

# NOTICE OF THE ANNUAL GENERAL MEETING TO BE HELD ON 11 JULY 2019



*INCLUDING THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018*

# *IMPORTANT NOTICES TO ALL MEMBERS*

## **TWENTY-THIRD ANNUAL GENERAL MEETING**

Notice is hereby given that the twenty-third Annual General Meeting of Members of the Imperial Group Medical Scheme will be held in the Boardroom of Motus Head Office, 1 Van Buuren Road, corner of Van Dort Street and Geldenhuis Road, Bedfordview, on Thursday 11 July 2019 at 15:00.

## **UNDESIRABLE BUSINESS PRACTISE**

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 Council for Medical Schemes 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 Council for Medical Schemes website at [www.medicalschemes.com](http://www.medicalschemes.com) under Circulars (Circular 15 of 2018).

# AGENDA

## 1. CONFIRMATION OF MINUTES

To confirm the minutes of the Imperial Group Medical Scheme Annual General Meeting held on 12 July 2018.

## 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 2018.

## 3. APPOINT AUDITORS

To appoint Auditors in terms of Rule 22.1.

## 4. APPOINTMENT OF A TRUSTEE

One member-elected Trustee to be appointed (a nomination form is included on **pages 70** and **71**).

## 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 72**.

Notice of motions to be placed before the Annual General Meeting must reach the Scheme's Office no later than seven (7) days before the meeting and can be sent to:

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

OR

The Principal Officer  
Imperial Group Medical  
Scheme  
2<sup>nd</sup> Floor Wilds View 2  
Isle of Houghton  
36 Boundry Road  
Houghton Estate 2041

OR

Fax to  
0866 738 093

BY ORDER OF THE BOARD OF TRUSTEES



**Johannes Jacobus van der Walt**  
Principal Officer  
Imperial Group Medical Scheme

# MINUTES OF THE TWENTY-SECOND ANNUAL GENERAL MEETING

*OF THE IMPERIAL GROUP MEDICAL SCHEME HELD IN THE BOARDROOM, HINGHAM OFFICE PARK, JEPPE QUONDAM, 79 BOEING ROAD EAST, BEDFORDVIEW, ON 12 JULY 2018 AT 15:00*

## WELCOME AND APOLOGIES

Mr. Van Der Walt, Principal Officer of Imperialmed, welcomed all present and informed the meeting that an apology was received for the Chairman of the Board Mr. O Arbee. It was proposed that Mr. O Janse van Rensburg stand in as the acting Chairman for the AGM, which was accepted by the meeting.

Mr. Janse van Rensburg confirmed that a quorum was present in terms of the rules of the Scheme and the meeting was properly constituted. Eleven members were present at the meeting, including Mr. R Mumford, the Chairman of the Imperialmed Audit Committee who is a member of Imperialmed.

## 1. APPROVAL OF THE MINUTES OF THE ANNUAL GENERAL MEETING HELD ON 13 JULY 2017

The minutes of the Annual General Meeting held on 13 July 2017 were distributed to all members in advance and made available at the meeting. The content of the minutes were **approved** as being a true reflection of the meeting.

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PROPOSED: Mr. J van der Walt

SECONDED: Mr. C van Wyk

## 2. ADOPTION OF REPORTS AND ACCOUNTS

The Report of the Board of Trustees, as well as the Auditor's Report and the statements of accounts for the year ended 31 December 2017, were distributed to all members with the AGM Notice and were tabled at the Meeting. The content of these documents were **adopted** by the attendees of the meeting.

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PROPOSED: Ms. P Fiddes

SECONDED: Mr. F Meier

### 3. APPOINTMENT OF AUDITORS

Mr. Janse van Rensburg, acting Chairman for the meeting confirmed that the appointment of Deloitte & Touche was recommended by the Audit Committee Meeting. The proposal was **accepted** by the attendees at the AGM and Deloitte & Touche was re-appointed for the ensuing year.

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PROPOSED: Mr. C van Wyk

SECONDED: Mr. J van der Walt

### 4. APPOINTMENT OF TRUSTEES

Mr. van Der Walt informed the meeting that one of the Member Elected Trustees, Mr. F Meier has reached the end of his three-year term and indicated his availability for re-election. Two nominations were received, of which one was for Mr. Meier and one for Mr. J Berman, currently an alternate Trustee. A total of 34 valid proxies were received for Mr. Meier and 230 valid proxies were received for Mr. Berman. Mr. Van Der Walt informed the meeting that Ms. Schroeder-Swartz inadvertently omitted to bring Ballot forms to the meeting. However, it was confirmed that voting can be done by show of hands, which is in accordance with the Scheme Rules. By show of hands, ten of the attendees voted for Mr. Meier and one attendee voted for Mr. Berman. The total number of votes for Mr. Meier, which includes the proxies received, was 44 and the total number of votes for Mr. Berman, including proxies received was 231. Mr. Berman was therefore appointed as the Member Elected Trustee and Mr. Meier becomes the alternate member elected Trustee for the next three-year term. Mr. Berman will be informed of his appointment by Scheme Management.

### 5. OTHER BUSINESS

There was no other business raised for discussion.

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

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Chairman

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Date



# *ANNUAL FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED 31 DECEMBER 2018*

Registration number: 01559

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

Imperial Group Medical Scheme  
2<sup>nd</sup> Floor Wilds View 2  
Isle of Houghton  
36 Boundry Road  
Houghton Estate  
2041

# REPORT OF THE BOARD OF TRUSTEES

Registration number: 01559

The Board of Trustees hereby presents its report for the year ended 31 December 2018.

## 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 eligible members of the Scheme. Both benefit options cover prescribed minimum benefits in full. The Imperialmed 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 Imperialmed Budget Plan provides 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

OS Arbee	Employer representative: Chairman
ADSS Sarria	Member representative
PRW Meier	Employer representative: From 1 August 2018 (member elected until 12 July 2018)
PMAS Fiddes	Member representative
CFP de Klerk	Employer representative: Terminated 31 July 2018
OJ Janse van Rensburg	Employer representative
S Tewary-Ahmed	Alternate member
JD Berman	Member representative: Appointed 12 July 2018



## 2. MANAGEMENT (CONTINUED)

### 2.2 Principal Officer

**JJ van der Walt**

Wilds View 2	PO Box 2140
Isle of Houghton	Houghton
36 Boundry Road	2041
Houghton Estate	
2041	

### 2.3 Registered office address and postal address

Wilds View 2	PO Box 2140
Isle of Houghton	Houghton
36 Boundry Road	2041
Houghton Estate	
2041	

### 2.4 Medical Scheme Administrator during the year

**MMI Health (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**

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

Financial Service Provider Number: 548

## 2. MANAGEMENT (CONTINUED)

### 2.5 Investment managers during the year (continued)

#### Investec Asset Management SA (Pty) Ltd

36 Hans Strijdom Avenue  
Cape Town  
8001

Financial Service Provider Number: 587

#### Stanlib Asset Management (Pty) Ltd

17 Melrose Boulevard  
Melrose Arch  
Johannesburg  
2196

Financial Service Provider Number: 719

#### Sygnia Asset Management (Pty) Ltd

7<sup>th</sup> 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

7<sup>th</sup> Floor, The Foundry  
Cardiff Street  
Green Point  
Cape Town  
8001

Financial Service Provider Number: 873

## 2. MANAGEMENT (CONTINUED)

### 2.7 Actuary

Mr Gary Scott (B.Sc FASSA)

NMG Consultants and Actuaries (Pty) Ltd

Belvedere Office Park Block B  
Pasita Street  
Bellville  
South Africa  
7535

### 2.8 Auditors

**Deloitte & Touche**

1 <sup>st</sup> 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.

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 2018.

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 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 – 2018

	2018 IMPERIALMED HEALTH PLAN	2018 IMPERIALMED BUDGET PLAN	2018 TOTAL	2017 IMPERIALMED HEALTH PLAN	2017 IMPERIALMED BUDGET PLAN	2017 TOTAL
Number of members at the end of the year	6 891	810	7 701	6 970	704	7 674
Average number of members for the year	6 948	772	7 720	7 211	685	7 896
Number of beneficiaries at the end of the year	16 137	1 539	17 676	16 255	1 331	17 586
Average number of beneficiaries for the year	16 289	1 441	17 730	16 849	1 297	18 146
Average age per beneficiary	30	26	29	30	26	29
Dependant ratio to members at 31 December	1.34	0.90	1.30	1.33	0.89	1.29
Pensioner ratio	3.30%	1.82%	3.09%	3.21%	1.73%	3.09%
Average net contributions per member per month	R4 463	R2 297	R4 247	R4 162	R2 167	R3 989
Average net contributions per beneficiary per month	R1 904	R1 231	R1 849	R1 781	R1 144	R1 736
Average relevant healthcare expenditure per member per month	R4 277	R1 690	R3 937	R3 712	R1 418	R3 437
Average relevant healthcare expenditure per beneficiary per month	R1 824	R905	R1 714	R1 589	R749	R1 496
Average administration cost per member per month	R262	R262	R262	R251	R251	R251
Average administration cost per beneficiary per month	R112	R140	R114	R107	R133	R109
Average healthcare management expense per member per month	R81	R81	R81	R76	R76	R76
Average healthcare management expense per beneficiary per month	R35	R44	R35	R33	R40	R33
Non-healthcare expenditure per average beneficiary per month	R111	R140	R114	R110	R136	R112
Non-health administration expenses as a percentage of gross contribution income	5.85%	11.36%	6.15%	6.16%	11.84%	6.43%
Gross claims as a percentage of gross contributions	95.82%	73.56%	94.62%	89.19%	65.43%	88.07%
Average accumulated funds per member at 31 December	R48 650	R48 650	R48 650	R45 759	R45 759	R45 759
Return on investments as a percentage of investments	4.17%	4.17%	4.17%	5.94%	5.94%	5.94%

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

### 5.2 Results of the Scheme

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

The Scheme has seen continued growth in membership during 2018. It is mainly due to new Imperial employees joining the Scheme.

### 5.3 Solvency ratio

The solvency is calculated as follows:

Total members' funds per statement of financial position

2018	2017
R	R
374 653 433	387 011 992
Less:	
Cumulative unrealised gains on financial assets at fair value through profit and loss	
(10 461 596)	(35 854 626)
Accumulated funds per regulation 29	
364 191 837	351 157 366
Gross contributions	
393 412 685	377 987 860
Accumulated funds ratio	
92.6%	92.9%

Less:

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

Accumulated funds per regulation 29

Gross contributions

Accumulated funds ratio

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 25.

The Fund adopted IFRS9 during 2018. As a result thereof, the Fund's investments were classified as financial assets at fair value through profit and loss. The revaluation reserve was reclassified to the General Reserve and any unrealised gains on the Fund's investments were disclosed as part of profit and loss. 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 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, 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 2018.

## 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

There have been no events that have occurred subsequent to the end of the accounting period that affect the 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 and related party transactions disclosed in note 18 to the annual financial statements.

## 11. 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 five 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:

- » 11 April 2018; and
- » 17 October 2018.

The Chairperson of the Scheme, the administrator's financial manager and the external auditors have unrestricted access to the chairman of the Audit Committee.

## 11. AUDIT COMMITTEE (CONTINUED)

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 R Mumford (Chairman)
- » Mr L Hollander: Terminated 31 May 2018
- » Mr PRW Meier (Member representative)
- » Mr G Nzalo: Terminated 21 November 2018
- » Mr CFP de Klerk (Employer representative)
- » Mr JG de Beer: Appointed 1 June 2018

No fees were paid to the Audit Committee members in 2018.

## 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/ CONTRIBUTION REVIEW MEETINGS		ANNUAL GENERAL MEETING		BENEFIT REVIEW	
	A	B	A	B	A	B
<b>Board of Trustee (BOT) members</b>						
OS Arbee (Chairman)	3	0	1	0	1	0
CFP de Klerk: Terminated as Employer-elected Trustee 31 July 2018	2	1	1	1	1	1
OJ Janse van Rensburg	3	3	1	1	1	1
PRW Meier: Member appointed until 12 July 2018, then appointed Employer-elected Trustee 1 August 2018	3	3	1	1	1	1
ADSS Sarria	3	3	1	0	1	0



## 12. TRUSTEE MEETING ATTENDANCE (CONTINUED)

	TRUSTEE/ CONTRIBUTION REVIEW MEETINGS		ANNUAL GENERAL MEETING		BENEFIT REVIEW	
	A	B	A	B	A	B
<b>Board of Trustee (BOT) members</b>						
PMSA Fiddes	3	2	1	1	1	1
S Tewary (alternate)	3	3	1	1	1	1
JD Berman: Appointed as member-elected Trustee 12 July 2018	2	2	1	0	0	0

	TRUSTEE/ CONTRIBUTION REVIEW MEETING		AUDIT COMMITTEE MEETINGS		ANNUAL GENERAL MEETING		BENEFIT REVIEW	
	A	B	A	B	A	B	A	B
<b>Principal Officer</b>								
JJ van der Walt	3	3	2	2	1	1	1	1

	AUDIT COMMITTEE MEETINGS	
	A	B
<b>Audit committee members</b>		
R Mumford (Chairman) (C)	2	2
L Hollander (C): Terminated 31 May 2018	1	1
PRW Meier	2	2
CFP de Klerk	2	2
G Nzalo (C): Terminated 21 November 2018	2	1
JG de Beer (C): Appointed 1 June 2018	1	0

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)**

##### *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, which is in contravention of both the Scheme Rules and the Act since the contributions were paid late on a few occasions. A few instances on the debit order runs were also picked up where a member did 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 Employer Groups and members in accordance with the approved debt mandate provided by the Scheme.

#### **Section 59(2) and Regulation 6(2) of the Medical Schemes Act - Claims not settled within 30 days**

##### *Nature and impact*

Section 59(2) of the Medical Schemes Act states that a medical scheme shall pay a member or supplier of service, any benefit owing to that member or supplier within 30 days of receipt of the medical claim. In addition, Regulation 6(2) states that if the Medical Scheme is of the opinion that the account is erroneous or unacceptable for payment, it must inform both the member and the relevant health care provider within 30 days after receipt of such account.

##### *Causes for the failure*

An instance was detected where a claim payment was rejected due to the fact that the individual claim payment limit was exceeded with the bank. This was detected and a manual payment of the amount was made subsequently which resulted in the 30-day time period for claim settlement being exceeded.

### 13. NON-COMPLIANCE MATTERS (CONTINUED)

#### **Section 59(2) and Regulation 6(2) of the Medical Schemes Act - Claims not settled within 30 days (continued)**

##### *Corrective action*

The Scheme continuously liaises with members and service providers relating to instances where claim payments are not timeously received and ongoing follow-up occurs. This is common in the industry and is not viewed as material.

#### **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 an indirect investment in Imperial Logistics Limited and Motus Holdings Limited through its linked insurance policy investment with Sygnia Life Limited.

The Scheme also holds an indirect investment in MMI Holdings Limited (holding company of the administrator), 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 6 September 2018, which was approved on 5 October 2018 for a further period of 12 months.

#### **Contravention of Section 33(2) of the Act - Option not financially sound**

##### *Nature and impact*

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and will be financially sound. As at the 31 December 2018, the Health option was in a net healthcare deficit position, thereby contravening Section 33(2) of the Act. The net healthcare deficit amounted to R14 378 090 (2017 surplus: R38 267 707).

### 13. NON-COMPLIANCE MATTERS (CONTINUED)

#### **Contravention of Section 33(2) of the Act - Option not financially sound (continued)**

##### *Causes for the failure*

The Scheme incurred specific high-cost claims during the year which resulted in claims incurred being greater than the budgeted.

##### *Corrective action*

The trustees continue to monitor the performance of the Scheme and they will make appropriate interventions during the annual benefit review process. As the solvency ratio at reporting date was 92.6% (2017: 92.9%), the Board of Trustees are comfortable that the Scheme would remain compliant with the minimum solvency ratio prescribed by the Medical Schemes Act.

pp



Chairman



Trustee



Principal Officer

Date: 23 April 2019

## STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES

The Trustees are responsible for the preparation, integrity and fair presentation of the annual financial statements of Imperial Group Medical Scheme, comprising the statement of financial position at 31 December 2018, 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 annual 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 Group Medical Scheme 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 annual financial statements. The Trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual 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 17 to 22.

### APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of Imperial Group Medical Scheme set out on pages 23 to 69 as identified in the first paragraph, were approved by the Board of Trustees on 23 April 2019 and are signed on its behalf by:

PP  


Chairman



Trustee



Principal Officer

## STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

Imperial Group Medical Scheme 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 administrators. 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 2018.

pp



Chairman



Trustee



Principal Officer

Date: 23 April 2019

# **INDEPENDENT AUDITOR'S REPORT**

## **REPORT ON THE FINANCIAL STATEMENTS**

### ***Opinion***

We have audited the financial statements of the Imperial Group Medical Aid Scheme (the Scheme) set out on pages 23 to 69, which comprise the statement of financial position as at 31 December 2018, 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 the 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 Group Medical Aid Scheme as at 31 December 2018, 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 the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of utmost 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 MATTERS	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p><b>OUTSTANDING CLAIMS PROVISION</b></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>The amount is disclosed on the face of the statement of financial position as well as in note 5 of the annual financial statements. This matter is considered a key audit matter as the underlying calculation requires the use of significant assumptions, estimates and judgement by management.</p>	<p>We performed testing on the claims listing post year end to ensure that it is accurate and complete;</p> <p>We performed a reasonability test on the IBNR by obtaining the value of claims paid in the first 3 months post year end with service dates in 2018 but submission dates in 2019, which we then compared to the IBNR recorded and recommended adjustments where necessary;</p> <p>We challenged key assumptions over future claims to be paid and the calculation methodology therein; and</p> <p>We engaged with management around the rational for any adjustments or decisions over and above the numeric calculation.</p>
<p><b>CLAIMS EXPENSE</b></p>	<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. Due to extensive audit focus and the high volume of claims processed by Imperial Group Medical Scheme, risk claims incurred was considered a key audit matter for this year end.</p>	<p>We assessed the report of internal audit over the claims control environment;</p> <p>We compared a sample of the claim expenses paid to the actual claim form submitted, the benefits balance and tariffs provided for in terms of the rules and the applicable PMB in order to assess validity of actual claims paid;</p> <p>We calculated the number of days between date of payment and date of receipt of claim, and investigated reasons for claims paid after more than 30 days;</p>



# 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
<p><b>CLAIMS EXPENSE</b></p>		<p>We tested whether the claims selected for testing were submitted within four months of treatment date;</p> <p>We used computer assisted audit techniques (“CAATs”) to identify potential duplicate claim payments, and tested a sample of these to verify whether these were “valid” duplicates; and</p> <p>We verified that contributions were up to date at the date of treatment where claims were paid, or obtained proof that appropriate approval was obtained from the Trustee to pay the claim.</p>

### *Other Information*

The Scheme’s Trustees are responsible for the other information. The other information comprises of the Report of 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 judgment 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 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 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 25 of the Annual 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 Group Medical Scheme for eleven years. The engagement partner below has been responsible for the audit for one year.



#### **DELOITTE & TOUCHE**

Registered Auditors

Per: Brian Botes

Partner

26 April 2019

## STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	2018 R	2017 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit and loss	2	242 060 843	258 614 564
<b>Current assets</b>			
Trade and other receivables	3	160 786 072	155 024 230
Cash and cash equivalents	4	7 425 994	6 946 941
		153 360 078	148 077 289
<b>Total assets</b>		402 846 915	413 638 794
<b>FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
Accumulated funds		374 653 433	387 011 992
Available-for-sale reserve		374 653 433	351 157 366
		-	35 854 626
<b>Current liabilities</b>			
Outstanding claims provision	5	28 193 482	26 626 802
Trade and other payables	6	14 380 159	13 637 655
		13 813 323	12 989 147
<b>Total funds and liabilities</b>		402 846 915	413 638 794

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		R	R
<b>Net contribution income</b>	7	393 412 685	377 987 860
<b>Relevant healthcare expenditure</b>		(372 243 769)	(332 885 099)
Net claims incurred	8	(364 723 361)	(325 673 440)
Claims incurred		(365 181 574)	(326 356 273)
Third party claim recoveries		458 213	682 833
Managed care: management services	9	(7 520 408)	(7 211 659)
<b>Gross healthcare result</b>		21 168 916	45 102 761
Administration and other expenses	10	(24 237 823)	(23 776 111)
Net impairment on healthcare receivables	11	48 597	(517 906)
<b>Net healthcare result</b>		(3 020 310)	20 808 744
<b>Other income and expenditure</b>		(9 338 249)	23 412 833
Investment income	12	3 006 890	3 227 002
Realised gains on financial assets	13, 14	13 488 987	20 926 110
Other income		453 654	-
Asset management fees		(894 750)	(740 279)
Unrealised losses on financial assets at fair value through profit and loss	2, 4	(25 393 030)	-
<b>(Deficit)/Surplus for the year</b>		(12 358 559)	44 221 577
<b>Other comprehensive income</b>			
Unrealised profit on revaluation of available-for-sale	2,4	-	14 708 166
<b>Total comprehensive (loss)/income for the year</b>		(12 358 559)	58 929 743

## STATEMENT OF CHANGES IN FUNDS AND RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2018

	Accumulated funds	Available-for-sale reserve	Total members' funds
	R	R	R
<b>Balance as at 1 January 2017</b>	306 935 789	21 146 460	328 082 249
Surplus for the year	44 221 577	-	44 221 577
Other comprehensive income		14 708 166	14 708 166
Reclassification adjustments relating to investments disposed		(20 926 110)	(20 926 110)
Net gain arising on revaluation of investments		35 634 276	35 634 276
<b>Balance as at 31 December 2017</b>	<b>351 157 366</b>	<b>35 854 626</b>	<b>387 011 992</b>
Deficit for the year	(12 358 559)	-	(12 358 559)
Transfer from available-for-sale reserve	35 854 626	(35 854 626)	-
<b>Balance as at 31 December 2018</b>	<b>374 653 433</b>	<b>-</b>	<b>374 653 433</b>

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 R	2017 R
<b>Cash flows utilised in operating activities</b>			
Cash flows generated from operations before working capital changes	16	18 464 444	39 966 303
Working capital changes			
(Increase)/decrease in trade and other receivables (gross of impairments)		(430 456)	7 932 376
Increase in trade and other payables		824 016	4 010 561
Payments on outstanding claims provision		(14 472 764)	(11 671 032)
<b>Cash flows from operating activities</b>		4 385 239	40 238 208
Investment income		3 006 890	3 227 002
<b>Net cash flows from operating activities</b>		7 392 129	43 465 210
<b>Cash flows from investing activities</b>			
Purchase of investments	2	(227 010 736)	(186 257 351)
Proceeds on disposal of investments	2	224 901 396	165 725 000
<b>Net cash flows from investing activities</b>		(2 109 340)	(20 532 351)
<b>Net increase in cash and cash equivalents</b>		5 282 789	22 932 859
Cash and cash equivalents at the beginning of the year		148 077 289	125 144 430
<b>Cash and cash equivalents at the end of the year</b>	4	153 360 078	148 077 289



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 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 investments, which are carried at fair value. All monetary information and figures presented in these financial statements are stated in South African Rand.

#### *Standards adopted in the current year*

In the current year, the Scheme adopted the following standards and interpretations that are effective for the current financial year and are relevant to its operations:

#### *IFRS 9 financial instruments*

This standard includes changes in the measurement basis of the Schemes' financial assets to either amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). A key consideration for determining if a financial asset is classified as amortised cost, fair value through other comprehensive income or fair value through profit or loss is whether:

- » the contractual terms of the financial asset give rise to cash flows of the asset using the solely payment of principal and interest test (SPPI); and
- » the business model within which the asset is held (the business model test).

The Scheme's non-equity financial assets of trade and other receivables were considered, and it is concluded they are held to obtain contractual cash flows and they are all held for the collection of SPPI and as such it is appropriate to classify as amortised cost financial assets.

**Notes to the Annual Financial Statements  
For the year ended 31 December 2018**

**1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**1.1 Basis of preparation (continued)**

*IFRS 9 financial instruments (continued)*

Pooled investment vehicles failed the SPPI test resulting in mandatory classification as fair value through profit or loss financial assets. This is a change from the classification under IAS 39 in terms of which available-for-sale investments were carried at fair value through other comprehensive income.

With IFRS 9, a new method of assessing impairment of financial assets is applied. Under IAS 39, an entity only considered those impairments that arise as a result of “incurred loss” events. The effects of possible future loss events cannot be considered, even when they are expected whereas the IFRS 9 impairment model has been changed to an “expected credit loss” (ECL) model and led to consideration in the Scheme for a provision for bad debts. The Scheme assessed the nature of receivables and impact of a move to an ECL model. The move to an ECL model did not have a material impact on the Scheme.

The standard has been applied prospectively. The only impact on the Scheme on initial adoption of IFRS 9 has been that available-for-sale investment carried at fair value through other comprehensive income under IAS 39 has been classified as financial assets at fair value through profit or loss under IFRS 9. This has resulted in the revaluation reserve previously carried under IAS 39 being reclassified to accumulated funds on the date of adoption of IFRS 9 being 1 January 2018.

Reclassifications of financial instruments on adoption of IFRS 9

Financial assets at beginning of 2018	FVPL	FVOCI Available for sale
	R	R
Opening balance – IAS 39		258 614 564
Reclassification of investments from available-for-sale at FVOCI to FVPL	258 614 564	(258 614 564)
Opening balance – IFRS 9	258 614 564	

## 1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 1.1 Basis of preparation (continued)

#### *IFRS 9 financial instruments (continued)*

On the date of initial application, 1 January 2018, the financial instruments of the Scheme were as follows, with any reclassification noted:

	Original IAS 39	New IFRS 9	Original IAS 39	New IFRS 9	Difference
	R	R	R	R	R
<b>Non-current assets</b>					
Available-for-sale investments	Available for sale	FVPL	258 614 564	258 614 564	-
<b>Current financial assets</b>					
Cash and cash equivalents	Amortised cost	Amortised cost	148 077 289	148 077 289	-
Insurance and other receivables	Amortised cost	Amortised cost	6 946 941	6 946 941	-
<b>Current financial liabilities</b>					
Insurance and financial liabilities	Amortised cost	Amortised cost	12 989 147	12 989 147	-
Outstanding claims provision	Amortised cost	Amortised cost	13 637 655	13 637 655	-

## 1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 1.2 Financial instruments

#### *Classification*

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

#### *(a) Financial assets at fair value through profit and 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) Loans and 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 Scheme' 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.

#### *(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.

## 1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 1.2 Financial instruments (continued)

#### *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.

#### *Debt instruments*

Subsequent measurement of debt instruments is at FVTPL.

#### *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.

#### *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.

## 1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 1.2 Financial instruments (continued)

#### *Fair value measurement (continued)*

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 arms'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 a much use of available and supportable market data as possible).

#### *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 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.

#### *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.

#### *Financial liabilities*

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

#### *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

## 1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 1.3 Provisions (continued)

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.

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.

## 1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 1.6 Relevant healthcare expenditure (continued)

#### *Claims (continued)*

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).

#### *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 is 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.

### 1.8 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. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 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 Fund 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 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 annual financial statements, are disclosed in Note 23.

### 1.13 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.

### 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.

Notes to the Annual Financial Statements  
For the year ended 31 December 2018

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

The following items are directly allocated to benefit options:

- » Risk contribution income
- » Relevant healthcare expenditure

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

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
Fair value at the beginning of the year	258 614 564	207 361 645
Additions	227 010 736	186 257 351
Disposals	(224 901 396)	(165 725 000)
Net (loss)/gain	(18 663 061)	30 720 568
Realised gain on disposal of financial assets at fair value through profit and loss	12 234 023	20 926 110
Unrealised (loss)/gain on financial assets at fair value through profit and loss	(30 897 084)	9 794 458
Fair value at the end of the year	242 060 843	258 614 564
<b>Invested with</b>		
Sygnia Life Limited	242 060 843	258 614 564

### 3. TRADE AND OTHER RECEIVABLES

	2018	2017
	R	R
<b>Insurance receivables</b>		
Contributions outstanding	7 296 158	6 832 820
Recoveries from members	246 542	324 072
Supplier overpayments	211 618	295 664
	7 754 318	7 452 557
Less: allowance for expected credit losses	(393 597)	(560 787)
	7 360 721	6 891 770
<b>Non-insurance receivables</b>		
Accrued investment income	45 273	35 171
Prepaid expenses	20 000	20 000
	7 425 994	6 946 941
<b>Analysis of movement in respect of insurance receivables</b>		
Balance at the beginning of the year	7 452 557	14 373 361
Movements for current year	301 761	(6 920 804)
Balance at the end of the year	7 754 318	7 452 557

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

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4. CASH AND CASH EQUIVALENTS

	2018	2017
	R	R
Call accounts	32 751 958	48 502 901
Current accounts	33 300 742	21 133 936
Money market	87 307 378	78 440 452
Total cash and cash equivalents	153 360 078	148 077 289

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 4.85% (2017: 4.75%) and deposits were 5.97% (2017: 6.9%). 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 gains through profit and loss of R5 504 054 (2017: R4 913 708).

The movement in money market instruments includes realised gains through profit and loss of R1 254 964 (2017: R nil).

## 5. OUTSTANDING CLAIMS PROVISION

	Not covered by risk transfer arrangements 2018	Not covered by risk transfer arrangements 2017
	R	R
Provision for outstanding claims – incurred but not yet reported	14 380 159	13 637 655
Provision arising from liability adequacy test	-	-
	14 380 159	13 637 655
<b>Analysis of movements in outstanding claims</b>		
Balance at beginning of year	13 637 655	10 842 463
Payments in respect of prior year	(14 472 764)	(11 671 032)
Under provisions in the prior year	(835 109)	(828 569)
Adjustment for current year	15 215 268	14 466 224
Balance at end of year	14 380 159	13 637 655

### 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 months;
- » 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:

	2018	2017
	%	%
Claims outstanding for:		
» December	48	37
» November	8	11
» October	3	6
» September	1	2
» August and prior	0	0

### *Changes in assumptions and sensitivities to changes in key variables*

The table overleaf 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.

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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 is set out below:

	Increase in liability 2018	Increase in liability 2017
	R	R
Effect of a 1% increase in assumed percentage	1 418 000	1 226 000
Effect of a 2% increase in assumed percentage	2 875 000	2 482 000
Effect of a 3% increase in assumed percentage	4 373 000	3 770 000

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.

6. TRADE AND OTHER PAYABLES

**Insurance payables**

Contributions overpaid or unmatched contributions

30 610

76 942

Claims reported not yet paid

12 689 216

11 769 499

**Non insurance payables**

1 093 497

1 142 706

Audit fees

375 314

400 576

Sundry creditors

718 183

742 130

13 813 323

12 989 147

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

2018	2017
R	R
393 412 685	377 987 860

## 8. RELEVANT HEALTHCARE EXPENDITURE

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

Current year claims

349 966 306      311 890 049

Movement in outstanding claims provision

15 215 268      14 466 224

Under provision in prior year

835 109      828 569

Provision balance at the end of the year

14 380 159      13 637 655

Total claims incurred

365 181 574      326 356 273

Less: Third party recoveries

(458 213)      (682 833)

**Total relevant healthcare expenditure**

**364 723 361      325 673 440**

## 9. MANAGED CARE: MANAGEMENT SERVICES

Specialist, hospital referrals and pre-authorisations

2 677 226      2 338 792

HIV/AIDS management

571 687      498 094

Pharmacy Benefit Management

784 375      685 002

Disease Risk Management

1 422 453      1 242 789

Medicine Risk Management

1 430 330      1 249 639

Specialist network management: MMI Health

562 074      632 159

GP Network Management

72 263      565 183

**7 520 408      7 211 659**

**Notes to the Annual Financial Statements  
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**10. ADMINISTRATION AND OTHER EXPENSES**

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
Administrator's fees	14 609 398	14 193 165
Audit fees	378 925	380 172
Actuarial fees	791 775	752 400
Bank charges	284 607	405 571
Benefit management services: Europe Assist	156 062	151 184
Board of Healthcare Funders' levies	2 513	93 260
Commission	1 555 923	1 500 554
Council for Medical Schemes' levies	374 092	273 530
Fidelity guarantee and professional indemnity insurance premium	20 000	20 000
Legal fees	2 964	87 869
Multiply Wellness Programme	-	452 298
Other expenses	-	16 416
Principal Officer's fees: Cedar Employee Benefits	-	108 636
Principal Officer's fees: JJ van der Walt	250 800	140 000
Printing & stationery	475 189	79 807
Scheme management services	5 335 575	5 121 249
	24 237 823	23 776 111

**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 Employer of the Principal Officer	-	108 636
Paid to the Principal Officer	250 800	140 000
	250 800	248 636

## 11. NET IMPAIRMENT ON HEALTHCARE RECEIVABLES

	2018	2017
	R	R
<i>Trade and other receivables</i>		
Contributions that are not collectable	(48 884)	(26 493)
Movement in the allowance account for expected credit losses	(48 884)	(26 493)
Members' and service providers' portions that are not recoverable	97 481	(491 413)
Movement in the allowance account for expected credit losses	216 074	(488 327)
Written off	(118 593)	(3 086)
	48 597	(517 906)

## 12. INVESTMENT INCOME

Interest income	3 006 890	3 221 217
Dividend income	-	5 785
	3 006 890	3 227 002

## 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	13 488 987	-
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## 14. REALISED GAIN ON INVESTMENTS

Realised gains on disposal of available-for-sale investments	-	20 926 110
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Notes to the Annual Financial Statements  
For the year ended 31 December 2018

15. SURPLUS AFTER INVESTMENT INCOME, OTHER INCOME AND OTHER EXPENDITURE, PER BENEFIT OPTION

	Imperialmed Health Plan	Imperialmed Budget Plan	Imperialmed
	R	R	R
<b>2018</b>			
<b>Net contribution income</b>	372 130 853	21 281 832	393 412 685
<b>Relevant healthcare expenditure</b>	356 588 543	15 655 226	372 243 769
Net claims incurred	349 820 608	14 902 753	364 723 361
Claims incurred	350 233 895	14 947 680	365 181 575
Third party claim recoveries	(413 287)	(44 927)	(458 214)
Managed care: management services	6 767 935	752 473	7 520 408
<b>Gross healthcare result</b>	15 542 310	5 626 606	21 168 916
Administration and other expenses	(21 812 822)	(2 425 002)	(24 237 824)
Net impairment charges on healthcare receivables	41 630	6 968	48 598
<b>Net healthcare result</b>	(6 228 882)	3 208 572	(3 020 310)
<b>Other income</b>	15 378 049	1 571 482	16 949 531
Investment income	2 843 996	162 894	3 006 890
Realised gains on financial assets at fair value through profit and loss	12 128 115	1 360 872	13 488 987
Sundry income	405 938	47 716	453 654
<b>Other expenditure</b>	(23 527 257)	(2 760 523)	(26 287 780)
Asset management fees	(805 095)	(89 655)	(894 750)
Unrealised losses on financial assets at fair value through profit and loss	(22 722 162)	(2 670 868)	(25 393 030)
<b>(Deficit)/Surplus for the year</b>	(14 378 090)	2 019 531	(12 358 559)

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

	Imperialmed Health Plan	Imperialmed Budget Plan	Imperialmed
	R	R	R
<b>2017</b>			
<b>Net contribution income</b>	360 176 725	17 811 135	377 987 860
<b>Relevant healthcare expenditure</b>	321 230 936	11 654 163	332 885 099
Net claims incurred	314 645 227	11 028 213	325 673 440
Claims incurred	315 267 588	11 088 685	326 356 273
Third party claim recoveries	(622 361)	(60 472)	(682 833)
Managed care: management services	6 585 709	625 950	7 211 659
<b>Gross healthcare result</b>	38 945 789	6 156 972	45 102 761
Administration and other expenses	(21 712 489)	(2 063 622)	(23 776 111)
Net impairment charges on healthcare receivables	(472 405)	(45 501)	(517 906)
<b>Net healthcare result</b>	16 760 895	4 047 849	20 808 744
<b>Other income</b>	22 182 640	1 970 472	24 153 112
Investment income	3 077 162	149 840	3 227 002
Realised gains on investments	19 105 478	1 820 632	20 926 110
Sundry income	-	-	-
<b>Other expenditure</b>	(675 828)	(64 451)	(740 279)
Asset management fees	(675 828)	(64 451)	(740 279)
<b>Surplus for the year</b>	38 267 707	5 953 870	44 221 577

Notes to the Annual Financial Statements  
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**16. CASH FLOWS GENERATED FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES**

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
(Deficit)/Surplus for the year	(12 358 559)	44 221 577
Adjustments for:		
Impairment reversal on healthcare receivables	(48 597)	517 906
Investment income	(3 006 890)	(3 227 002)
Realised gains on disposal of available-for-sale-investments	(12 234 007)	(20 926 110)
Adjustment to the provision for outstanding claims	15 215 268	14 466 224
Unrealised losses on financial assets at fair value through profit and loss	30 897 229	4 913 708
Cash inflows from operations before working capital changes	<u>18 464 444</u>	<u>39 966 303</u>

**17. 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 2018, amounted to R20 million (2017: R20 million).

**18. RELATED PARTY TRANSACTIONS**

**Background information**

<b>RELATED ENTITIES INCLUDES</b>	<b>RELATIONSHIP</b>
MMI Health (Pty) Ltd	Administrator
MMI Health (Pty) Ltd	Managed care provider
NMG Consultants and Actuaries (Pty) Ltd	Actuaries
Imperial Logistics Limited and Motus Holdings Limited	Employer
Medi Call (Pty) Ltd	Key management personnel
Board of Trustees	Key management personnel
Principal Officer	Key management personnel

## 18. RELATED PARTY TRANSACTIONS (CONTINUED)

### Parties with significant influence over the Scheme

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

Managed care organisation, MMI Health (Pty) Ltd, a wholly owned subsidiary of MMI 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.

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:

<b>Contributions received</b>	This constitutes the contributions paid by the related party as a member of the Scheme, in their individual capacity. All contributions were at the same terms as applicable to other members.
<b>Claims incurred</b>	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.
<b>Contribution debtor</b>	This constitutes outstanding contributions payable. The amounts are due immediately. No provisions for doubtful debts have been raised on these amounts.

## 18. RELATED PARTY TRANSACTIONS (CONTINUED)

### Transactions with entities that have significant influence over the Scheme:

	2018	2017
	R	R
<b>Statement of comprehensive income</b>		
Administration fees	14 609 398	14 193 165
Managed care fees	7 520 408	7 211 659
Actuarial fees	791 775	752 400
<b>Statement of financial position</b>		
Actuarial fees due	-	62 700
Managed care fees due	32 370	97 268
Scheme management service fees due	445 262	418 394
Printing and stationery due	87 354	-
<b>Transactions with key management personnel:</b>		
<b>Statement of comprehensive income</b>		
Trustees' and Principal Officer's contributions received	559 671	521 496
Trustees' and Principal Officer's claims incurred	1 423 556	648 361
Principal Officer's fees - Cedar Employee Benefits (Pty) Ltd	-	108 636
Principal Officer's fees - JJ van der Walt	250 800	140 000
Scheme management service	5 335 575	5 121 249



## 18. RELATED PARTY TRANSACTIONS (CONTINUED)

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

TRANSACTION	NATURE OF TRANSACTIONS AND TERMS AND CONDITIONS THEREOF
<b>ADMINISTRATION FEES</b>	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 MMI Health (Pty) Ltd effective 1 January 2017.
<b>MANAGED CARE FEES</b>	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 MMI Health (Pty) Ltd effective 1 January 2017.
<b>ACTUARIAL FEES</b>	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.
<b>SCHEME MANAGEMENT SERVICES</b>	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.

## 19. 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.

## 19. INSURANCE RISK MANAGEMENT (CONTINUED)

2018

AGE GROUPING (IN YEARS)		GENERAL PRACTITIONERS	SPECIALISTS	DENTISTRY	OPTOMETRY	MEDICINES	HOSPITAL	OTHER	TOTAL
		R	R	R	R	R	R	R	R
< 26	Net	4 455 213	19 626 008	3 971 685	1 258 948	8 741 880	31 725 479	6 753 133	76 532 346
26 – 35	Net	3 114 915	16 249 184	2 288 042	1 637 895	5 626 853	22 032 466	3 658 477	54 607 832
36 – 50	Net	3 951 406	27 971 578	4 082 549	3 008 106	14 630 384	38 934 850	6 515 641	99 094 514
51 – 65	Net	1 888 730	21 313 436	2 195 159	1 599 632	13 184 194	32 210 523	5 451 642	77 843 316
> 65	Net	565 934	10 921 418	728 070	385 973	5 856 947	20 008 258	3 421 698	41 888 298
Total current year claims	Net	13 976 198	96 081 624	13 265 505	7 890 554	48 040 258	144 911 576	25 800 591	349 966 306

2017

AGE GROUPING (IN YEARS)		GENERAL PRACTITIONERS	SPECIALISTS	DENTISTRY	OPTOMETRY	MEDICINES	HOSPITAL	OTHER	TOTAL
		R	R	R	R	R	R	R	R
< 26	Net	4 257 798	17 393 579	4 135 611	1 334 892	8 915 776	32 035 983	5 724 943	73 798 582
26 – 35	Net	2 952 905	14 559 990	2 307 530	1 530 648	5 340 453	21 107 670	3 531 389	51 330 585
36 – 50	Net	3 848 447	23 618 110	3 737 777	2 677 990	14 097 897	30 832 393	5 706 414	84 519 028
51 – 65	Net	1 759 016	19 060 716	2 278 690	1 488 020	13 262 271	24 998 477	4 469 411	67 316 601
> 65	Net	545 536	9 268 325	641 118	358 473	5 452 772	15 293 871	3 365 158	34 925 253
Total current year claims	Net	13 363 702	83 900 720	13 100 726	7 390 023	47 069 169	124 268 394	22 797 315	311 890 049

## **19. 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.

## 20. 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 experiences.

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 2018 was 92.6% (2017: 92.9%), 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 2017 to 31 December 2018.

## 21. 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.

## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2018	2017
	R	R
Financial assets at fair value through profit and loss	242 060 843	258 614 564
Cash and cash equivalents	153 360 078	148 077 289
Trade and other receivables	7 425 994	6 946 941
Loans and receivables	65 273	55 171
Insurance receivables	7 360 721	6 891 770
Trade and other payables	13 813 323	12 989 147
Provisions and payables	1 093 497	1 142 706
Insurance payables	12 719 826	11 846 441

### 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.

## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 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 surplus and total members' funds based on a decrease of 1% or decrease of 5% in the market interest rates applicable at 31 December 2018, for each class of financial instrument with all other variables remaining constant as follows:

#### Sensitivity analysis table at 31 December 2018

	2018 Actual	Interest rate decreases by 1%	Interest rate decreases by 5%
	R	R	R
Change in interest bearing financial assets through profit and loss	73 380 737	(733 807)	(3 669 037)
Change in cash and cash equivalents	153 360 078	(1 533 601)	(7 668 004)

	2017 Actual	Interest rate decreases by 1%	Interest rate decreases by 5%
	R	R	R
Change in interest bearing available-for-sale instruments	80 584 892	(805 849)	(4 029 245)
Change in cash and cash equivalents	148 077 289	(1 480 773)	(7 403 864)

#### 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 2018 remain until maturity or settlement without any action by the Scheme to alter the resulting interest rate exposure.

## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 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 exists for the equity price risk as the investments are diversified to minimise the risk to the Scheme.

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

	2018 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	168 680 106	(1 422 181)	(7 929 264)
Loss	(12 358 559)	(13 780 740)	(20 287 823)
Total members' funds	374 653 433	373 231 252	366 724 169

	2017 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	178 029 672	(1 479 214)	(8 245 493)
Surplus	44 221 577	42 742 363	35 976 084
Total members' funds	387 011 992	385 532 778	378 766 499



## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Equity price risk management (continued)

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

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

### Currency risk

The Scheme operates in South Africa and therefore its cash flows are denominated in South African Rand (ZAR).

### 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
<b>2018</b>	<b>R</b>		
<i>Cash and cash equivalents</i>	18 884 505	ABSA	BB+
	107 152	African Bank	Not available
	16 593	Citibank	A+
	16 926 949	FirstRand	BB+
	9 751 024	Investec	BB+
	19 625 006	Nedbank	BB+
	87 952 746	Standard Bank	BB+
	21 490	HSBC	AA-
	74 613	Standard Chartered	A

## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk (continued)

#### *Cash and cash equivalents (continued)*

CREDIT RISK EXPOSURE	AMOUNT	COUNTER PARTY	CREDIT RATING
<b>2017</b>	<b>R</b>		
<i>Cash and cash equivalents</i>	14 382 353	ABSA	BBB-
	108 547	African Bank	Not available
	6	Citibank	A+
	15 145 137	FirstRand	BBB-
	6 172 175	Investec	BBB-
	34 709 056	Nedbank	BBB-
	77 258 052	Standard Bank	BBB-
	148 966	HSBC	AA+
	152 997	Standard Chartered	A+

The credit risk exposure on trade and other receivables has been set out on page 59 to 60 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 on the next page 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.

## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	MORE THAN 3 MONTHS	TOTAL
	R	R	R	R
<b>2018</b>				
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Outstanding claims provision	7 883 548	4 533 961	1 962 650	14 380 159
Trade and other payables	13 813 323	-	-	13 813 323
<b>Total current liabilities</b>	<b>21 696 871</b>	<b>4 533 961</b>	<b>1 962 650</b>	<b>28 193 482</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	153 360 078	-	-	153 360 078
Trade and other receivables	7 356 891	120 960	341 740	7 819 591
<b>Total current assets</b>	<b>160 716 969</b>	<b>120 960</b>	<b>341 740</b>	<b>161 179 669</b>
	<b>139 020 098</b>	<b>(4 413 001)</b>	<b>(1 620 910)</b>	<b>132 986 187</b>

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

	UP TO 1 MONTH	BETWEEN 1 AND 3 MONTHS	MORE THAN 3 MONTHS	TOTAL
	R	R	R	R
<b>2017</b>				
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Outstanding claims provision	8 444 403	3 983 285	1 209 967	13 637 655
Trade and other payables	12 989 147	-	-	12 989 147
<b>Total current liabilities</b>	<b>21 433 550</b>	<b>3 983 285</b>	<b>1 209 967</b>	<b>26 626 802</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	148 077 289	-	-	148 077 289
Trade and other receivables	6 754 088	319 985	1 632 755	8 706 828
<b>Total current assets</b>	<b>154 831 377</b>	<b>319 985</b>	<b>1 632 755</b>	<b>156 784 117</b>
	<b>133 397 827</b>	<b>(3 663 300)</b>	<b>422 788</b>	<b>130 157 315</b>

## 21. 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
<b>2018</b>			
<b>Financial assets at fair value through profit and loss</b>			
Sygnia (insurance policy) (recurring)	-	242 060 843	-
<b>Total available-for-sale investments</b>	-	242 060 843	-

	Level 1	Level 2	Level 3
	R	R	R
<b>2017</b>			
<b>Financial assets at fair value through profit and loss</b>			
Sygnia (insurance policy) (recurring)	-	258 614 564	-
<b>Total available-for-sale investments</b>	-	258 614 564	-

Notes to the Annual Financial Statements  
For the year ended 31 December 2018

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

*Credit risk - trade and other receivables*

	FULLY PERFORMING	PAST DUE	IMPAIRMENT	NET
	R	R	R	R
<b>2018</b>				
Insurance receivables	7 290 571	463 746	(393 597)	7 360 720
- Contributions outstanding	7 217 177	78 980	(76 332)	7 219 825
- Recoveries from members	10 125	236 417	(236 417)	10 125
- Supplier overpayments	63 269	148 349	(80 848)	130 770
Other receivables	65 273	-	-	65 273
Cash and cash equivalents	153 360 078	-	-	153 360 078
	160 715 922	463 746	(393 597)	160 786 071
<b>2017</b>				
Insurance receivables	6 698 917	753 639	(560 787)	6 891 769
- Contributions outstanding	6 632 513	200 307	(27 448)	6 805 372
- Recoveries from members	-	324 072	(345 892)	(21 820)
- Supplier overpayments	66 404	229 260	(187 447)	108 217
Other receivables	55 171	-	-	55 171
Cash and cash equivalents	148 077 289	-	-	148 077 289
	154 831 377	753 639	(560 787)	155 024 229

## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk (continued)

#### Age analysis of past due amounts

	30 DAYS	60 DAYS	90 DAYS +	NET
	R	R	R	R
<b>2018</b>				
Insurance receivables	64 139	11 421	388 186	463 746
- Contributions outstanding	(2 355)	(8 335)	89 670	78 980
- Recoveries from members	13 569	10 566	212 282	236 417
- Supplier overpayments	52 925	9 190	86 234	148 349
Other receivables	-	-	-	-
	64 139	11 421	388 186	463 746

<b>2017</b>				
Insurance receivables	271 683	13 528	468 428	753 639
- Contributions outstanding	189 542	3 366	7 399	200 307
- Recoveries from members	77 434	(4 203)	250 841	324 072
- Supplier overpayments	4 707	14 365	210 188	229 260
Other receivables	-	-	-	-
	271 683	13 528	468 428	753 639

## 22. TAXATION

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

## 23. CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION

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:

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.

## 24. COMMITMENTS

There were no commitments for capital expenditure as at 31 December 2018 (2017: R nil).

## 25. 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.



## 25. NON-COMPLIANCE MATTERS (CONTINUED)

### Contravention of Section 26(7) (continued)

#### *Causes for the failure*

Contributions were identified that were received more than three business days after payment became due, which is in contravention of both the Scheme Rules and the Act since the contributions were paid late on a few occasions. A few instances on the debit order runs were also picked up where a member did 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 Employer Group and members in accordance with the approved debt mandate provided by the Scheme.

### Section 59(2) and Regulation 6(2) of the Medical Schemes Act - Claims not settled within 30 days

#### *Nature and impact*

Section 59 (2) of the Medical Schemes Act states that a medical scheme shall pay a member or supplier of service, any benefit owing to that member or supplier within 30 days of receipt of the medical claim. In addition, Regulation 6(2) states that if the Medical Scheme is of the opinion that the account is erroneous or unacceptable for payment, it must inform both the member and the relevant health care provider within 30 days after receipt of such account.

#### *Cause of failure*

An instance was detected where a claim payment was rejected due to the fact that the individual claim payment limit was exceeded with the bank. This was detected and a manual payment of the amount was made subsequently which resulted in the 30 day time period for claim settlement being exceeded.

#### *Corrective action*

The Scheme continuously liaises with members and service providers relating to instances where claim payments are not timeously received and ongoing follow up occurs. This is common in the industry and is not viewed as material.

## 25. 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 an indirect investment in Imperial Logistics Limited and Motus Holdings Limited through its linked insurance policy investment with Sygnia Life Limited.

The Scheme also holds an indirect investment in MMI Holdings Limited (holding company of the administrator), 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 6 September 2018, which was approved on 5 October 2018 for a further period of 12 months.

### Contravention of Section 33(2) of the Act - Option not financially sound

#### *Nature and impact*

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and will be financially sound. As at the 31 December 2018, the Health option was in a net healthcare deficit position, thereby contravening Section 33(2) of the Act. The net healthcare deficit amounted to R14 378 090 (2017 surplus: R38 267 707).

#### *Causes for the failure*

The Scheme incurred specific high cost claims during the year which resulted in claims incurred being greater than the budgeted amount.

## 25. NON-COMPLIANCE MATTERS (CONTINUED)

### Contravention of Section 33(2) of the Act - Option not financially sound (continued)

#### *Corrective action*

The Trustees continue to monitor the performance of the Scheme and they will make appropriate interventions during the annual benefit review process. As the solvency ratio at reporting date was 92.6% (2017: 92.9%), the Board of Trustees are comfortable that the Scheme would remain compliant with the minimum solvency ratio prescribed by the Medical Schemes Act.

## 26. EVENTS AFTER REPORTING DATE

There have been no events that have occurred subsequent to the end of the accounting period that affect the annual financial statements and that the Trustees consider should be brought to the attention of the members of the Scheme.



**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, 4 July 2019**.

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 the close of business on **4 July 2019**. No nominations after this date will be accepted.

**All nominations must be sent to the office of the Scheme as per the Scheme rules.**

Only one nomination per nominee is required. Voting takes place at the AGM and the number of votes at the AGM and proxies received will determine who is **appointed** as the new member-elected Trustee.



# 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, 11 July 2019.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

Signature of member: \_\_\_\_\_

Membership number of member: \_\_\_\_\_

Signature of proxy: \_\_\_\_\_

Membership number of proxy: \_\_\_\_\_

**Please return this proxy to:**

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.**





