continued)

Impairment of financial assets (continued)

(i) Available-for-sale investments (continued)

The amount of the cumulative loss that is recognised in the statement of comprehensive income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit in the statement of comprehensive income.

(ii) Financial and insurance assets measured at amortised cost

An appropriate allowance for estimated irrecoverable amounts is recognised in surplus or deficit in the statement of comprehensive income when there is objective evidence that the asset is impaired. This allowance is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairments are written off to surplus or deficit on the statement of comprehensive income when identified.

Calculation of recoverable amount

The recoverable amount of the Scheme's receivables is estimated at the present value of expected future cash flows. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through surplus or deficit in the statement of comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in surplus or deficit in the statement of comprehensive income, the impairment loss will be reversed, with the amount of the reversal recognised in surplus or deficit.



1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.9 Impairment losses (continued)

Reversals of impairment (continued)

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 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.

1.11 Managed care: Management services expenses

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

1.12 Road Accident Fund (RAF)

The Scheme grants assistance to its members in defraying expenditure incurred in connection with the 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 Fund Act 56 of 1996. If members are 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 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.

1.13 Comparatives

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



1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.14 Critical judgements 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 judgement in the process of applying the Scheme's accounting policies.

1.15 Unclaimed savings and unclaimed cheques

Unclaimed savings and unclaimed cheques are written back to surplus once prescribed.

1.16 Functional and presentation currency

Items included in the Annual Financial Statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the functional currency). The Financial Statements are presented in South African rand (the presentation currency), which is the functional currency of the Scheme.

2. AVAILABLE-FOR-SALE INVESTMENTS

	2013	2012
	R	R
Fair value at the beginning of the year	162 477 133	149 079 114
Additions	68 923 559	98 513 043
Disposals	(81 426 571)	(108 506 791)
Net gain	22 885 304	23 391 767
Realised gain on disposal of available-for-sale investments	6 370 470	15 161 414
Unrealised gain on revaluation of available-for-sale Investments	16 514 834	8 230 353
Fair value at the end of the year	172 859 425	162 477 133
Invested with Sygnia Life Ltd	172 859 425	162 477 133

3. OUTSTANDING CLAIMS PROVISION

Provision for outstanding claims – incurred but not yet reported

Provision arising from liability adequacy test

Not covered by risk transfer arrangements 2013	Not covered by risk transfer arrangements 2012
R	R
12 158 746	11 849 686
-	-
12 158 746	11 849 686
Analysis of movements in outstanding claims	
Balance at beginning of year	11 849 686
Payments in respect of prior year	(11 235 041)
Under and over provisions in the prior year	614 645
Adjustment for current year	11 544 101
Balance at end of year	12 158 746
	7 700 000
	(8 458 922)
	(758 922)
	12 608 608
	11 849 686

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 medication 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.

3. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivity (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 on the following page. The table also outlines the sensitivity of these percentages and the impact on the Scheme's liabilities if an incorrect assumption is used.

3. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivity (continued)

Other assumptions:

- » the claims provision is not discounted;
- » a constant proportion of total claims arising within a service month in subsequent months;
- » the claims are assumed to be fully run off within 10 months;
- » 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.

	2013	2012
	%	%
December	44	47
November	13	15
October	6	5
September	3	4
August and prior	0	1

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

Claims outstanding for:

- » December
- » November
- » October
- » September
- » August and prior

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.

3. OUTSTANDING CLAIMS PROVISION (CONTINUED)

Assumptions and sensitivity (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, is set out below:

	Increase in liability 2013	Increase in liability 2012
	R	R
Effect of a 1% increase in assumed percentage	962 000	869 000
Effect of a 2% increase in assumed percentage	1 949 000	1 762 000
Effect of a 3% increase in assumed percentage	2 963 000	2 680 000

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.

4. NET CONTRIBUTION INCOME

	2013	2012
	R	R
Net contribution income	275 585 555	245 109 457

5. INVESTMENT INCOME

Interest income	3 888 984	3 481 544
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6. REALISED GAINS ON INVESTMENT

Realised gains on disposal of available-for-sale investments	6 370 470	15 161 414
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7. RELATED PARTY TRANSACTIONS

Background information

RELATED ENTITIES INCLUDE:	RELATIONSHIP
Metropolitan Health Corporate (Pty) Ltd	Administrator
Metropolitan Health Risk Management (Pty) Ltd	Managed care provider
Towers Watson (Pty) Ltd	Actuaries
Imperial Group Limited and its associates	Employer
Cedar Employee Benefits	Principal Officer's employer
Medi Call (Pty) Ltd	Scheme management services
Cedar Healthcare Consultants (Pty) Ltd	Healthcare consultants
Board of Trustees	Key management personnel
Principal Officer	Key management personnel

Parties with significant influence over the Scheme

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

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

Cedar Employee Benefits, a 100% subsidiary of Imperial Group Ltd, provides principal officers' services to the Scheme.

Towers Watson (Pty) Ltd has significant influence over the Scheme as the actuarial consultants, but does not control the Scheme.

Cedar Healthcare Consultants (Pty) Ltd and Medi Call (Pty) Ltd are subsidiaries of Cedar Employee Benefits.

7. RELATED PARTY TRANSACTIONS (CONTINUED)

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 Ltd. The disclosure deals with part-time personnel that are compensated on a fee basis (Board of Trustees).

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.

7. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with entities that have significant influence over the Scheme

	2013 R	2012 R
Statement of Comprehensive Income		
Administration fees	10 306 386	9 409 651
Managed care fees	5 445 509	4 858 441
Fidelity insurance	0	20 000
Actuarial fees	594 738	716 550
Principal Officer's fees	205 200	205 200
Scheme management services	4 083 343	3 849 213
Commission	1 211 019	1 135 024
Statement of financial position		
Actuarial fees due	49 562	46 887
Commission due	99 578	96 476
Scheme management service fees due	338 990	327 181
Network management fees due	20 882	-
Printing and stationery due	56 311	82 421
Transactions with key management personnel		
Statement of comprehensive income		
Trustee and Principal Officer's contributions received	371 747	348 942
Trustee and Principal Officer's claims incurred	641 804	273 242

7. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with entities that have significant influence over the Scheme (continued)

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

TRANSACTION	NATURE OF TRANSACTIONS AND TERMS AND CONDITIONS
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 will 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.
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 will 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.
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.

7. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with entities that have significant influence over the Scheme (continued)

TRANSACTION	NATURE OF TRANSACTIONS AND TERMS AND CONDITIONS
Principal Officer's fee	JJ van der Walt has been the Principal Officer of Imperial Group Medical Scheme since inception of the Scheme and an employee of the Imperial Group prior to that. In 2007, JJ van der Walt was employed as the Managing Director of Cedar Employee Benefits and Consultants (Pty) Ltd, a wholly-owned subsidiary of the Imperial Group. The Principal Officer's fees have traditionally been paid to JJ van der Walt's employer.
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 six calendar months' written notice. The outstanding balance bears no interest and is due within 30 days.
Commission	The Cedar Healthcare Consultants agreement is in terms of the agreement between the Scheme and Cedar Healthcare Consultants 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. To terminate the agreement, either party must give three calendar months' written notice. The outstanding balance bears no interest and is due within 30 days.

8. COMMITMENTS

There were no commitments for capital expenditure as at 31 December 2013 (2012: nil).

9. CONTINGENCIES

There were no potential liabilities contingent on the outcome of litigation, claims, guarantees or suretyships at 31 December 2013 (2012: nil).

10. FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL ASSUMPTION

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).
- » 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).

2013	Level 1	Level 2	Level 3
Available-for-sale financial assets			
Sygnia (insurance policy)(recurring)	-	172 859 425	-
Total available-for-sale investments	-	172 859 425	-

2012	Level 1	Level 2	Level 3
Available-for-sale financial assets			
Sygnia (insurance policy)(recurring)	-	162 477 133	-
Total available-for-sale investments	-	162 477 133	-

11. 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

Contributions were identified that were received more than three business days after payment became due. These relate to debit order runs where a member does not have sufficient funds in his/her bank account or where the member closed his/her bank account, resulting in rejected debit orders. The Scheme would then need to follow up on these amounts to arrange payment.

Corrective action

The Administrator took remedial action through Medi Call (Pty) Ltd against defaulting members in accordance with the approved debt mandate provided by the Scheme.

Contravention of Section 35(8)(a) of the Act

Nature and impact

In terms of Section 35(8)(a) of the Act, the 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 an indirect investment in Imperial Holdings Limited through its linked insurance policy investment with Sygnia Life Ltd.

The Scheme holds an indirect investment with MMI Holdings Limited, the holding company of Metropolitan Health Corporate (Pty) Ltd, through its linked insurance policy investment through Sygnia Limited.

11. NON-COMPLIANCE MATTERS (CONTINUED)

Contravention of Section 35(8)(a) of the Act (continued)

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 the total insured portfolio and selling this non-compliant investment would results in the complete sale of the entire portfolio.

The Scheme applied for an exemption from Section 35 (8)(a) and (c), which was granted on 8 November 2013. This exemption is valid until 31 December 2014.

Contravention of Section 33(2)

Nature and impact

Section 33(2) of the Act states that: 'The Registrar shall not approve any benefit option under this Section unless the Council is satisfied that such benefit options (b) shall be self-supporting in terms of membership and financial performance and (c) be financially sound.' The Registrar may withdraw benefit options directly affecting the members on these options. The Imperialmed Health Plan incurred a net healthcare deficit, as disclosed in Note 15 to the Annual Financial Statements.

The Imperialmed Health Plan reported the following net healthcare result for the year:

	2013	2012
	R	R
Net healthcare result	(1 246 323)	(2 727 468)
Surplus for the year	8 628 811	15 838 294

Causes for the failure

When updating the benefits and contributions, note is taken of other income. The Scheme earns significant other income, mostly through the investment held with Sygnia. Due to this, a net healthcare deficit may result in an overall net surplus after other income is taken into account, as is the case in the current financial year.

Corrective course of action

Overall the Scheme is in a surplus position. The Scheme has an action plan in place to achieve break-even position at an operating level. Break-even position is expected to be reached by the end of 2014, in accordance with the Scheme's 2014 budget.

11. NON-COMPLIANCE MATTERS (CONTINUED)

Contravention of Regulation 6(2)

Nature and impact

Regulation 6(2) of the Act states that if a medical scheme is of the opinion that an account, statement or claim is erroneous or unacceptable for payment, it must inform both the member and the relevant healthcare provider within 30 days of its receipt that it is erroneous or unacceptable for payment and state the reasons for such an opinion.

Causes for the failure

The claims in question were not paid within 30 days of the statutory timeframe due to clinical interventions by the Scheme's Administrator.

Corrective action

Enhanced and stringent monitoring will be implemented to ensure that the status of claims processing is communicated to members and healthcare providers within the legislative time frames.

Contravention of Regulation 8

Nature and impact

Regulation 8 of the Act states that any benefit option that is offered by a medical scheme must pay in full, without co-payment or the use of deductibles, for the diagnosis, treatment and care costs of the prescribed minimum benefit (PMB) condition. Five claim lines totalling R295 were not paid in full.

Causes for the failure

The identification of a claim as a PMB is a complex issue given the lack of workable industry (ICD-10) coding.

Corrective action

Additional reports will be introduced to pro-actively identify claims that could be potential PMBs.

NOTE:

1. Please return the completed nomination form and an abbreviated CV* of the nominated person to:
The Principal Officer
Imperial Group Medical Scheme
PO Box 2140
Houghton
2041

or fax it to 0866 738 093 by no later than Thursday, 10 July 2014.

2. Omission of any of the above-mentioned information would invalidate this nomination form.
3. Please provide a telephone number and e-mail address for the nominee to facilitate the provision of relevant documentation:

Telephone number of nominee:

E-mail address:

*** The abbreviated CV should contain the following information:**

- » contact details;
- » current position and company;
- » any previous experience with regard to medical schemes; and
- » qualifications.

NOTE: The closing date for Trustee nominations is at close of business on 10 July 2014. No nominations will be accepted after this date.

PROXY FORM

IMPERIAL GROUP MEDICAL SCHEME

I, _____,

being a member of Imperial Group Medical Scheme, do hereby appoint

who is a member of this Scheme or, failing him/her, the Chairperson of the meeting, as my proxy to attend and vote on my behalf at the Annual General Meeting convened for Thursday, 17 July 2014.

Dated this _____ day of _____ 2014

Signature of member: _____

Membership number of member: _____

Signature of proxy: _____

Membership number of proxy: _____

Please return this proxy to:

The Principal Officer
Imperial Group Medical Scheme
PO Box 2140
Houghton
2041

or fax it to: **0866 738 093**



To reach the Principal Officer by no later than 48 hours before the start of the meeting

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www.imperialgroupmed.co.za